Education Savings

An Educational Factsheet on Planning for Tuition and Beyond

WaFd Wealth Management

The cost of education continues to rise, and waiting until tuition bills arrive is rarely a winning strategy. Starting early — even with modest contributions — gives your savings more time to grow and can meaningfully reduce the amount you or your student will need to borrow. WaFd Wealth Management helps clients choose the right combination of savings vehicles to meet their education funding goals.

Why Plan Ahead for Education Costs?

Tuition, fees, room and board, and other education expenses can rise faster than general inflation. A dedicated education savings strategy allows your contributions to grow tax-advantaged over time, reduces reliance on student loans, and gives you flexibility to adjust as your child's education path — and its cost — becomes clearer.

Start early, stay consistent.

Even small, consistent contributions can add up significantly over time thanks to compound growth. Starting early is often more impactful than the amount you start with.

Common Education Savings Vehicles

529 Plan

Tax-advantaged growth and withdrawals for qualified education expenses, from K-12 tuition through college.

Coverdell ESA

Tax-free growth for education expenses, with more investment flexibility but lower contribution limits.

Custodial Account

Flexible savings (UTMA/UGMA) that can be used for education or any other purpose once the child reaches adulthood.

Roth IRA

Retirement account that can also be tapped penalty-free for qualified education expenses.

The Education Savings Process

STEP 1

Estimate Future Costs

We help you project the future cost of your goals, whether that's K-12 private school or a four-year degree.

STEP 2

Choose the Right Accounts

We identify which savings vehicles align with your tax situation, flexibility needs, and time horizon.

STEP 3

Set a Contribution Strategy

We help you determine how much to contribute and how to balance education savings with other financial goals.

STEP 4

Adjust as Plans Evolve

We revisit your strategy as your child's education path, and the associated costs, become clearer.

Comparing Education Savings Options

How the most common education savings vehicles differ

Feature	529 Plan	Coverdell ESA	Custodial Account (UTMA/UGMA)
Tax Treatment of Growth	Tax-deferred growth; tax-free withdrawals for qualified education expenses.	Tax-free growth for qualified education expenses.	Taxable annually to the child under "kiddie tax" rules.
Contribution Limits	No federal annual cap; high aggregate state lifetime limits.	$2,000 per year, per beneficiary.	No limit; amounts above the annual gift-tax exclusion count against it.
Qualified Use	Education expenses, including K-12 tuition and college costs.	Education expenses, including K-12 tuition and college costs.	Any purpose, once control transfers to the beneficiary.
Control	Account owner retains control indefinitely.	Account owner retains control until the beneficiary turns 30.	Custodian controls until the state age of majority, then control passes to the child.
Financial Aid Impact	Counted as a parent asset, assessed favorably on the FAFSA.	Counted as a parent asset, assessed favorably on the FAFSA.	Counted as the student's asset, assessed more heavily.

Is It Time to Start (or Revisit) Your Education Savings Plan?

An education savings review is especially valuable when you welcome a new child or grandchild, as your child approaches high school, or when your income or tax situation changes. A WaFd Wealth Management advisor can help you choose the mix of accounts that best fits your goals and timeline.

Important Information

This factsheet is for general educational purposes only and is not personalized investment, tax, or legal advice. Contribution limits, tax treatment, and financial aid rules shown here are subject to change and vary by state; review plan disclosure documents and consult your tax advisor before investing.

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