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Help available for families trying to save for college in tough economy

By Debra DeMuth

While these are tough economic times for almost everyone, parents with college dreams for their children face unique challenges.

The cost of college continues to rise. The average total cost for tuition, fees, and room and board has increased this year by almost 6 percent at both public and private four-year colleges, according to the latest figures from the College Board.

Yet, even as they see these costs increasing, families may be finding it harder to save money for future college costs amid the current financial turmoil.

With many adults seeing their retirement funds dwindle, they may be torn about whether they should be directing their savings to retirement or future college costs. Even before this year's most serious market turmoil, 45 percent of Colorado parents said they expected that they would have to delay retirement to pay for college costs, according to a June statewide poll sponsored by CollegeInvest, Colorado's not-for-profit higher education financing resource.

The same poll found that a quarter of parents expected to use some of their home equity to pay for their children's college costs. Yet with declining home prices, this may not be an option anymore for many.

With these various competing concerns, what are parents supposed to do?

First of all, don't lose hope. A college education is still a good investment and there are a variety of tools available to bring it within financial reach.

According to a report prepared by the widely respected economic consulting firm, The Adams Group, for the Colorado Department of Higher Education, "Census Bureau data show that in 2006, a college graduate earned almost twice as much as someone with only a high school diploma. A professional degree more than quadrupled a worker's annual earnings."

Furthermore, The Adams Group study found that the unemployment rate is consistently higher among workers with only a high school diploma compared to those with a bachelor's degree.

Regardless of how old their children are, parents should consider saving for college costs, even if it's only a small amount.

CollegeInvest 529 plans can be opened with as little as \$25 and offer unique tax benefits. CollegeInvest's Matching Grant Program also offers qualifying families with modest incomes a dollar-for-dollar match up to \$500 per year, subject to availability of funds.

Automatic transfers from a bank account can also make it easier to make regular contributions to a CollegenInvest account. A current study by the College Savings Foundation reports that 55 percent of parents who do not have an automatic savings plan have saved nothing at all.

Families who open a CollegenInvest Direct Portfolio plan can leverage the Upromise rewards program, which provides college money back for everyday purchases – even purchases made by participating friends and relatives. The new Ugift program provides an easy way for family and friends to contribute to a child's Direct Portfolio savings plan as an alternative to the latest toy.

Even if your college savings fall short of your eventual needs, whatever you put away will give you a head start. About three-quarters of full-time undergraduate college students receive some form of financial aid, according to the College Board.

For families with college-age students, the first step to getting this assistance is completing the Free Application for Federal Student Aid (FAFSA) and doing so as early in the year as possible. Because some aid is first come first served, we encourage families to use estimated financial figures for their FAFSA if they have not completed their tax returns by mid-January.

While grants and scholarships are available for many students, the largest category of financial aid is federally subsidized student loans, which offer attractive terms.

Taking on debt can be scary – especially in the midst of a challenging economy. But taking out student loans to increase earning capacity can be financially prudent if it's approached cautiously.

In these challenging times, it's important for families to stay focused on college goals. If you have the will, there are tools available to help you find the way.

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