



# Nickels & Dimes

WELCOA'S ONLINE FINANCIAL BULLETIN

## Considering A 529 College Savings Plan?

If you are interested in putting aside money for a child's college education, a Section 529 savings plan is something to consider. These plans came into existence through the Economic Growth and Tax Relief Reconciliation Act of 2001. The two biggest benefits of a 529 plan are tax exemption and account ownership control. The account owner may change the account beneficiary at any point in time. This can be important if the account beneficiary does not go on to college.

### Where To Look

When money is used for "qualified higher education expenses," it can be withdrawn from the account tax-free. Setting up a 529 plan is easy, with virtually every major mutual fund company offering 529 plans. Some excellent low expense plans are offered by Vanguard Investments ([www.vanguard.com](http://www.vanguard.com)), Fidelity Investments ([www.fidelityinvestments.com](http://www.fidelityinvestments.com)) and TIAA-CREF ([www.tiaacref.com](http://www.tiaacref.com)). Regular monthly or quarterly payments can be made from your checking account to allow for systematic saving in the 529 plan. These plans represent an effective way to accumulate college funding without sacrificing ownership of the account to the selected beneficiary.

Source: Internal Revenue Service

## Cash Smart KIDS Help kids reduce lifelong stress by teaching them responsible money habits early.

*Financial concerns are consistently listed as a leading cause of stress and worry. Unfortunately, bad money habits are usually developed at an early age. Most financial skills are learned through trial and error and from the advice and guidance kids receive from family members. So how do you get kids involved in developing good money management habits before their teen years? Here are a few ideas to consider.*

### Tips For Young Kids (age three to five)

Start with a weekly allowance. A good rule of thumb for the amount of allowance is about one dollar per year of age. Don't forget to provide your child with a piggy bank—young kids are fascinated with collecting money. I recommend that you pay the allowance in coins to stimulate counting and an awareness of different coin values.

### Tips For Middle-Aged Kids (age six to nine)

Establish a bank savings account with your child. Here's an idea I tried, and it worked great for my son when he was seven years old and wanted to save for a new bike. I instituted a dollar-for-dollar match for every dollar that he deposited into his bank account. The savings lessons he learned as a result of my parent "matching contribution" were invaluable, and in a little over a year, he accumulated enough for the new bike!

### Tips For Older Kids (age 10 to 12)

Allow your child to earn extra money through the completion of special household projects. Do you loathe cleaning the garage or organizing the basement? Consider getting some help from your older child and cut the time needed to complete the task through the added help. Also, consider paying the allowance once a month (at the start of each month) to teach your child basic budgeting skills.

By teaching kids money skills at an early age, we give them a jump-start in the development of lifelong money management skills, and reduce their chances of experiencing serious stress due to financial concerns.



Source: Remodeling Online

