

## **The Reality of College Tuitions, *The Concord Journal*, October 20, 2011**

By David Chwalek

Now that the initial thrill of “back to school” has passed, many parents now find themselves considering the reality of future back-to-school’s... the big, expensive ones. We’re fortunate to live in a community with some of the best public schools in the state and a high percentage of our students go on to college. Whether your child has just entered kindergarten or his senior year at CCHS, the future cost of college is a big concern and can have major financial implications on parents, as well as their children.

I often hear that this is an incredibly stressful time for families. Let’s face it, it’s a big deal. For teenagers, choosing a college is one of the first major decisions they will face in their lifetime. For parents, college is one of the most expensive things they will ever pay for. If you’re beginning to think about college, here are a few thoughts.

**Start early-** According to the College Board’s 2010-2011 *Trends in College Pricing* report, the average cost of a year at a public college or university is \$28,130 and a private college costs \$36,993. Keep in mind that these are averages and actual costs at some colleges- especially the privates- can be considerably more. These figures include tuition, room and board. With costs rising about 8% a year on average, it’s easy to see why getting an early start is crucial for any college savings plan. Consider starting a regular savings or investment plan shortly after your child is born, even if it’s only \$50 or \$100 a month. There is no substitute for time in the market and the wonders of compound interest.

**Use tax-favored plans-** One of the more popular college savings vehicles now is the 529 plan. Named after a section of the tax code, 529 plans are administered by the states, but feature investments managed by various investment companies. Many states have their own state-sponsored plan, but it’s important to note that you can choose *any* state’s plan. The main advantages to 529 plans are that all earnings grow tax-deferred and withdrawals for qualified educational expenses are tax-free. While this is subject to change if Congress decides to let the Economic Growth and Tax Relief Reconciliation Act of 2001 expire next year, it appears unlikely that this tax benefit would be changed. Disadvantages include higher fees than plain old mutual funds, limited investment choices and the ability to change your allocation only once a year. In addition, earnings not used for college are subject to income taxes and a 10% IRS penalty.

**Position yourself for possible financial aid-** Once your student is in high school, begin thinking about financial aid. There are some simple strategies- and some more complicated ones, too- that will help you qualify for more financial aid. Consider that, in general, assets held in the name of your student are counted against you more heavily than assets held in your name. Furthermore, some types of assets are not counted at all in financial aid calculations. These include 401(k) plans, IRAs and the cash value of life insurance or annuities.

**Don’t get “sticker shock”-** Once your future college student starts looking at prospective colleges, you will start looking at the prices. This can be a scary ordeal. Keep in mind that a majority of students get some type of financial aid and few colleges actually charge the “sticker price.” Don’t let the high published tuition at a school deter you from allowing your child to apply there. With higher costs comes more financial aid, and families often find themselves shelling out less money for more expensive colleges than they would have at less expensive ones.

**Get help-** The college selection and admissions process is stressful- for your child and for you. You don't have to do it alone. A good guidance counselor is worth his weight in gold when it comes to assisting you in the process. If you want even more help, consider hiring a private college admissions consultant. These professionals can assist with a variety of services ranging from selecting suitable colleges, interview preparation, essay writing and financial aid. These industry insiders often have knowledge and experience about the process that most families- and even some guidance counselors- don't possess. Here in Concord, Dromgoole & Associates ([www.collegesearchma.com](http://www.collegesearchma.com)) is an excellent choice.

**Don't sacrifice your own retirement-** With so many of us now having children later in life, we may find our peak college expense years coinciding with our desired retirement age. For many people, it's not possible to save for retirement and to save for college. If faced with that choice, fund your retirement first. While bright, talented, high-quality students will have opportunities to attend college and to get aid, you will not get any help for your own retirement. Make sure you are properly planning for your retirement expenses before considering how you will pay for your children to go to college.

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