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August 27, 2025

4 Smart Ways to Save for Your Kids

It's never too early to start preparing your child for financial success. Whether you're thinking about college, a first car or helping them build smart money habits, putting the right savings tools in place now can make a big difference later.

The challenge is knowing which savings strategies offer the best mix of flexibility, tax advantages and growth potential for you. Here are four options worth considering:

- **529 plans:** You can open a 529 plan to save up for your child's education expenses, such as tuition, books and room and board. Contributions to these accounts are tax-deductible, and withdrawals are tax-free. Keep in mind that 529 plans can have associated fees, and the money in that account has to be used for education.
- **UTMAs and UGMAs:** The Uniform Gifts to Minors Act (UGMA) and Uniform Transfers to Minors Act (UTMA) are two types of accounts that allow you to transfer assets to a minor. These accounts have no gift limit, but if you give assets valued over $19,000 in a year, you may need to pay the federal gift tax.
- **Custodial savings accounts:** As a parent, you can set up a custodial savings account for your child and manage it until they become a legal adult. Keep in mind that

savings accounts are considered your child’s asset, which could impact their eligibility for financial aid if they go to college.

- **High-yield savings accounts/CDs:** High-yield savings accounts and certificates of deposits (CDs) can be used for long-term savings for your kids, and both can earn significant interest over time. High-yield savings accounts typically do not have withdrawal restrictions, while you will incur a penalty if you withdraw funds from your CD before its term is up.

Choosing the right savings strategy depends on your goals and your child's future needs. Even small steps now can lead to big opportunities down the road.

Have any questions? Get in touch.

Helping clients get back to the basics of building and maintaining wealth in a tax efficient way.

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