It is very important to save money now to have a secured future for our children. Since it becomes very embarrassing when one is forced to terminate his/her children's education due to lack of money; one should always try and save some portion of his/her income.

Setting Your Goals for Baby's Future

An important component of planning for your child's future is having something definite to reach for. Setting goals gives your planning form and shape.

Rank your goals by priority. A college education for your child? Ballet lessons? Braces? A two week vacation every year?

How are you going to pay for what you need and want? Since saving money under the mattress probably won't help you to achieve your goals, most people look for a way their money will grow-that means investing.

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Simply put, investing means committing money with the expectation of a profit. All the planning you've done up till now will determine the kinds of investments you choose. Successful investors will analyze their own situations in terms of income, monthly cash requirements, and net worth over the years. They will also determine how much risk they can live with comfortably. If you want liquidity and safety, stick with money market funds, insured certificates of deposit, U.S. Treasury bills and bonds, fixed annuities, and equity in your home.

High quality stocks, high grade corporate and municipal bonds, and investment real estate traditionally provide income and/or long-term growth. High risk investments include options, futures, tax investments, and undeveloped land.

Because there are so many investment choices available, it's important to educate yourself on which ones are best suited for your situation. Resources for self-education include seminars and classes offered through adult education programs at local high schools and junior colleges, YMCAs, and public libraries. Newspaper and magazine articles probably provide the most timely written information on investments. It's imperative to educate yourself, because no one will look after your family's interests as well as you will.

Unless you have a large income [over $100,000] and a complicated tax situation, you probably don't need to hire a financial planner. If you decide you do need a financial planner, be wary of know it all types. No one person can be an expert in all aspects of investing and estate planning. Use the same caution you employed when choosing your doctor and attorney.

If you do decide to invest, commercial banks, brokerage firms, and savings and loans will be competing for your business. Since deregulation, U.S. banks and thrift institutions [noncommercial banks, savings and loans, and mutual savings banks] have expanded their lending and investment opportunities to become more competitive with brokerage firms, which traditionally have offered a wide variety of financial services.

Since saving for their children's college education is a common goal of many parents, investment programs specifically geared to that end are springing up everywhere. Some institutions will send you a computerized education savings analysis based on information you give them. The analysis is usually free, but of course the bank is hoping you will use their service.

A typical analysis will look at your child's age, number of years before his college education begins the percentage of college costs that you will pay, your estimated taxable income and its probable rate of growth, and other factors. This information is the basis for the institution's analysis of how much money you will need and when you will need it.

A certificate of deposit [CD] is one investment vehicle available. A CD is a time deposit that cannot be withdrawn without penalty before a specified maturity date. The minimum deposit for seven to thirty-one day accounts is $1,000. The law requires no minimum deposit in accounts with maturities of more than thirty-one days, but individual banks may have their own minimum deposit requirements.

Other financial instruments you may encounter include:

- Bonds. A fixed income security that represents a loan to the bond issuer. The bondholder usually receives semi-annual interest payments. Corporate bonds are issued by private companies; municipal bonds are backed by specific revenues and are exempt from federal income taxes.

- Money Market Deposit Accounts. These enable banks and thrift institutions to compete with money market mutual funds. These interest-bearing accounts are insured and offer limited transaction privileges, such as check writing.

- Mutual Funds. Pooled investments that are professionally managed. A money market fund is a mutual fund that typically invests in short-term securities, such as treasury bills. Mutual funds are not insured.

- Stocks. Ownership interest in a corporation, entitling the stockholder to voting rights and a part of the corporation's earnings [dividends].

- Treasury Securities. The U.S, Treasury issues bills, bonds, and notes. Each is sold at a discounted face amount and cashed in for a full face value at maturity. Lengths of maturity vary.

- Zero-Coupon Bonds. These corporate or government issued bonds are sold at deep discounts from face value and pay no interest until maturity [hence their name]. Zeros have become popular for college investing because the maturities can be staggered, so that some will mature during each of the years you'll have children in college.