

Key Takeaways

Lesson 4: Baby Steps 4,5,6,7

Baby Steps Journey Recap

Here's a high-level overview of how you should view the baby steps...



Baby Step 4: Invest 15% of Your Income In Retirement

Once you're out of consumer debt, now it's time to start growing your net worth. "Millionaire" Net Worth: What you own (assets) - what you owe (debt) = \$1 million



Invest 15% of your household income in retirement.

Baby Step 5: Save for Your Children's College Fund

Start saving for kids' college only after you've accounted for 15% of your income going towards investing for retirement.

Good options for college savings:

- **ESA**—You can choose almost any kind of investment—stocks, bonds and mutual funds. However, there is a contribution limit of \$2,000 per child per year.
- **529 Plan**—Unlike the ESA, there is virtually no limit to 529 plan contributions. It uses after-tax dollars, grows tax-free, and you can withdraw the money tax-free as long as it's spent on qualified education expenses.

Other tips and tricks on going to school debt-free:

- Select an affordable school.
- Apply for things like scholarships, grants or work studies.
- Get a job!