



Are
You
Ready?

COLLEGE PLANNING FOR PARENTS

PURPOSE

Provide meaningful information about college to parents:

- College Facts
- College Costs
- Paying for College

- How to Prepare
- Q & A



5 Principles of Financial Wisdom

1. Spend less than you earn
2. Avoid debt
3. Save/Invest- Build liquidity/margin
4. Give God first
5. Have a plan

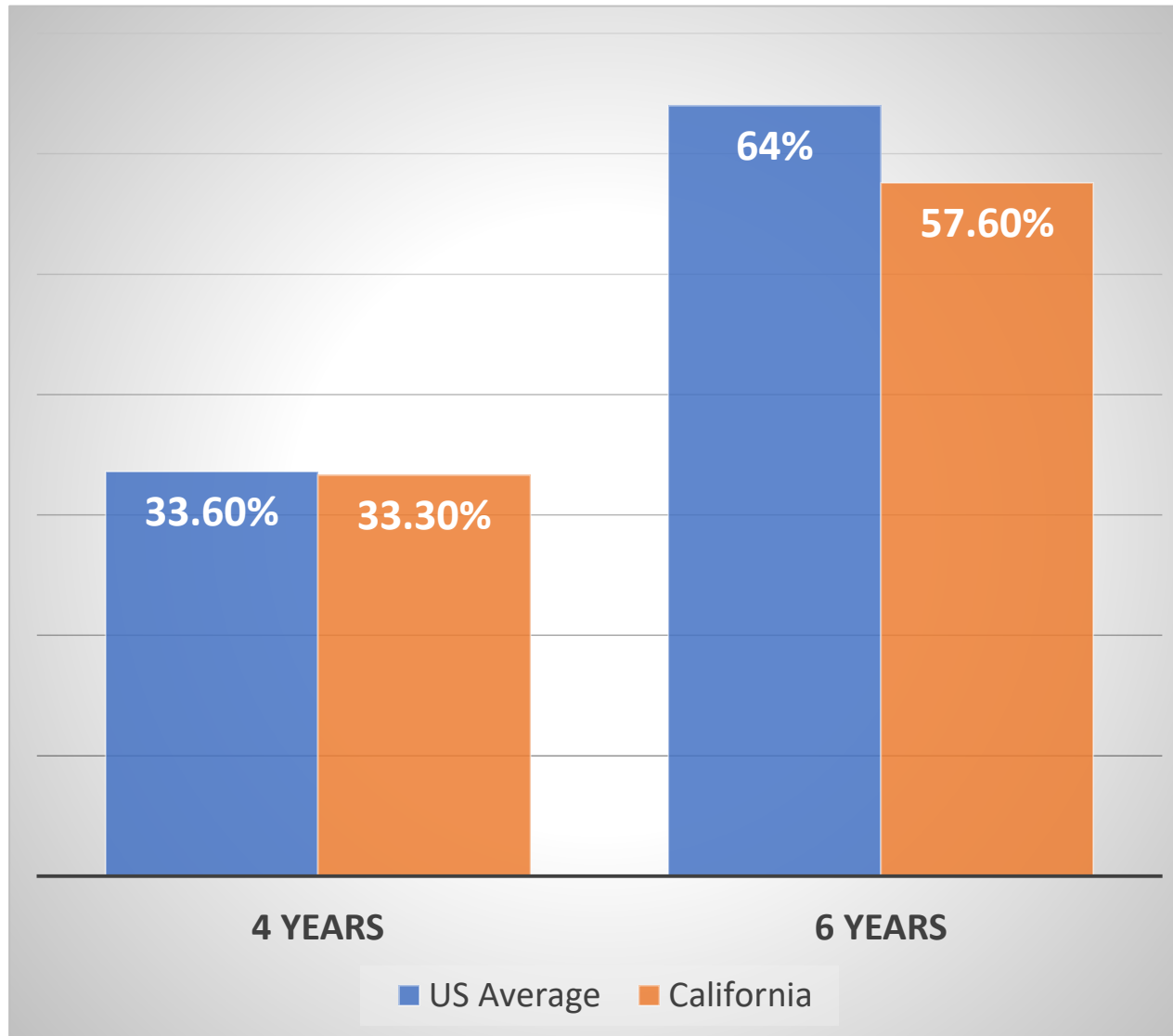


COLLEGE FACTS



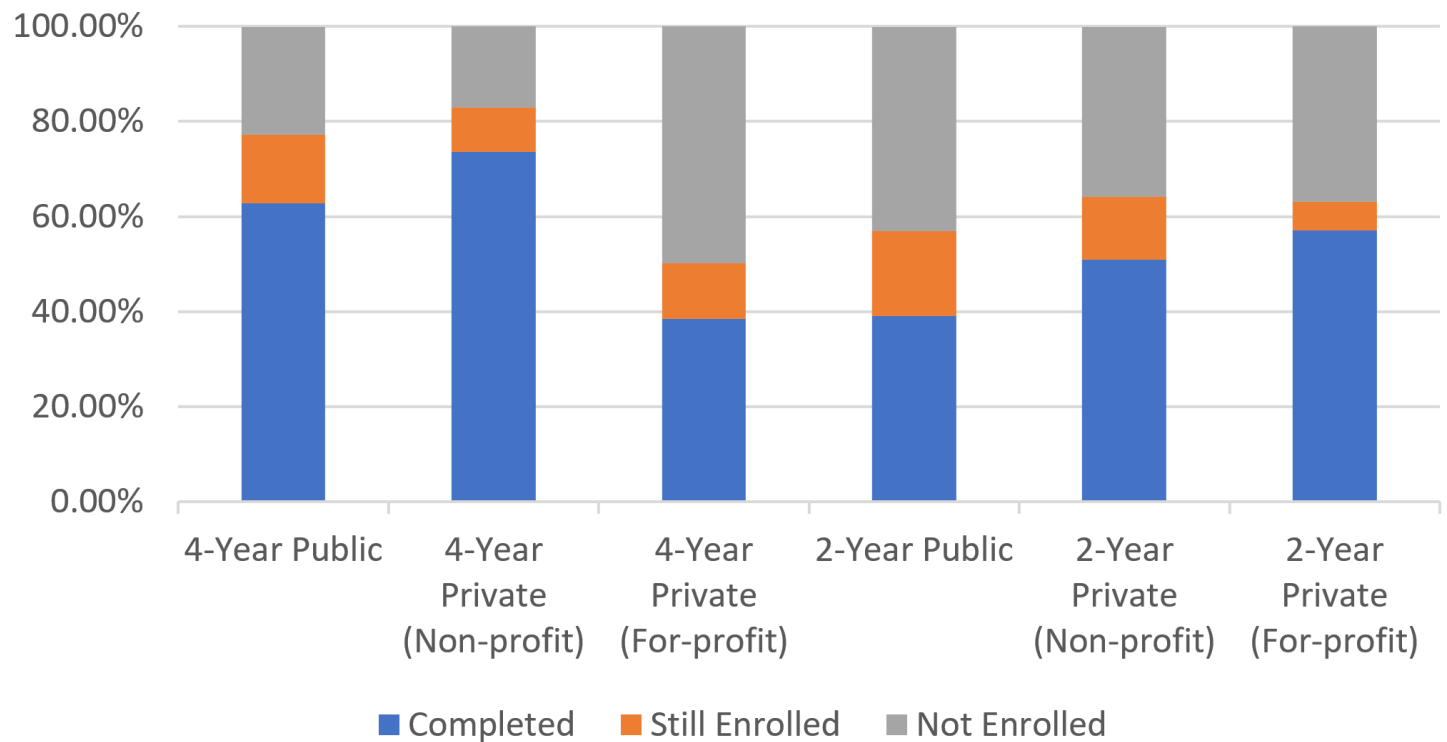
College Graduation Rates

National vs. California Averages

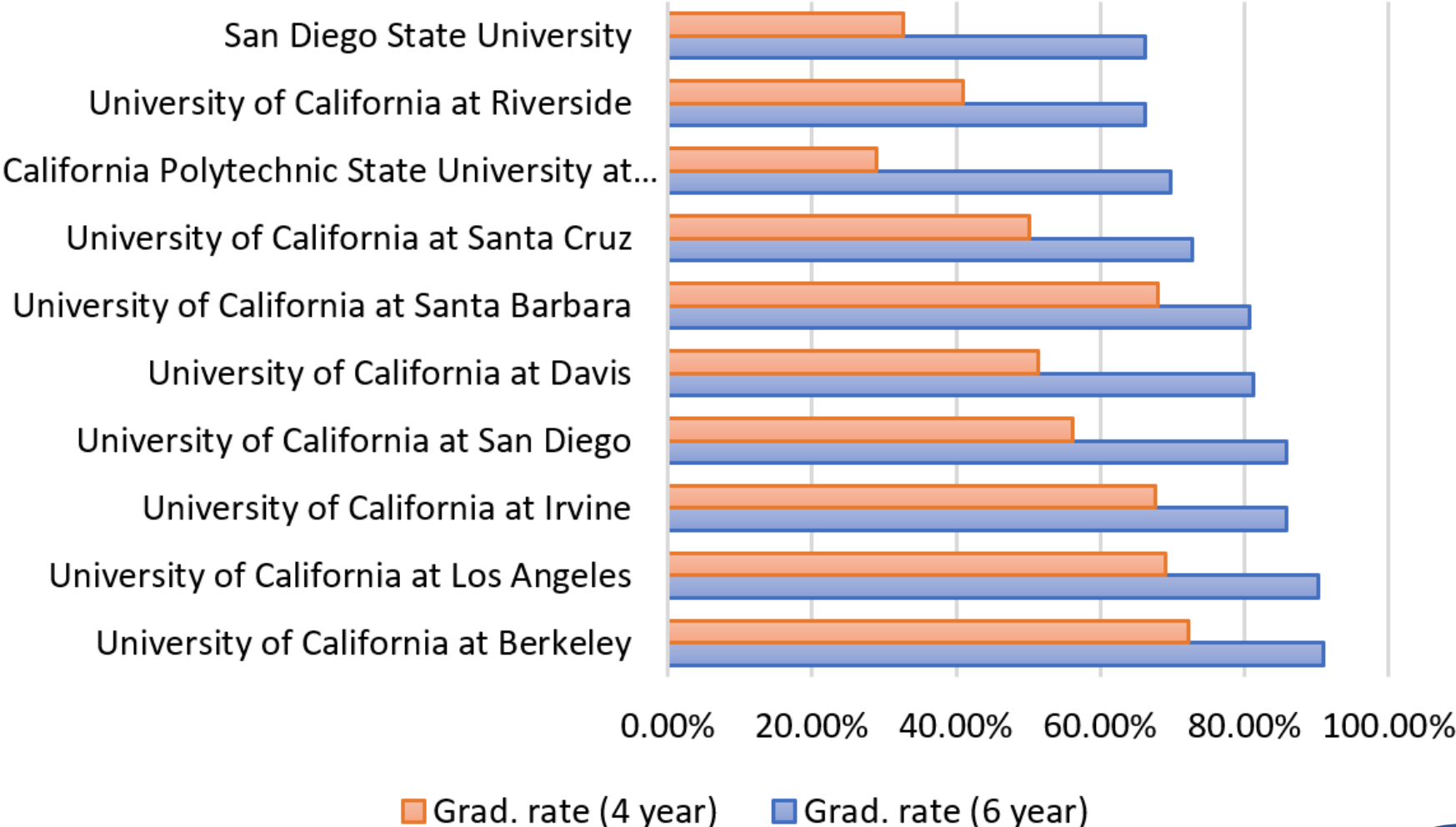


Six Year Outcomes

Six Year Outcomes by Starting Institution



California College Graduation Rates



Dropout Facts

- 56% of college students who start at a 4-year college drop out by year 6.
- Full-time students are 55% less likely to drop out than part-time students.
- 70% of Americans will study at a 4-year college but less than 2/3 will graduate with a degree.
- 30% of college freshmen drop out after their first year of college.
- More than 75% of students who are required to take remedial college classes never graduate.



Keys to Success in College

Be Prepared Before College

- Earn a high GPA
- High achievement in advanced placement (AP) courses
- Take the right college prep courses

While Attending

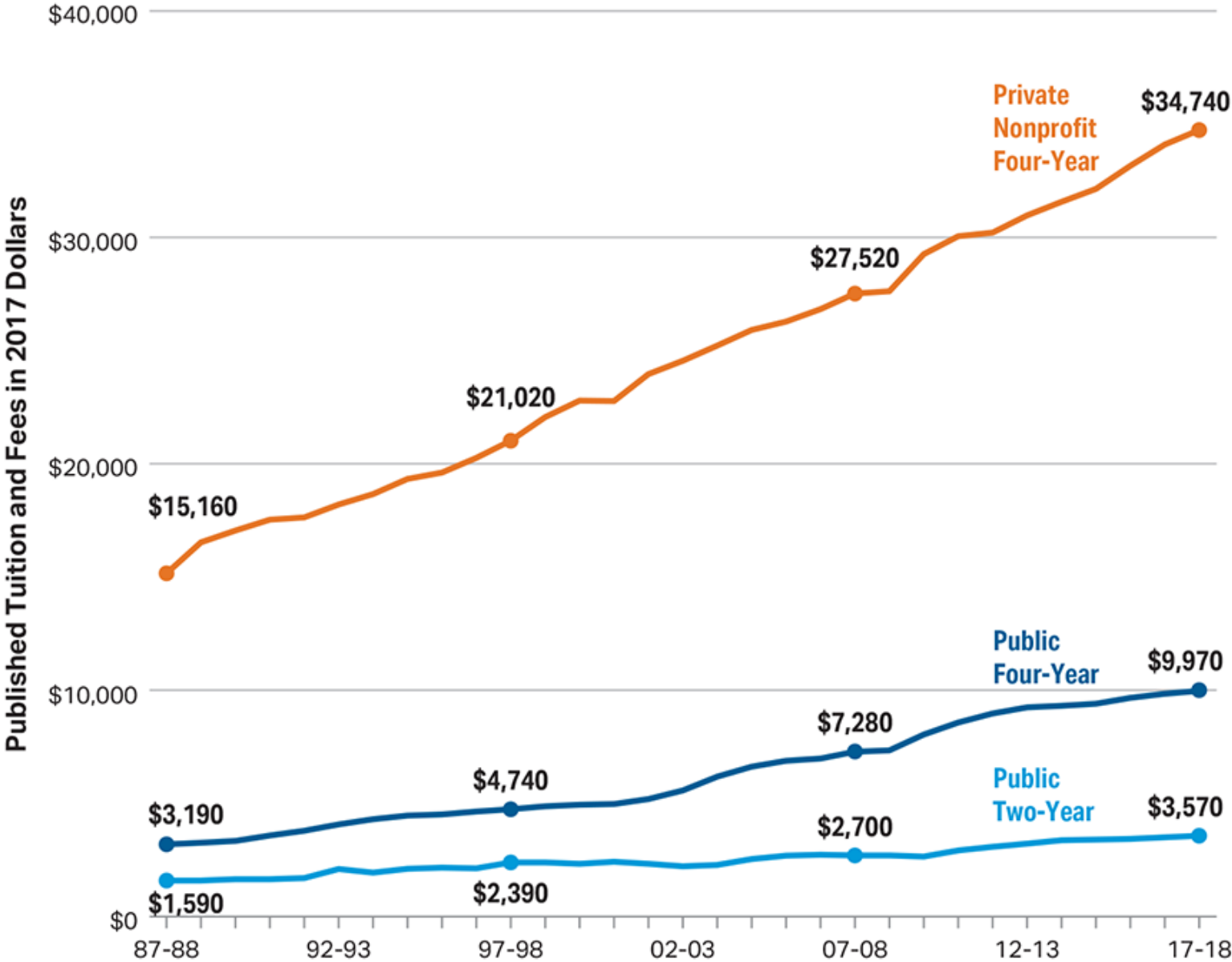
- Attend full time
- Fully participate
- Find an adult campus mentor
- Learn/use good time management skills



COLLEGE COSTS



Historical Cost Trends



College Cost Elements

San Diego State University (Example)

EXPENSE	RESIDE WITH PARENTS	RESIDE ON-CAMPUS	RESIDE OFF-CAMPUS
Fees	\$7,460	\$7,460	\$7,460
Books and Supplies	\$1,854	\$1,854	\$1,854
Food and Housing	\$4,316	\$15,966	\$12,761
Transportation	\$1,542	\$1,494	\$1,919
Misc. Personal	\$1,450	\$1,450	\$1,450
TOTAL	\$16,622	\$28,224	\$25,444



Current Annual Costs

COLLEGE EXPENSE	Community College (2-yr)	Cal state (4-yr)	Univ of CA (4-yr)
In-state Tuition	\$1,290	\$5,740	\$13,900
Misc Fees	\$60	\$1,475	\$2,300
Books & Supplies	\$1,500	\$1,500	\$1,500
Personal/Transport (Non-housing)	\$4,200	\$4,200	\$4,200
SUBTOTAL	\$7,050	\$12,915	\$21,900

ROOM & BOARD (Additional)			
On-campus Housing	N/A	\$12,860	\$15,400
Off-campus Housing	\$12,500	\$12,500	\$12,500
Family-provided	\$0	\$0	\$0
TOTAL Costs (If Living On-campus)	N/A	\$25,775	\$37,300



Projected Cost in 4 Years & 6 Years

Entering High School Junior

Institution Type	4-year
Current One-Year Costs	\$17,000.00
Tuition Inflation Rate	5.00%
Years to Enrollment	2 years
Adjust after Matriculation	yes
First Year Projected Costs	\$18,743
Second Year Projected Costs	\$19,679
Third Year Projected Costs	\$20,664
Fourth Year Projected Costs	\$21,697
TOTAL PROJECTED COSTS	\$80,786

Entering 7th Grade

Institution Type	4-year
Current One-Year Costs	\$17,000.00
Tuition Inflation Rate	5.00%
Years to Enrollment	6 years
Adjust after Matriculation	yes
First Year Projected Costs	\$22,782
Second Year Projected Costs	\$23,921
Third Year Projected Costs	\$25,116
Fourth Year Projected Costs	\$26,373
TOTAL PROJECTED COSTS	\$98,192



PAYING FOR COLLEGE



How to Pay for College



Cash Flow



Student Loans



Personal Loans



Taxable Investments



Refinancing,
Home Equity Loans



Tax Advantaged Investments



Financial Aid/
Scholarships



Employer Education Reimbursement



Current Student Loan Facts

- Total student loan debt now **exceeds \$1.3 trillion** ⁽¹⁾
 - *That's a stack of "Benjamins" 882 miles high*
 - College costs continue to increase **over 6% per year** ⁽²⁾
 - *Regular inflation has been $\leq 3.0\%$ 9 of last 10 years* ⁽³⁾
 - The Class of 2015 is the most indebted ever, with an **average loan amount greater than \$35,000** ⁽⁴⁾
 - *\$388/month at 6% to pay off in 10 years*
 - *There is a **solution** available to help meet these needs for those with future college students*
-



Student Loan Consequences

- More Americans hold student loan debt than the population of over 200 countries.
- Over **7 million** (>2%) of the U.S. population has **defaulted** on their student loans.
- **Student loan debt** is the **second highest form of debt** in the U.S., second only to mortgages.
- Almost **30%** student loan borrowers **move back in with their parents** after graduation.
- Over **34%** of borrowers have **delayed starting a family** because of their debt.
- Over **47%** of borrowers have **delayed buying a car** because of their debt.
- Over **73%** of borrowers have **delayed saving for retirement** because of their debt.
- Around **63%** of borrowers have **delayed buying a home** because of their debt.
- Almost **28%** borrowers have **delayed getting married** because of their debt.



The REAL Cost of College: Saving vs. Debt

Parents Saved for 15 Years

- Parents set target of **\$75,000** College Savings
- Start when child is 3 years old
- Assume 5% return after taxes
- Invest **\$281** per month
- In 15 years, your account could be worth ~ \$75,000
- Total amount invested over 15 years = **\$50,507**

Student Borrows \$72,339

- 3 Months After Graduation Total Loans and Accrued Interest ⁽¹⁾ = **\$83,505**
- Assume 10 years to pay off loans, 6% Interest rate
- Monthly Payment = **\$927.08**
- Total Cost of College ⁽²⁾ = **\$110,696**
- Assume 20 years to pay off loans, 6% Interest rate
- Monthly Payment = **\$598.26**
- Total Cost of College ⁽²⁾ = **\$142,867**

1. 6% interest accrues on loans during and after college, payments begin 3 months after classes end (grace period is 6 months).
2. Calculated using Microsoft Excel 2013 Loan Amortization Template.



Benefits of 529 Plans



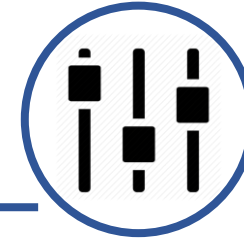
TAX BENEFITS

- Income tax
- Estate tax
- Gift tax



FLEXIBILITY

- Anyone can contribute
- Can be used for qualified expenses at virtually any accredited post-secondary school⁽¹⁾
- Choice of many different plans



CONTROL

- You retain control
- You can change the beneficiary
- You can withdraw money or liquidate the account⁽²⁾

Earnings on Investments

Earnings accrue without federal or state income tax

Qualified Withdrawals

Free from federal income tax; may also be free from state tax⁽¹⁾

1. Qualified expenses include tuition, fees, room and board, books, and supplies.

Junior College Transfer Options

- UC Transfer Admission Guarantee (TAG)
 - Guaranteed admission from all California Community Colleges
 - 6 UC campuses participating
 - Davis
 - Irvine
 - Merced
 - Riverside
 - Santa Barbara
 - Santa Cruz
- Cal State Joint Transfer Program
 - Complete AA degree at any California community college
 - Guaranteed admission to all Cal State campuses
 - Junior standing at entry
- All have specific requirements



Pay As You Go

2 YRS COMM COLL+ 2 YRS STATE COLLEGE

Community College Tuition/Fees/Books/Supplies (Per Year)	\$3079
Cal State Tuition/Feed/Books/Supplies (Per Year)	\$10,764
TOTAL COST	\$27,686

PART-TIME JOB

10 hrs/wk @ \$10/hr (30 weeks)	\$2740.50
FT (40 hrs/wk) during summer (12 weeks)	\$4384.80*
TOTAL NET INCOME (4 YRS)	\$28,501.20

* Net of FICA and State Disability



Companies That Pay for College

These companies offer tuition reimbursement for eligible employees. Some help you pay back your undergraduate or graduate student loans, and others assist employees currently taking college courses.

- *Apple*
- *AT&T*
- *Bank of America*
- *Baxter*
- *Best Buy*
- *Boeing*
- *BP*
- *Chevron*
- *Comcast*
- *Disney*
- *Ford*
- *Gap*
- *Home Depot*
- *Intel*
- *Jet Blue*
- *Proctor & Gamble*
- *Publix*
- *Smuckers*
- *Starbucks*
- *UPS*
- *Verizon*
- *Walmart*
- *Wells Fargo*
- *Assistance via US Military Service*



HOW TO PREPARE



Develop a Plan

What's Your Plan?

- “Hope” is not a plan
- “You’re on your own kid...”
- Pay as you go (i.e. “make it up as you go along...”)
- Private K-high school versus saving for college?
- Borrow to fund tuition: Whose loan is it?
- Do the “two step” process: Community College then transfer
- A combination of all these
- Save now with a college savings plan



Save Now with a College Savings Plan

Three important questions that you can begin to ask yourself as you think about saving for your child's college expenses:

- **Who will pay for it?** Will the child be responsible for the cost? Will the parents help? Will grandparents be involved? Do each parent's expectations align with the other's and their child's?
- **How will they pay for it?**
- **What are the alternatives?**



Take Action

- Decide on your plan
- Parents: Communicate with your children:
 - Cost of tuition versus anticipated career
 - Maximum budget
 - In-state versus out-of-state costs
 - Where you finish is most important
 - Performance expectations
- Grandparents: Keep your options open



TIPS FROM A COLLEGE COUNSELOR



ADVICE

The Benefits of College

- Higher lifetime earnings
 - More opportunities
- Agile thinking & career preparation



Public Colleges in California

- Community College (Transfer Admission Guarantee)
- Cal State
- UC



Universities and Liberal Arts Colleges ...what's the difference?

...Generally speaking

- Size
- Degrees offered
- Some majors offered



The College Application

Bucket #1: Quantitative

- Transcript (grades and rigor of curriculum)
- SAT or ACT (regarded equally)
- School Context

Bucket #2: Qualitative

- Essays
- Letters of Recommendation
- Extracurricular Activities
- Additional Information



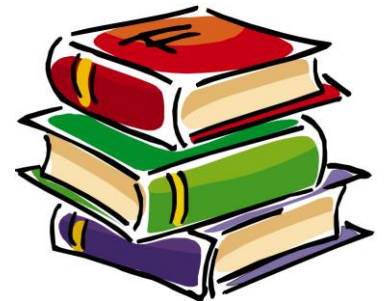
What to Know Now

- Begin by setting the expectation (financially, geographically, culturally)
- What are your child's genuine areas of interest?
- Examine your child's academic performance thus far



Student's 4-year Plan for College Admission

- 9th Grade:
 - Do your best in class (meet a-g requirements for UC & Cal State)
 - Start to take tough courses that interest you
 - Get involved in extracurricular activities
 - Read!
- 10th Grade:
 - Take the PSAT if offered at your school
 - Continue to invest in classes and extracurriculars (if you're not involved, try something)
 - Attend college-related events at your school
 - Visit a college or two



Student's 4-year Plan for College Admission

- 11th Grade
 - Take PSAT and Practice ACT. Determine which test to take officially for college admission, and determine how you will prepare
 - Create a standardized testing timeline through senior year
 - Research colleges, majors, and careers
 - Attend a college fair (www.nacac.org)
 - Plan summer activities deliberately
 - Start working on college applications/essays over the summer



Student's 4-year Plan for College Admission

- 12th Grade
 - Finalize your college list and know your deadlines
 - Finish taking standardized tests
 - Complete applications and essays. Work backwards from deadlines so you can get feedback/proofread
 - Know and adhere to your school's internal deadlines re: the college process
 - Clean up your social media
 - Attend college visits at your high school
 - Research and apply to outside scholarships. Read your school bulletin and use websites like fastweb.com and finaid.org to find scholarships

Planning for Community College

- It's never too late to consider community college as an option
- Assess if community college is right for your child/family, both academically & financially
- Begin researching transfer agreements/requirements for different colleges
- Be your own best advocate!



Resources

Steffany Perez, Co-Director of College Counseling

Oakwood School

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FAFSA4Caster (to determine estimated family contribution):

<https://studentaid.ed.gov/sa/fafsa/estimate>

Google “net price calculators” on colleges’ financial aid websites (to determine the anticipated cost to you after financial aid)

Scholarships:

<http://www.finaid.org/scholarships/prestigious.phtml>

Merit Aid (scholarships based on academic record):

<http://www.finaid.org/scholarships/academicscholarships.phtml>

Guide to Financial Aid Award Letters:

<https://www.fastweb.com/financial-aid/articles/guide-to-financial-aid-award-letters>

ANY
QUESTIONS
?

Q&A