



# KEEP COLLEGE COSTS IN CHECK WITH THESE 5 CONVERSATIONS

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Deciding where your child will go to college is a big emotional investment as well as a financial one.

The College Board estimates the average cost of tuition, fees, and room and board for a four-year education at a public, in-state university is near \$83,000, making saving and paying for college a daunting proposition.

A 2017 T. Rowe Price survey\* found that 62 percent of kids expect their parents to cover the cost of “whatever college I want.” However, 65 percent of parents say they’ll only be able to contribute “some” of the cost of college—and many feel bad about that.

As a financial planner, I believe it’s wise to put parameters around college costs and discuss options with your children early in the process. When my own two kids started looking at colleges, they understood they did not have a blank check when it came to paying for college; my spouse and I were clear about that from the start and discussed what we could afford.

However, before you talk to your kids, you and your spouse need to be on the same page. I know couples who hadn’t thought about how to pay for college until their kids started applying to schools. Not having prior discussions with your spouse can certainly add some challenges. Sometimes Dad expects the kid to pay (because he did back in the day) or Mom wants to pay for everything (because she didn’t want her kids to have student loans like she did). So, having these discussions beforehand is important.

Once you and your spouse agree on the financial plan for college, it’s time to involve the kids. Here are a few things to bring up in the conversation:

- 1. The budget.** If you have been saving for college through a 529 plan, tell your kids—or better yet—show them. Let them see how much is in their college fund so they understand what the budget is. Your kids really don’t want to be an unnecessary burden and are willing to compromise if they have the context and information. This is also a great way to get younger children involved in college planning discussions.
- 2. The bill (and who’s responsible for paying it).** If you are expecting the kids to contribute, be specific. Are they expected to pay for their books and living expenses, or will they be contributing to their tuition as well? Make sure they understand that some of the money they might be making from their summer or part-time job needs to go toward college expenses. Plan ahead. Don’t wait until freshman orientation to spring it on them.
- 3. Financial aid (and educating yourselves on how it works).** For many middle-income families, financial aid will come in the form of loans. It may not be the “free money” families expect. You will experience the joy of FAFSA (Free Application for Federal Student Aid). This is the form you complete to determine your expected family contribution (EFC) toward college costs so most colleges will know how much aid you might need. Understand these terms and the types of financial aid that may be awarded to your child so you will be better equipped to decipher financial aid award letters.
- 4. Student loans.** For many, borrowing for college with federal student loans may be unavoidable. And, they’re usually already inserted into your financial aid package. You actually have to “opt out” if you don’t want them. I’ve talked to college students who don’t even know how much they have in student

loans or what their loan payments will be once they graduate. Keep track of the amount of loans being accumulated and understand when they need to be paid back so you can budget for that. There are several repayment options available to explore when it's time to make those payments.

- 5. Grant and scholarship options.** Grants and scholarships are the “free money” most people think about when they hear “financial aid.” Comparing a college’s “sticker price” to the “net price” can give you an indication of how much grant and scholarship money the college may provide. Searching and applying for other kinds of scholarships can be time consuming, but well worth it. And, don’t forget there may be opportunities for scholarships or work-study programs once your child is enrolled in college that can help offset expenses.

Both of my kids have graduated college and have a small amount of student loans they are paying off. College savings plans were not around when they were younger, so we got a late start saving for them. Here’s how we stayed within our budget:

- My son attended a small, private liberal arts school. Even though tuition was expensive, we were able to save money because he lived at home for three years. Oftentimes, room and board can cost more than tuition. He also had a job while he went to school and used that money to pay for his commuting expenses.
- When my daughter declared she wanted to be a teacher we limited the search to in-state public colleges because there were great and affordable options close to home.

Figuring out how to pay for college is both a big emotional and financial commitment. Getting a head start and saving for that college bill now is one of the best things parents can do to minimize the amount you or your child will have to borrow later. Saving beforehand is just as important as having a plan and agreeing about how much you can spend when it comes to a college education. This is an exciting time—enjoy the journey together.

*A 529 college savings plan’s disclosure document includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. You should review the 529 plan offered by your home state or your beneficiary’s home state and consider, before investing, any state tax or other state benefits, such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state’s 529 plan.*

\*2017 T. Rowe Price Parents, Kids and Money Survey

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