



## The college savings scramble

by *Leslie Rosenberg, contributing writer*  
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Mention the cost of college to most parents, and watch their faces turn ghostly pale. Currently, annual tuition and fees at a four-year public college average \$3,754, and the figure climbs to \$17,123 at a four-year private university, according to a report from The College Board, a national, nonprofit membership association of over 3,900 schools. What's more, these expenses are growing at 5-7 percent annually, more than twice the rate of inflation.

Like any long-term financial goal, the best way to meet your children's college expenses is to start saving far in advance. But what if your child is already in high school, and you haven't banked a cent? Fear not: A few smart funding moves can help you make the grade.

First, parents should realize that the "sticker price" of a college education is usually much higher than the amount they actually have to pay, says James Johnston, chairman and chief executive officer of [SAGE Scholars](#), a Philadelphia-based private college savings program. Scholarships and grants, whether need-based or merit-based, can significantly reduce the sum, leaving families with a more reasonable actual cost. In addition, the tax breaks offered through the Hope Scholarship and Lifetime Learning Credits can further ease the financial burden.

After subtracting money from outside sources (not including loans) to get the actual cost, families can work out a funding strategy using a combination of past savings, present income, and future loans to achieve their goal, says Johnston.

It may even be possible for late-starters to meet college expenses without having a serious impact on their current lifestyle. In a presentation to the Council of Independent College Presidents this January, Johnston outlined a scenario for a family of four with two children—one a high school senior and the other in fifth grade—a gross income of \$70,000, and a \$105,000 home mortgage financed at 8 percent annually. By refinancing their mortgage to \$130,000 at 7 percent, the parents would be able to pay off the \$73,000 outstanding balance on their existing mortgage, as well as the \$12,000 outstanding balance on their car (financed at 9.9 percent) and \$9,000 in credit card debt (financed at 12.9 percent). In Johnston's example, the remaining cash amounts to \$36,000, which can be stashed immediately into a college funding account. By depositing the additional monthly cash savings and education tax credits, the family can fund both children's education without increasing their spending.

Of course, every family's needs are different, and proper planning can be a very involved process, which is where college savings consultants like [Stuart Siegel](#) come in.

"We look at different strategies and at combining them with cash flow management techniques, debt consolidation, and things we can do to reduce the family's tax burden so they have more funds available to pay for college," says Siegel, president of [College Tuition Solutions](#) in Erie, PA.

He notes that college funding requires in-depth knowledge across several different areas of financial planning, and advises every parent, regardless of income level, to enlist the aid of a

financial professional who specializes in education funding. With the right strategy, he adds, you can not only meet your college savings goal, but also benefit from significant tax advantages in the process.

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