Crowdfund Your Child's College Savings

Harnessing family and friends to ease the financial burden.

In a perfect world, families would be able to cover the costs of their children’s college education without stress. Unfortunately, that’s rarely the case. Involving family and friends using crowdfunding, however, can make the challenge more doable than you might think.

**What’s crowdfunding?**

Crowdfunding is a form of fundraising and is often used as an alternative to taking out a loan. Although crowdfunding sites are best known as a way to raise capital for a new invention or project, parents who want to send their kids to college found another use for them: crowdfunding college tuition.

With a crowdfunding campaign, you can ask friends, relatives, and communities to invest in your kid’s future without asking any one person for a large amount of cash. When the cost is spread out among dozens of people, even small donations of $25 to $50 can add up quickly.

**How does crowdfunding college tuition work?**

Here are the steps to follow when crowdfunding college tuition:

1. **Decide how much you need to raise.**

Most parents who start crowdfunding campaigns don’t expect others to foot the entire tuition bill. Instead, they use crowdfunding to supplement their other financial aid or to meet a specific need, such as buying textbooks or paying for the last class they need to graduate.

1. **Choose a platform.**

There are several well-known crowdfunding sites. And if your child has a 529 account, the plan may have a mechanism for allowing family and friends to contribute. For example, ScholarShare 529—California’s college savings plan—uses [Ugift](https://www.scholarshare529.com/gift/contributions.shtml)® for a free, easy, secure way to ask friends and family for gift contributions.

1. **Set up a campaign and ask people to donate.**

Once your campaign is live, reach out to friends and family, asking them to donate. This can be done in person or even on social media.

1. **Publicize your campaign.**

Don’t expect money to magically appear with no effort. Once the campaign is live, ask friends and family to donate to get the campaign off to a good start. Then, promote the campaign on social media and news media. Asking for contributions in person is also effective.

**Is crowdfunding college tuition common?**

Crowdfunding isn’t the most [common way to pay for college](http://www.consumerfinance.gov/ask-cfpb/what-are-the-different-ways-to-pay-for-college-or-graduate-school-en-545/), but its popularity is increasing. One platform reports college crowdfunding campaign for tuition raises a total of [$1.5 million per month](https://www.savingforcollege.com/article/how-to-use-crowdfunding-to-cover-college-cost)—$2,000 per campaign.

The great thing about crowdfunding is that no money has to be paid back, so college-bound kids don’t incur debt. Nor will s/he have to pay interest. It is just the opposite with a student loan—students do incur debt and have to pay interest. And with crowdfunding, there’s always the potential your campaign could go viral, allowing for the potential of larger or more donations. So, make it a compelling campaign.

The most effective way to save for future higher education costs is to start early. By starting when your child is young, you allow yourself enough time to create realistic goals and strategies. And if you’re a California resident, the California Kids Investment and Development Savings Program (CalKIDS) makes it easy to get started early by automatically providing newborns and eligible low-income public-school children in California with the tools to start saving for college—including a seed deposit and possible financial incentives in a 529 college savings account.

**Learn more about CalKIDS**

The state of California is committed to helping children thrive, particularly by increasing access to higher education. To that aim, CalKIDS will provide each child born in California on or after July 1, 2022, as well as eligible low-income public-school students enrolled in first through 12th grade, with a seed deposit and possible financial incentives in a college savings account.

Children with $500 or less designated for college savings are [3x more likely to enroll in college](https://www.sciencedirect.com/science/article/pii/S0190740912004379) and nearly 4X more likely to graduate than children with no savings. So, set your child up for success…

[**Visit the CalKIDS site to learn more**](https://calkids.org/index.html)**.**

The California Kids Investment and Development Savings Program (CalKIDS) is a children’s savings account program, administered by the ScholarShare Investment Board, an agency of the State of California. CalKIDS accounts will be established for children born to California families and eligible public school students, and will include seed deposits and other potential incentives, which can be used to pay for future higher education expenses.

**CalKIDS participants may also establish individual accounts with the ScholarShare College Savings Plan.**

**For more information about the ScholarShare College Savings Plan, call 1-800-544-5248 or click here for a**[**Plan Description**](https://www.scholarshare529.com/documents/ca_plan_description.pdf)**which includes investment objectives, risks, charges, expenses, and other important information. Read and consider it carefully before investing.**

**Before you invest, consider whether your or the beneficiary’s home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state’s qualified tuition program. You should also consult your legal or tax professional for tax advice based on your own circumstances. Investments in the plan are neither insured nor guaranteed and there is the risk of investment loss.**

**If the funds aren’t used for qualified higher education expenses, a 10% penalty tax on earnings (as well as federal and state income taxes) may apply. Non-qualified withdrawals may also be subject to an additional 2.5% California tax on earnings.**

The ScholarShare College Savings Plan is offered by the State of California. TIAA-CREF Tuition Financing, Inc. (TFI), program manager. TIAA-CREF Individual & Institutional Services, LLC, Member FINRA, distributor and underwriter for the ScholarShare College Savings Plan.

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