Saving Now Could Help You Pay Less Later

Maryland529

Borrowing $25,000 instead of saving can double the out-of-pocket cost of college.

There are many ways that a family can pay for the cost of college. But, some of those options can be more costly than others. Two of the ways that a family could choose to pay is by either saving in a 529 plan, or borrowing with loans. This example illustrates how one family could choose to pay for $25,000 in college costs.

SAVING

A family choosing to invest about **$86 per month for 15 years** in a 529 plan would have made a total out-of-pocket investment of about $15,500.

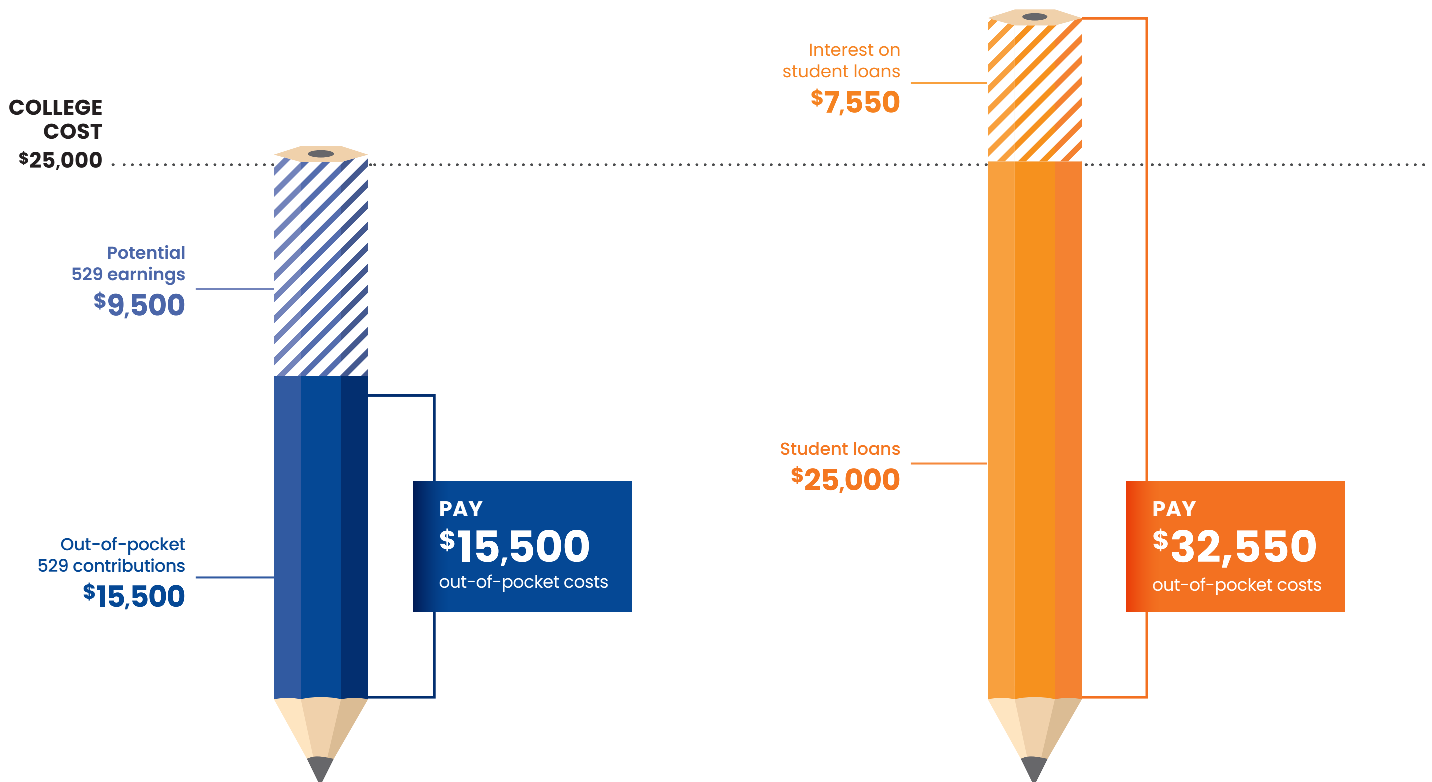
With potential earnings, this could amount to $25,000 to use toward college expenses. A hypothetical 6% annual return is assumed.

vs.

BORROWING

A family choosing to borrow might pay about **$271 per month over 10 years** for a total out-of-pocket cost of approximately $32,550 for $25,000 in loans.

This assumes a 5.5% interest rate on subsidized Federal direct undergraduate loans, which do not accrue interest during college.



By saving early, you could pay $17,050 less out-of-pocket

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This chart is for illustrative purposes only and does not project or predict the return of any specific investment option. Returns in a college savings plan will vary and may be higher or lower than the 6% assumed in this example. Making recurring contributions does not assure a profit or protect against loss in a declining market. This example does not consider any investment or loan origination fees. Amounts are rounded. The loan interest rate of 5.5% is based on a Federal direct undergraduate loan disbursed in January 2024. Other loan arrangements could have different rates or terms.

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