May 19, 2011 - The school year is coming to a close, which means that if you have young children, you are now one year closer to college days -- and college bills. At the same time, you are moving nearer to your own retirement. Can you save for college while you put money away for retirement? Yes -- but it will take planning, patience and discipline.

Your first step is to be aware of the challenges you will face. As you know, the financial crisis of 2008 and early 2009 took a bite out of just about everyone's retirement portfolio. And even though the markets have bounced back strongly, you might still have some ground to make up in your 401(k), Individual Retirement Account (IRA) or other accounts. At the same time, budgetary pressures may lead to reductions in Pell Grants and other federally backed financial aid to students, so you may need to provide more assistance to your children than you once might have thought.

To deal with these challenges and help yourself make progress toward your college/retirement objectives, consider the following moves:

Establish some priorities. How much should you save and invest for retirement versus college? Also, how much of the college costs would you like to cover: 100%, 50% or perhaps a set dollar amount? There's no one "right" answer for everyone -- you'll have to establish priorities based on your preferences and family situation. But once you've set these priorities, you'll have some guiding principles to govern your savings and investment decisions.

Put time on your side. The earlier you start saving for both your retirement and your children's college education, the better your chances of reaching your goals.

Choose the right investment vehicles. You may want to work with a financial advisor to choose the appropriate mix of investments for your needs. But in general, it's a good idea to contribute as much as you can afford to your 401(k) or other employer-sponsored retirement account. Your contributions are generally made with pretax dollars, and your earnings can grow tax deferred. And whether or not you have access to a 401(k) or other employer-sponsored plan, you can probably also contribute to a traditional IRA, which offers tax-deferred earnings, or a Roth IRA, which provides tax-free earnings, provided you've held your account at least five years and you don't start taking withdrawals until you've reached age 59. To save for college, you may want to explore a 529 plan, which also provides tax-free earnings, provided they are used for qualified higher education expenses.*

Keep investing. The financial markets will always move up and down -- so in some months, you might not like what you see on your investment statements. But the most successful investors keep investing in good times and bad. If you decide to take a "timeout" from investing and head to the sidelines during a market slump, you could miss out on the next rally.

By following these suggestions, you can keep moving forward toward two special times in your life: when your children attain the higher education that can help them succeed in life and when you can enjoy the retirement for which you've worked so hard.

* Withdrawals used for expenses other than qualified education expenses may be subject to federal and state taxes, plus a 10% penalty. There may be state tax incentives available to in-state residents who invest in their home state's 529 plan. Student and parental assets and income are considered when applying for financial aid. Generally, a 529 plan is considered an asset of the parent, which may be an advantage over saving in the student's name. Make sure you discuss the potential financial aid impacts with a financial aid professional. Tax issues for 529 plans can be complex. Please consult your tax advisor about your situation. Edward Jones, its financial advisors and employees cannot provide tax or legal advice.

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