

# EduGuideTIPS

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## Start Saving Now

PARENT TIP #10

### Planning for the Costs of College

By Susan J. Demas

Some of the most heartbreaking conversations I've had have been with smart teens who don't plan to go to college. It's not that they haven't thought about it or aren't willing to work hard. Many of them have been dreaming of being a veterinarian since kindergarten or teacher since they had Mrs. Brady in third grade.

But their decision usually comes down to one thing: money.

College takes a lot of it—estimates hover between \$50,000 and \$300,000 depending on the school and degree program—and their families don't have it. But even if you're not lucky enough to have Bill Gates for a father, college is still for you.

The best advice for families is to start early and save often. Try setting aside as little as \$25 per month when your child is born—it's amazing how it can add up over time. Investigate different college savings plans and see which one is right for you. And recruit relatives to get in on the action. Ask them to contribute to a college savings plan instead of buying your child the latest "Kung Fu Panda" action figure they'll soon forget about.

But what if your child is in high school and your bank account is bare? Don't panic and don't give up on the dream. Plenty of students end up sitting in a college lecture hall even after making the choice to go their senior year. Just know you'll have to play catch-up and fast.

Book an appointment with the school guidance counselor, stat. Your first step will be to apply for financial aid. Go to [www.fafsa.edu.gov](http://www.fafsa.edu.gov), your one-stop shop for filling out the Free Application for Federal Student Aid (FAFSA) and for tips on student loans, scholarships and Web sites for free student money. Have your child apply for as many scholarships as he can through your workplace and online.

#### It's a Fact.

The sooner you start saving for college, the better your chances will be to have enough in the bank. Interest compounds over time, so it's better to start early, even if it's a small amount every month.

#### Are you ready to pay for college?

1. We have a college savings plan. **YES/NO**
2. We've researched total college expenses and have budgeted accordingly. **YES/NO**
3. We've filled out the FAFSA. **YES/NO**
4. We've researched scholarship opportunities and my child has applied for them. **YES/NO**
5. We've talked with the college financial aid office. **YES/NO**

If you answered **NO** to any of these questions, it's time to try to fill in the blanks. This is a test you and your child can't afford to fail.

Remember, you'll need to fill out the FAFSA, regardless of which school your teen attends. But a word of warning: This can be a challenge to gather all the information you'll need. For help in filling it out, find a College Goal Sunday event in your area at [www.collegegoalsundayusa.org](http://www.collegegoalsundayusa.org).

After you find out what your financial aid package is for each college, you'll need to realistically decide if you and your child can pay for the rest of the bill. Don't forget to factor in the costs of other expenses like books, a computer, housing, parking and food. If you still come up short (and many families do) consider your options. You and your student may consider taking on additional jobs or loans to get by.

Once your child is enrolled in college, make sure you're both managing money wisely. Stay on a monthly budget. Have your teen take a full-load of classes so she qualifies for the most financial aid and scholarships. And encourage her to get to know financial aid professionals who can help her snag the most funds.

No one said paying for college is easy. But it is an investment. Studies indicate that college graduates make \$1 million more over their lives than those who just graduate from high school. So a little pain now means big gains in the future. Keep that in mind as you walk past the plasma TV display or read your student loan statement.

*Susan J. Demas is a contributing editor to EduGuide from Lansing, Michigan.*

## Types of Savings Plans

So you want to pay for college. Here are five plans to help your child get there.

- 1. 529 Savings Plan.** There is often a tax benefit for going with your home state's plan. Savings are invested based on options you select from guaranteed small returns to riskier larger returns.
- 2. 529 Prepaid Plan.** Most states have prepaid plans. The gist is you pay tuition now and lock in today's rates. That sounds pretty good given skyrocketing costs and annual costs that can top \$50,000 today at private colleges. However, the money is tied up until your child starts college.
- 3. Educational Savings Account.** Open an account with any bank, broker or mutual fund that you plan to dedicate to your child's college education. You are limited to \$2,000 per year per child. Plus, there's no restriction on spending before your child is in college.
- 4. Cash Back Programs.** If you buy selected goods with a registered credit card, you get 1 to 10 percent cash back for college savings. Upromise, EdExpress.com, Babymint.com and MBNA Fidelity credit cards offer such programs. The average annual savings range from \$50 to \$500, but there's a limited dollar value.
- 5. Roth and Traditional IRAs.** Tax laws now let you take money from these retirement accounts to pay for college without penalty. But you're limited to \$5,000 per year per person if you're 49 or younger in 2008. Some restrictions apply.

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