

## **College Planning**

### **Paying for College? What's Your Plan?**

Helping your children pay for college is one of the biggest and most important challenges that you will face. Currently, a four-year education (tuition, fees, room and board, supplies and personal expenses) can range from almost \$100,000 at a public college to over \$230,000 at some of the most expensive private institutions such as Boston University and The University of Chicago. With expenses expected to rise at the current rate of 5% per year, the costs could skyrocket to \$150,000 for a public college and over \$360,000 for a private institution for a student matriculating in 2019.

To make matters worse, college planning gets more complicated each year because of the ever-changing rules, regulations and tax laws. Feeling overwhelmed and confused, many parents fail to develop an effective plan, leading to burdensome debt affecting both parents and students for years to come.

Studies have shown that while most parents feel helping their children pay for college is one of their most important financial goals; few are financially prepared to do so. Some reasons include underestimating costs and failing to reduce discretionary spending in order to reach their college-funding goal. Parents also have unrealistic expectations and make false assumptions regarding the availability of financial aid. Though in many cases parents and students will not be forced to bear the entire cost of the education, most college financial aid administrators agree that parents overestimate the amount of scholarship, grant and other financial aid their children will receive, and have a false sense of security that colleges will help them cover most expenses. Therefore, you should not base your college savings plan on the hope of a generous financial aid or scholarship package that may not come to fruition. The fact is about half of all college students get no such money at all, and instead have to pay the full price of college by borrowing, working, or withdrawing from their savings.

That, in essence, is the bad news. Are you ready for some good news?

First, developing an effective college savings plan is achievable if you keep it simple and are willing to invest the time and effort to keep abreast of the changes in regulations and learn how to use the tax and investment options available to you. Tax-advantaged savings vehicles as well as tax credits and deductions are available to help take the sting out of college costs.

Second, for those of you who start early, you have time and the power of compounding on your side. Even small, regular contributions to a college savings plan can go a long way to defraying the costs for the time when your child actually starts college. Saving early and regularly is the surest way to build a college fund.

Helping educate your children is one of the most important things you can do as a parent. Planning ahead, saving diligently, doing your research and applying some good, old-fashioned common-sense will allow you to help your children most effectively when the time comes.