Make every dollar count: The power of recurring contributions to your 529 accounts

Make Your Plan

Key Insights

- Scheduling recurring contributions keeps you consistently invested—no market-timing decisions or lump-sum planning required.
- Investing a consistent dollar amount regularly results in an investor buying more shares (or units in a mutual fund) when prices dip and fewer when they rise, potentially reducing the overall average cost of investing.
- You can make automated investing a lasting, adaptable habit by starting with a small recurring contribution and scaling up as your income rises.

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For many families, saving for college or other higher education can feel like a race against time and inflation, but using recurring contributions to spread your contributions evenly throughout the year makes it more manageable. Dollar cost averaging (DCA) refers to the strategy of automatically investing a fixed amount into your 529 plan account on a regular schedule, regardless of an asset's price. By using this approach, you don't have to worry about budgeting for a large lump sum contribution at the start or end of the year, and your savings remain invested through every market cycle.

What are the benefits of dollar cost averaging?

Investing the same dollar amount at evenly spaced intervals can:

1. **Smooth out market swings**
   You effectively buy more units when prices dip and fewer when they rise, which can lower your average cost per share over time. (See Figure 1.)

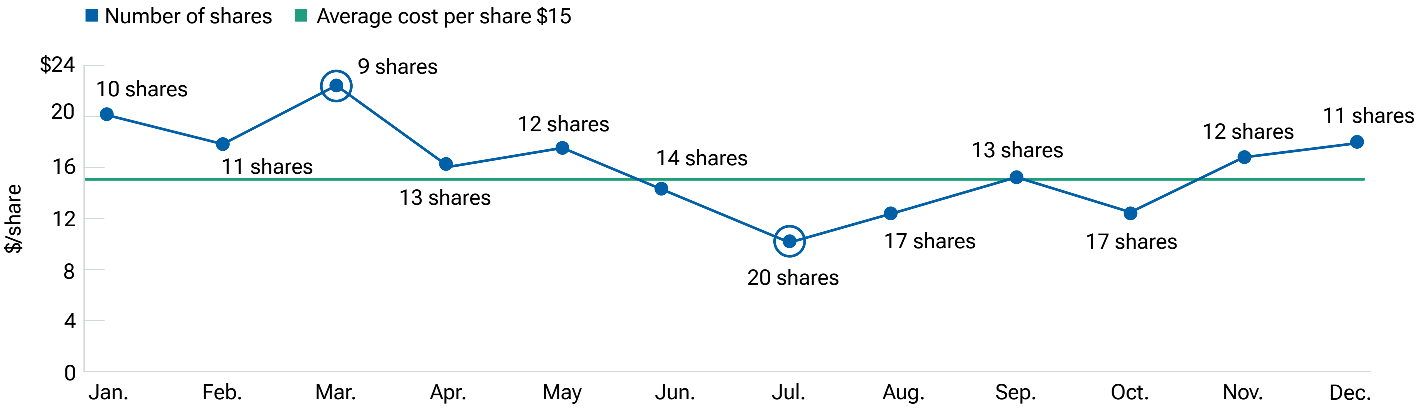
2. **Keep you on track**
   Recurring contributions eliminate the temptation to wait for a "perfect" moment and ensure you stay fully invested through every market cycle.

3. **Fit more easily into your budget**
   Consistently investing a constant dollar amount—whether $100 or $500 each period—lets you plan college or other education savings alongside retirement savings, emergency reserves, and everyday expenses.

> "Dollar cost averaging can help smooth out market swings, simplify your budget, and keep you on track.

Investing on a regular basis

(Fig. 1) Consider this hypothetical example of investing a constant dollar amount over the course of a year. At the highest price point, nine shares are purchased with the $200 monthly investment. At the lowest price point, the same $200 buys 20 shares.



Investing a constant dollar amount, also known as dollar cost averaging, cannot ensure a profit or protect against loss in a declining market. Since such a plan involves continuous investment in securities regardless of fluctuating price levels, investors should consider their financial ability to continue purchases through periods of low and high price levels. This is a hypothetical example and is for illustrative purposes only. Number of shares is rounded to whole numbers and may not equal total shares due to rounding.

This disciplined, emotion-free approach helps your savings grow steadily, without having to anticipate future market activity.

Why DCA works for education savings

A 529 plan is a long-term investment vehicle designed to help families save for future education expenses. Since your saving timeline typically spans 10 to 18 years (or more), DCA is a natural fit. You get the benefit of disciplined investing without the stress of market timing.

With DCA and **recurring contributions**, you have a system that works in your favor—quietly building over time, even while you focus on other financial priorities. Plus, you're always in control: Choose your contribution frequency (monthly, quarterly, etc.), select the funding method that works best for you (automatic bank transfer or payroll deduction), and adjust both the amount and schedule anytime to suit changes in your budget or goals.

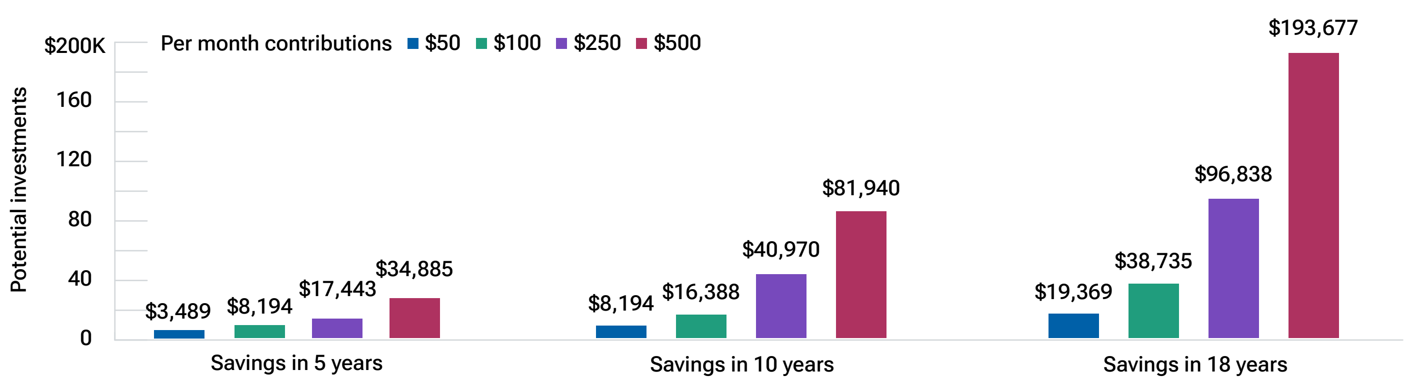
The power of staying consistent

Automated recurring contributions to your 529 plan account can add up significantly over time. Figure 2 demonstrates how different monthly contributions could potentially grow over 5, 10, or 18 years at a 6% annual return:

Example: Contributing $250 per month could potentially grow to over **$96,000** in 18 years—enough to help cover a significant portion of college expenses.

The power of staying consistent

(Fig. 2)



Source: T. Rowe Price. Assumes recurring contributions made at the end of each month, 6% hypothetical rate of return compounded monthly. This chart is for illustrative purposes only and does not predict or project the return of any specific investment option. Investment returns in a 529 plan account will vary and may be higher or lower than in this example. An actual investment may assess fees or other charges that should be considered prior to investing. A recurring contribution does not ensure a profit or protect against loss in a declining market.

When should you contribute?

Of course, there's more than one way to fund your 529 plan account. Here's a breakdown of common approaches and the benefits of each:

Timing Option	Benefit	Consider if...
Start of year (lump sum)	More time in the market	You receive a bonus or tax refund early in the year
Throughout the year (recurring contributions)	Smooths out market volatility	You want consistency and automation
End of year (lump sum)	Flexibility to assess finances	You want to see how the year plays out before contributing

Tip: While each approach has merit, recurring contributions throughout the year may offer the most behavioral and budgeting advantages for many families.

Lesser-known advantages of recurring contributions

Beyond the headline benefits, recurring contributions offer several underappreciated perks:

- **Behavioral compounding.** The discipline of saving regularly spills over into other areas of your financial life—emergency funds, retirement accounts, or even paying down high-interest debt. And it prevents you from delaying or forgetting a planned year-end contribution.
- **Adaptation to life changes.** As income rises, you can gradually increase your automated investing amount; during tighter stretches, modest cuts to your recurring contributions keep you on track without derailing your plan.
- **Establishment of a growth floor—and allowance for supplemental boosts.** Your automated contributions create a dependable baseline of year-round growth, while still giving you the flexibility to make larger, one-time deposits when extra cash is available.

Enhancing your 529 strategy

Once you've established a consistent contribution rhythm through DCA, there are a few smart ways to amplify your results and keep your college savings strategy aligned with your goals.

1. **Front-load when appropriate**
   Tax refunds or bonuses make great "top-ups"—allowing you to add extra funds when you have them. Alternatively, these events may be a good time to consider increasing your recurring contributions.
2. **Review annually**
   Check progress each year, rebalance if needed, and adjust contributions to reflect changes in college-cost inflation or your personal budget.
3. **Invite loved ones to join in**
   Gifting portals let grandparents, aunts, uncles, and friends contribute amounts for birthdays or holidays in lieu of substantial physical gifts.

By layering in these simple enhancements, you can turn a steady saving habit into a dynamic, goal-focused strategy—one that evolves as your child grows.

How to get started with recurring contributions into your 529 account

It's easy to put dollar cost averaging into action. Most 529 plan providers allow you to:

- Link a bank account to schedule recurring contributions (for example, monthly or quarterly)
- Set up payroll deduction direct deposits (if your employer offers it)
- Automate increases each year as your income grows

Start with any amount that fits your budget—even $100 a month. You can always increase it later.

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- Simplifying the process to invite friends and family to help give your savings a boost with gifted contributions.

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