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CollegeAmerica®
To Save or to Borrow?

Investments versus loans: Comparing two ways to pay for college could save you money.

By investing to help pay for a loved one's college education, you can reduce a future financial burden of student-loan debt. But paying for college with assets you invest over time (rather than with loans) also has the potential to save you money in the long run. Here's why:

Hypothetical saving scenario

The goal: $25,000
Save $25,000 to help pay a child or grandchild's college expenses.

Your monthly investment: $152
Assuming a 10-year time frame and a 6% average annual return, your monthly investment would need to be $152.*

Total invested: $18,240
The total amount invested would be $18,240.

Hypothetical borrowing scenario

The goal: $25,000
Borrow $25,000 to help pay a child or grandchild's college expenses.

Your monthly payment: $278
Assuming a 10-year repayment period and a 6% interest rate, the monthly student loan bill would be $278.

Total repaid: $33,360
The total amount repaid would be $33,360.

The bottom line
Borrowing to meet $25,000 in college expenses could cost **$15,120 more.**

If your annualized return was less than 6%, the investment amount needed to reach $25,000 would be higher, and borrowing to meet college expenses might still be necessary.

Sallie Mae: Student loans looming larger†

- Loans form one of the largest shares of financial-aid packages.
- The share of college costs paid by loans has increased 4% since 2008.
- The size of loans has increased significantly.

To learn more about the potential benefits of saving for college rather than borrowing, talk to your financial advisor.

* Figures are rounded. For illustrative purposes only. Not intended to portray an actual investment.
† Sallie Mae, *How America Pays for College* (2013)

Depending on your state of residence, there may be an in-state plan that provides tax and other benefits not available through CollegeAmerica. Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses, summary prospectuses and the *CollegeAmerica Program Description*, which can be obtained from a financial professional and should be read carefully before investing. CollegeAmerica is distributed by American Funds Distributors® and sold through unaffiliated intermediaries.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

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