

Planning for College: Consider All Your Options

Mary Rowland Personal Finance Column – May 2008

Don't we all look forward to summer when we plan to work less—or less intensely? Educators get a special award in that they may decide not to work at all. The agenda is looser with more time for relaxation and reflection.

One important reflection is how we will grow our lives to the fullest through education, new jobs, a sport, volunteer work. And then comes how we will do the same thing for our children. Educating—and changing and growing—are the most important things we do in this life. We should never stop. And certainly we should never stop in the name of money.

But today, paying for college is high on the worry list of the child, student, parent and grandparent. So much so that we've pushed the magical world of curiosity and learning into the background. I remember when my son was eight years old and he said: "Mom, how much money have you got for me for college?" I said: "We're doing our best."

My son just turned 18 and the past year has been one of fretting and worrying, not just about how he will pay for college next year but whether he will even get into a college and have the *privilege* of paying tuition. Some of his friends do not have a nickel set aside for college. Others have applied to a dozen schools, been waitlisted at five and denied at the others. "Why should I even bother to go to college?" is a question I hear from my son's and daughter's friends. Four more years of studying, pinching pennies, and living by someone else's rules. Of course, for some students who have no money worries, going to college is a way to let the good times roll and extend the buffer between childhood and adulthood.

Why go to college? We always get the answer that a college graduate earns \$1 million to \$1.5 million more over his lifetime than a high school graduate. OK. But that's not the only reason. When I graduated from high school, I didn't even entertain the idea of college. My family had no money. But then it began to look intriguing. I worked for a year, saved my money and started as a freshman at the University of Minnesota. It changed my life. And that was in the first week. I'm sure many, many other students could say the same thing. In my years (decades) of writing about personal finance, I've found that what happy people and fulfilled people seem to have in common is a passion for what they do whether it is their day job, a hobby, church group or volunteer work. The more you learn about yourself and about your options, the more likely you are to find what fulfills you.

Isn't it time to change "college" from a dirty word full of anxiety to an opportunity to identify the golden ring? And to get back to college ourselves, to some kind of learning that will enhance our opportunities?

Paying out every last penny you have for your child's education so that you must spend the next four years at home watching American Idol because you can't afford to buy a book to read or gardening tools or gas to drive to the park, is not the right answer for your family. Continued learning is something each family member deserves.

Here are five possibilities to consider to get yourself or your child or grandchild into a college where both you and he will grow:

1. Spring 2008 marked a record number of college applicants and a record number of denials. Colleges had the lowest acceptance rates in their histories. Gifted students were turned down everywhere from Princeton University to State U. Prepare your child for this. Denial might be his first rejection. Help put it

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in perspective. Then look on the bright side. Under pressure from the federal government, colleges are beginning to make concessions on their financial aid programs such as turning loans into grants, which can help middle-income people. Start strategizing in advance. Tell your child how much you can contribute to his college education and help him get started in looking for schools and financial aid now.

2. Colleges—and students—must become more flexible. Some students apply to a college in their senior year of high school, asking for a one-year deferral, a year when they may work to save money or for Habitat for Humanity, etc. Colleges seem to like that. Colleges are also increasing offers of acceptance for spring semester of the freshman year. If you or your student likes that program, say so upfront. Many schools, like Northeastern University, which my children will attend, encourage students to take two or three “co-op” semesters where they work full time in their chosen field, get paid, and do not pay tuition.
3. Make careful choices about student financial aid. *Do not* put college savings in the student’s name. There was once a tax advantage to doing this, but no more. When financial aid is calculated, 6 percent of the parents’ savings are considered to be available for college. But 35 percent of money in a student’s college account is considered available for college bills that year.

Here’s a time I should have listened to myself. My husband and I earned enough money that we never expected to be eligible for financial aid so I tried to put money regularly into a Uniform Gift to Minors account for Tom, figuring it would be better to have something than nothing. A couple of years ago, I had a disabling accident. Last year, I earned around \$15,000, certainly low enough to qualify for financial aid. But Tom’s college account brought him over the eligibility level. Always check before you invest in an account whether the money in it is considered the parent’s assets or if it is considered the student’s assets. Some accounts—like 529 plans—are considered the parents’ savings for the children, which is good. And don’t pay for help on filling out the financial aid forms. You can do it!

4. Say you are just out of college and hoping to go to graduate or law school. Look for an employer who shares your plans and will help you pay tuition. If you’ve been out of college for 20 or 30 years, ditto.
5. College is just the beginning of looking for what you were meant to do. Hesitate before lining up all your ducks into retirement. I know many people who have chosen a major, then a job, an employer who will pay for advanced work in the field, without ever reflecting on how they might change over those years. One young woman is planning to become an actuary. She’s finished college and is now beginning the ten-year journey of courses and tests to become an actuary so she can lie back, relax, and get her BMW. She hates everything about her job but her employer pays for her to take these courses. She doesn’t see what she’s losing in those ten years by failing to enrich her life, to follow her passions, to learn about things other than numbers and longevity.

Mary Rowland is a nationally known business and finance writer. The former personal finance columnist for The New York Times and former co-host of a nationally syndicated radio show, Ms. Rowland is the author of several investment books and speaks regularly to consumers and financial planners about investing and personal finance.