

Getting the Kids Involved in Saving for College

The World War II generation got a taste of higher education through the G.I. Bill and made it a point to supplement or pay their kids' tuition. It was a struggle, but a far more manageable one than it is in this day and age. Figures from the University of Texas in 2005 showed that since the 1960s, the price of a public higher education has risen from about five percent of median family income to more than 17 percent today.

Based on the current pace, that number could rise to 30 percent of median family income by 2020. Private universities could approach 50 percent.

Scary numbers indeed. That's why it makes sense for families to make college affordability a family effort - with both parents *and* kids pitching in. That's a big change in 40 years, where parents considered it a badge of honor to put their kids through school with no debt.

But there's a bright side to involving your child in the process of saving for college. They'll get an early education in money decisions that will have a direct impact on their future. Here are ways to make sure you're well informed about the college savings process and how to involve your child:

Get advice as early as possible. Even if your child has only a short time until high school graduation, get advice tailored to your own situation from a trained expert such as a financial planner. Parents often forget that their first financial goal is retirement planning, not college saving, so they need to start with the following points:

- What parents will need to support their retirement;
- What they can contribute to their child's college fund based on time to retirement and to freshman year;
- The best savings strategies for parent and child based on the tax situation for both;
- A primer on college financial aid in all its forms. Depending on the child's need for financial aid, parents need to know what kind of assets they should hold in their child's name and in what types of accounts for the best chance of securing financial aid if it's needed.

Involve your child in the discussion. Armed with knowledge from the financial planning process or your own research, start talking with your child about their financial contribution through money from part-time jobs, savings or, as a last resort, debt after college. Parents might decide to schedule two advisory meetings with a planner – one for themselves, and a second one with the child.

Lack of money isn't the only reason kids may be asked to contribute or shoulder debt. Blended families with ex-spouses who either don't want to make a contribution or haven't agreed to pay tuition as part of a divorce settlement can be a sticking point. Whatever the reason may be it needs to be presented honestly to the child.

Tackle the FAFSA first. The dreaded Free Application for Federal Student Aid (FAFSA) is a necessity for all parents who believe there will be some shortfall in paying for college after savings, grants and scholarships. It's a good idea to fill it out even if your needs aren't immediate; family finances can change for the worse. Your child won't qualify for federal student loans until you fill out this form. To speed the process, get your taxes done as early as possible in the year your child will need the funds. Colleges typically dole out money on a first-come, first-served basis, so you'll need your income documentation in order.

Once the FAFSA is processed, the Department of Education determines financial need and the parent's EFC, or the expected financial contribution. If parents can't cover the EFC, the student has to come up with a way to close the gap. There's a way to rough out what your EFC might be – go to <http://finaid.org/calculators/quickefc.phtml>.

Start looking for free money. On the community level, you might find corporations, associations and other groups that offer scholarships and grants for local students, particularly those going off to state or local schools. Students can generally find out about local opportunities through their high school guidance counselor. If the student works for a company on a part-time basis, there might be college support there. Also, the College Board (www.collegeboard.com) Web site features a good online clearinghouse for scholarships, grants, internships and loans, as well as www.fastweb.com.