

**Working Title:**

College funding: OMG, the College You Have Your Heart Set on Costs How Much?

**Short Title:**

How much would you pay for your children's college education?

**Super Title:**

Funding a College Education

**Teaser:**

How much do you want to pay for your children's college education? Should you pay, but not for a top-tier college? Should your kids work their way through college? There's no right answer, but there should be agreement between the parents to come up with a plan that works for the entire family

**ARTICLE:**

Our financial planning clients are physician families that place tremendous importance on their children's education. With soaring college costs, it's no surprise that the topic of funding higher education looms large.

First things first: Don't wait until the last minute! College funding should start with an agreement between the parents on how much they want to spend. Setting that basic parameter is essential to your college saving process. It isn't always easy, but honest communication will always work in your favor. How can you start? By having a philosophical discussion—and the earlier this begins, the better.

**What's Your College Funding Philosophy?**

In my 20 plus years as a financial planner, I've found that parents' philosophies about funding college tend to fall into one of these three broad categories: (1) self-sufficiency, (2) state-school, and (3) it's our pleasure. While you may fall somewhere in between these philosophies, you will likely recognize yourself most in one of them.

*Let me say up-front that there's no right or wrong solution.* With that understanding, here's a breakdown of what I hear from parents as we sit in my office.

**The Self-Sufficient Philosophy:** Children build strength and character when they pay for college on their own. I paid my own way through school with loans and work, and I'm a better person for the experience. When I was in college, the kids down the hall whose parents paid for them didn't take it seriously.

*Conclusion:* Our children will benefit from paying for their own college education.

**The State School Philosophy:** We'll fund the cost of a state school at about \$25,000 to 30,000 per year. I went to a state school, and I turned out pretty well. If they want to go to a more expensive school, our children will have to fund the difference. Or, I'd pay for a middle-tier school that costs around \$50,000 if we get enough merit money to make the cost equivalent to a state school.

Often, these families believe that the highest value will come from having an impressive graduate degree, so why waste a lot of money on undergraduate education?

*Conclusion:* Our children can have a great, valuable college experience without breaking the bank.

**It's Our Pleasure Philosophy:** We know that top schools cost \$75,000 to \$80,000 per year, but we'd be thrilled if our children got into an Ivy League or other top-ranked school. It would be an honor—and our pleasure—to make that happen, even if we have to pay the total cost.

*Conclusion:* We want to honor and financially support our children's hard work.

## What if the parents are not on the same page?

I started this article out emphasizing that while there is no right or wrong philosophy, a shared understanding is critical. How do I know? I've seen first-hand the trouble that parental disagreement can cause. A few years ago, a friend of mine was helping his oldest child apply for college. As a double-income family, they make a nice upper middle class income, but there was a problem. He wanted his child to go to a top-tier school, while his wife wanted their son to attend a more affordable school.

Well, the husband "won." The child applied early-decision to a top-tier school and was accepted. Unfortunately, they found out they didn't qualify for any financial aid. In the end, the child ended up attending the state school. The emotional roller coaster caused by this experience hit the child hardest.

*What's the lesson?* Sadly, the squabbling and heartbreak could have been prevented with some good communication, simple planning, and—ultimately—the parents agreeing on a college funding philosophy.

## When Should You Start the Conversation with Your Child?

It's best to speak with your children no later than 9<sup>th</sup> grade, earlier if the child is expressing curiosity about colleges. Make it very clear *what* you are willing to fund and *why*.

**Here are a few other tips for you:**

**Be United:** As in other family situations, it's best for the parents to show a united front.

**Be Clear:** Be straightforward and frank so your child isn't misled. After all, there's no point in having them fall in love with the idea of attending Princeton or Stanford if you have no intention of paying for schools with those price tags.

**Be Consistent:** If you're paying for a top-tier school for the oldest, be prepared to do the same for all your children.

**Be Realistic:** Elite schools aren't the best option for all students, even if their grades and merits enable them to get in. For example, some children are better off with a less rigorous academic environment. Others might choose to stay closer to home. Others may be attracted to a school in a specific locale or area of study.

### **Your College Funding Philosophy is Up to You.**

Deciding not to pay the cost of an elite school for your children does not mean you don't love them. Many factors go into the mix. In particular, funding expensive colleges can significantly erode your opportunity to retire at a reasonable age, remain financially independent, and maintain a level of comfort in your later years.

The top priority is finding the right fit for your child and determining the best way to serve the family and children's interests financially.

### **What's the Best Way to Save for College?**

Once you agree on your family's philosophy about funding a college education, how much should you set aside for it and what's the best way to save?

A college funding analysis by a financial planner will give you the monthly or annual funding amount to aim for. Your child will reach college age before you know it, so the earlier you start saving the better. The best vehicle to use for college savings is a 529 plan, which will be the topic of the next blog post. Funding as early as possible will give the account more time to grow tax-free, the main benefit of a 529 plan. If you have children, start thinking now so you can make a practical college savings plan that makes the most of your hard-earned money.