



In today's world, a college education is more important than ever. Many of the jobs that do not require a college degree have been outsourced to workers in other countries, or replaced by a computer or machine.

In addition, according to Fed Chairman Ben Bernanke, the income disparity between college grads and non-grads is growing every year. In 1979, college grads earned 38% more than those with only a high school diploma. But today, college grads earn 75% more than those without degrees!

## **The Cost of Higher Education**

Let's face it: college is expensive. And with the cost inflating approximately 5% annually, the cost will only rise.

The type of college your child attends can also have a big effect on the cost too. For example, just one year of tuition, room and board at an average private college runs just over \$30,000. On the other hand, a public out-of-state college runs around \$19,000 per year. Finally, even a public in-state college is close to \$13,000 annually.

So as a parent who wants your child to have the chance to attend college, what can you do? The answer: plan early!

## **A Tale of Two Families**

Let's look at a tale of two parents to illustrate how important it is to get started right away.

The preschool open house was in full swing, and two parents were chatting over the punchbowl, remarking on how they knew time would fly, and before you know it, their kids would be off to college.

Taylor's parents are prepared. They recently sat down with a mortgage professional and learned that completely funding Taylor's four-year

education at the local college would cost either \$300 per month in savings or—by using the equity in their home—**only \$133 per month after tax**. "What a relief to know it's all taken care of!" they commented to Max's parents. But Max's parents replied, "Hey, what's the rush? Look, the kids are only knee-high right now...we'll worry about this later."

Seven years later, the kids are in 5th grade, and the parents meet up again at a birthday party. College comes up in the conversation, as Max's parents just learned that for him to attend the very same college as Taylor, it would now require them to save \$835 per month to be ready on time, which is not something they are prepared to do. Taylor's parents recommend that they meet their trusted mortgage professional, who advises them that by using the mortgage wisely, it will only cost them \$260 per month after tax. Much easier to swallow—but it's twice as much per month as Taylor's parents, who planned ahead and started earlier.

## **The Moral of the Story?**

If you want to save for your child's college expenses, start the investment early. The money you put away today will have more time to gain interest and multiply over time—which means you won't have to struggle to save as much. Don't be discouraged by the amount you think you can put away. I have a full array of financial tools at my disposal. Together, we can sit down and calculate a variety of scenarios that fit your budget and will help ensure that your child's college costs are taken care of.

You should also encourage your children to invest and save too, with a portion of funds from their allowance or a side job like mowing the neighbors' lawn or babysitting. They will see how the value of their savings grows over time, and more importantly, will begin to understand importance of planning for the future.

Finally, as the college years approach, explore scholarships, financial aid, or federal direct aid, which is money that does not have to be repaid. Of course, when your children are young, you just don't know if they will be star athletes or straight "A" students—so it's always better to plan ahead. If scholarship money does become available, then you'll have more than enough money in savings, due to your good planning.

