Ask Commerce: Child Savings Plans

Video Transcript

Parenthood comes with a lot of financial questions. Here we're focusing on whether your child needs their own savings account and what kind might be best. The simple answer, it all depends on your end goal.

A traditional savings account can be a great way to teach kids about managing money and the banking system as a whole. It can also help you both pay for future expenses, whether that's sports equipment your child needs or a toy they want. If your goal is to save money for college, you may want to consider a five twenty nine plan. These accounts have great tax advantages.

When you withdraw funds to use on qualified education expenses, you don't have to pay federal income tax.

Whichever direction you go, do your homework and know that teaching your child about money at an early age is something that'll help them for their entire life.