

Strategies for Managing Skyrocketing College Costs

High school seniors and their families are typically excited about the prospect of their student going to college, but the financial implications of this decision are significant.

We are asking 17 and 18 year olds and their parents to make 6 figure financial decisions that will impact them for life! Unfortunately only 66% of recent college graduates considered college to be a worthy investment as finding a job after graduation over the past several years has been challenging.

Here are a few questions any parent or guardian with dreams of sending their children off to college ask:

Why College? A basic question most families fail to ask is why attend college? It's easy to just go with the flow and apply since every other high school senior is applying. But if you don't ask why you should go to college, you won't know if it's worth it.

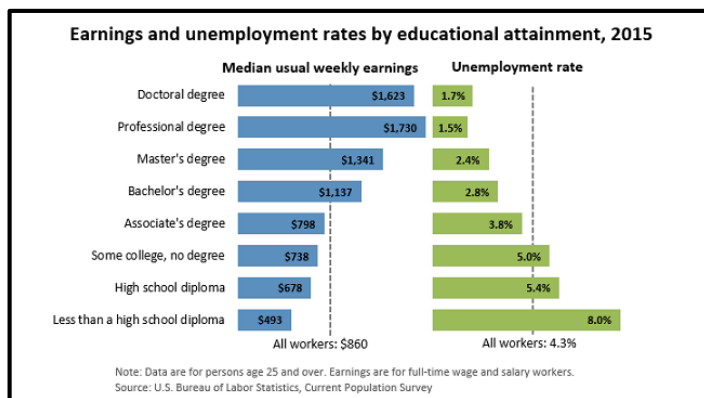
Is it to get career skills? To become an independent adult and contributing citizen? To learn how to learn? There are many valid answers to this question, but you need to figure out what college means to your student.

What Does College Really Cost? For 2016-17, the average published cost, including books and transportation, for 4 year public in-state universities was \$24,610 and for private universities was \$49,320. Compared to the prior year, this was up more than twice the rate of inflation. What most people don't know is that few students have to pay the published price.

While published costs at private four year colleges rose 27% from 2006-07 to 2016-17, the net cost after financial aid was only up 6% (below the rate of inflation). Colleges are increasingly using financial aid to "buy" the types of students they want.

Fortunately all schools that receive Federal aid must now provide a "net cost calculator" on their website which will give you a good idea of how much college will really cost. With a little research, your student is likely to find an attractive school that also has an attractive financial aid package.

Is College Worth It? While college does not equal destiny, this chart from the Bureau of Labor Statistics shows the high correlation between education and income:



Why Is Financing College so Complicated? Financing college will require a combination of strategies including tax advantaged accounts, like 529's, tax credits, scholarships, student savings, grants, work study, and loans. Here are some tips:

Start Early. The more time you have the more options you will have. Communicate expectations to your student early. We are big believers that students should have some investment in their education, but it's not fair to spring that on them their senior year of high school.

Get Help. This may include talking to your school counselor, getting a tutor to improve the odds of a scholarship or seeking financial advice on ways to fund college.

Set Limits. Many parents will limit the distance or type of school (i.e. religious or technical), but don't even think about setting financial limits. It's OK to say, "we can afford to pay \$XX for college and no more." Besides, your kids will appreciate that you saved for retirement and won't need to move in with them. Not only should you set parental financial limits, set student financial limits. It's OK to expect your student to contribute to their education through savings, work study and even loans. But don't put too much burden on your kids. A good limit is that students should borrow no more than the Federal student loan limit. This will keep the total debt manageable and will allow your student to take advantage of income based repayment plans.