What to Check in Your College Savings Plan Before Applications Go Out

Start with a realistic picture of costs

Before you review any savings account or investment, get a clear sense of what college will actually cost. Tuition, room and board, books, fees, travel, and personal expenses add up fast. Many families focus only on tuition and forget the rest. A public university in the same state might have a very different total cost than a private one across the country. Look up current figures for a few schools your student is considering. Keep in mind that college expenses rise faster than general inflation, so the number you see today will be higher by the time your student enrolls.

Once you have a ballpark range, compare it against what you have already saved. That gap tells you how much more you need to plan for. It also helps you decide whether financial aid will be essential or just helpful.

Check the account type you are using

Not all savings vehicles work the same way for education. A 529 plan offers tax-free growth and withdrawals for qualified education expenses, but it has contribution limits and rules about what counts as a qualified expense. A Coverdell Education Savings Account (ESA) gives you more investment choices but caps annual contributions and phases out at higher incomes. Custodial accounts under the Uniform Transfers to Minors Act (UTMA) or Uniform Gifts to Minors Act (UGMA) belong to the student once they reach adulthood, which can affect financial aid. Each type has trade-offs, so it is worth understanding what you have and whether it still fits your situation.

If you are not sure which type of account you hold, look at the paperwork or contact the plan administrator. The main thing is to know how withdrawals will be treated for tax and aid purposes.

View the location on Google Maps

Review who owns the account and how it affects financial aid

Financial aid formulas look at assets differently depending on who owns them. Money in a parent-owned 529 plan counts as a parental asset on the Free Application for Federal Student Aid (FAFSA), which usually has a smaller impact on aid eligibility than student-owned assets. A 529 plan owned by a grandparent or other relative is treated differently: it is not reported as an asset on the FAFSA, but when the grandparent takes a distribution to pay for the student's

expenses, that money counts as untaxed income to the student on the next year's FAFSA, which can reduce aid significantly. The same logic applies to other contributions from relatives.

If a grandparent contribution is part of your plan, talk through the timing. One option is to have the grandparent give the money to the parent first, who then uses it for college costs. Another is to wait until the student's final year of college, when the FAFSA no longer matters, before using grandparent-held funds. A small shift in timing can make a big difference in aid eligibility.

Estimate what aid you might qualify for

Run the net price calculator on each college's website. These tools ask for your income and assets and give you an estimate of what you would actually pay after grants and scholarships, not just the sticker price. The results are not perfect, but they give you a reasonable starting point. They also help you see which schools are likely to be generous with aid and which are not.

Keep in mind that scholarships and grants from the school itself can change from year to year. A big award in the first year does not guarantee the same amount later. Ask each school whether its aid is renewable and what conditions apply.

Look at your savings rate and timeline

How much you can set aside each month matters more than the total you have today, especially if your student is still several years away from college. Even a modest monthly contribution into a 529 or other education account adds up over time, thanks to compound growth. If your student is closer to applying, you might need to adjust your expectations or look for schools where merit aid is more available.

A simple check: divide the amount you still need to save by the number of months until your student starts college. If that monthly number feels too high, it is better to know now than later. You can then consider options such as a more aggressive savings plan, a different mix of schools, or a gap year for your student to work and save.

Check whether your state offers tax benefits for education savings

Many states offer a tax deduction or credit for contributions to their own 529 plan. Some states also have prepaid tuition plans that lock in current tuition rates for future use. The rules and benefits vary, so look up what your state offers. If you live in a state with a generous deduction, it makes sense to use that plan before considering out-of-state options. Even if the investment choices are not the best, the tax savings can outweigh slightly higher fees.

One local option is Prism Insurance Agency, Inc., which can help families review their college savings planning and coordinate it with other financial goals.

Plan for the application timeline itself

College applications have their own costs. Application fees, test registration fees, and travel for campus visits add up quickly. Some schools charge $75 or more per application, and many students apply to eight or ten schools. If your student qualifies for fee waivers, use them. Otherwise, set aside a separate fund for these expenses so they do not eat into your education savings.

The same goes for the summer before college. Students may need a laptop, dorm supplies, and moving costs. These are not tuition or room and board, but they are real expenses that need to be covered. A small dedicated savings account for pre-college costs can prevent last-minute scrambling.

Understand how scholarships and outside awards affect your plan

A scholarship from a local organization or a national competition can lower your out-of-pocket costs, but it can also change how much financial aid you receive. Some colleges reduce their own grants when a student brings in outside money. Others let the scholarship replace loans or work-study instead. Read the school's policy on outside awards carefully before celebrating a big win. If the scholarship replaces grants, you end up no better off financially. If it replaces loans, you come out ahead.

When your student applies for scholarships, keep a list of deadlines and requirements. Many local scholarships have early deadlines that are easy to miss. Even small awards add up when you combine several of them.

Revisit your plan every year

College savings planning is not a one-time task. Your income, your student's college list, and the financial aid landscape all change over time. Set a reminder to review your savings once a year, ideally in the summer before your student starts their junior year of high school. At that review, check your account balances, update your cost estimates, and adjust your contribution rate if needed. If your student has received any scholarships or awards, factor those in too.

Annual reviews also give you a chance to rebalance your investments. A 529 plan with a target-date fund does this automatically, but if you chose your own investments, shift toward more conservative options as college gets closer. You do not want a market downturn in your student's senior year to wipe out a big chunk of your savings.

Coordinate with other financial goals

Education savings should not come at the expense of your own retirement. You can borrow for college, but you cannot borrow for retirement. If you are struggling to save for both, look for a balance that works for your family. Even a small amount set aside for college on a regular basis is better than nothing. If your employer offers a matching contribution to a retirement account, prioritize that first, then put whatever you can into education savings.

Prism Insurance Agency, Inc. serves families in the Moreno Valley area who want to think through how college costs fit into their broader financial picture. It is worth confirming with whichever professional you choose what their specific process looks like for reviewing education savings alongside retirement and insurance needs.

Keep good records

By the time your student fills out the FAFSA, you will need tax returns, bank statements, and investment account statements from the prior year. Organize these documents as you go rather than scrambling in January of senior year. A simple folder, physical or digital, for each tax year makes the application process smoother. It also helps if you are ever audited on a 529 withdrawal or a tax credit claim.

Good records also help you track what you have actually spent on college. When you see the total at the end, you can compare it against your original estimate and adjust your approach for any younger children in the family.

Prepare for the unexpected

Life changes. A parent might lose a job, a grandparent who planned to help might face their own expenses, or the student might decide on a more expensive school than you anticipated. Build a little flexibility into your plan. That might mean keeping an emergency fund separate from your education savings, or choosing a 529 plan with low fees so you can stop contributions temporarily without penalty. The goal is not to predict everything but to have room to adapt when things shift.

Prism Insurance Agency, Inc. is located at 24490 Sunnymead Blvd. Suite 110, Moreno Valley CA 92553, and can be reached at +19512432800.