

## HOW TO GO TO COLLEGE WITHOUT GOING INTO DEBT-The Money Marathon September 2010

This article is for both parents and students. A recent article, 8-18-2010 written by Donna Freedman of MSN Money entitled Finish College with Zero Debt, led me to think about ways to minimize the cost of college. I have used some of Donnas' ideas as well as some of my own.

We all know that college is expensive and getting more expensive all the time. But statistics show that it is worth it to go to college even if a person has to borrow money to do it. Some studies show the difference in lifetime earnings between a college graduate and a high school graduate at nearly \$800,000, roughly \$20,000 per year for 40 years. Other more recent studies take into consideration many more factors including the current cost of college, the cost of debt, income figures ten years after graduation from both groups, and other factors. These studies then calculate all these figures into a present day difference (present value calculation) which ranges from \$270,000 to \$450,000. Regardless of which number is accurate, there is a positive difference in income, on average, from graduating from college. In addition to income benefits from more education, there are other documented benefits from more education such as a fuller appreciation, enjoyment and understanding of life and the world around us

I have two children who are now through college with master's degree and a third child who has one year left of undergraduate education and also plans to get a master's degree. This means that my wife and I are down to only two of fifteen years of college to fund. My children attended William Jewell, Northwest Missouri State University, and the University of Missouri at Kansas City (UMKC). These schools are representative of the cost of public and private schools. Without over complicating calculations I have used \$15,000 per year to attend a public school, (in state tuition and fees and room and board) and \$30,000 to attend a private school. Therefore, the four year cost would be \$60,000 for a public school and \$120,000 for a private school. Not only is this a large sum of money, it is becoming more difficult every year to afford college, because college fees are increasing at approximately 5% per year which is 2% above the long term rate of inflation. If parents were to start saving for a newborn today to fully fund the cost of college beginning in 18 years, it would require saving \$389 per month for a public school and twice that for a private school. This assumes the savings grow at a 6% rate within a 529 plan which grows tax free even at withdrawal for educational expenses. As you can see this is a huge amount for only one child if parents start at birth. Because I believe in the value of a college education, I encourage students to borrow money if they have to, as opposed to not going to college. But are there alternatives to go to college and still not be saddled with debt at graduation? Yes, and list below are some of the choices.

Way #1: Save enough to pay for college.

From the student's standpoint the easiest way for them to attend college without going into debt is for their parents to pay. This takes some large savings and therefore is the most difficult as described above. And if there are several children involved you may need to have your own reality show to pay for all the college expense.

Way # 2: Get a full ride that makes college free.

This is also very difficult to be top student and only a small percentage of students are in this category. It usually requires almost all A's and a very high ACT score of 30 or above, or requires that a person is a top flight athlete that earns him or her, a full athletic scholarship. Even without a full ride scholarship, good grades and hard work can many times pay off with a partial scholarship. At William Jewell, the average student receives, on average, 50% off tuition, room and board in scholarships. This is higher than the average school, but it will give you an idea of the availability of scholarships. However, William Jewell College has a top group of students already and average of course means some receive less and some more. I think it is great to encourage and motivate your child to try to get all the scholarships possible but, in most cases it is probably unrealistic to count on it being all paid this way.

Way #3: Qualify for the A+ program and go to a community college for two years.

In Missouri, if a student maintains a B- average, does 50 hours of tutoring or mentoring, attends an A+ school like Chillicothe for at least three years, is a good citizen, stays drug and alcohol free, and has a four year attendance of 95% or above, he can qualify for free tuition at a two year community college like Trenton or a technical school like the Grand River Technical School. If a student from Chillicothe is able to commute and therefore not have to pay room and board, the first two years of college would be nearly free. This seems to me to be very realistic for a vast majority of students and basically cuts the cost of four years in college in half.

Way#4: Take enough dual enrollment classes in high school to eliminate a semester of college and then try to graduate in 3 years.

My daughter took 15 hours of dual enrollment in high school and probably could have graduated from college in three years. She chose not to graduate in 3 years in order to pursue a business minor, along with a communications major, but she could have had done this if it had been absolutely necessary. In some cases students have taken up to 30 hours of dual enrollment classes in high school which is the equivalent of one year of college. Alternately, if along with 15 hours from dual enrollment, a student would take a few extra hours each semester, test out of a few hours of college, and or go to summer school; college could be shortened by a year. In many cases college is more expensive than four years, because many students take longer than four years to obtain a degree. It should be noted that there is a cost to dual enrollment classes, \$275 for three hours or \$1375 for 15 hours, but this is much lower than a full year of tuition, room and board.

Way #5: Be realistic about which school you choose:

Many elite schools with big names have very expensive price tags, but some studies show that students who were accepted to elite schools, who didn't attend those schools, but instead chose a less expensive alternative, did just as well at graduation in terms of job income. The extra cost of an elite school could create significant debt. According to Freedman in the article mentioned, a \$75,000 student loan can cost \$1400 per month at graduation.

Way 6: Join the service out of high school.

Obviously this is a big commitment also, but it is a valid way to pay for college after a person's tour of duty. One of the bloggers to the Freedman article mentioned that he joined the Marines out of high school and then following his tour of duty, had his college costs paid which totaled \$35,000.

Additionally, he stated that the Veteran's Administration had kicked in about \$77,000 of educational benefits to him.

Way #7: Work your way through college:

If a student is disciplined and has reasonable time management skills, college can really be easier than high school. Three hours of class a day and an equal amount of study time is still only a six hour day. High school is eight hours before study time and extracurricular activities. Therefore, if necessary a person could work 20 hours a week in a part time job and potentially pay for the cost of college. According to the article mentioned above, quoting Fin Aid, the cost on average for tuition, fees, room and board at a state college is \$15,213. Subtracting the new American opportunity tax credit of \$2500 available to most families and the average amount received from grants and scholarships from all sources totaling \$5400 leaves \$7,313. If this amount is divided evenly between 38 school weeks it would equate to \$190 per week. Based on a 20 hour work week, it might be possible to pay this difference from work and not have any college debt at graduation.

A final way to pay for college is to combine some or all of the choices above. With a little planning and hard work it may be possible to finish college without any debt. Good luck.

Remember every investor's situation is unique and it is important to review your specific situation with a financial professional.

Ed Douglas is a Certified Financial Planner/Consultant, Chairman Emeritus of Citizens Bancshares and author of three books, "Making a Million With Only \$2000-Every Young Person Can Do It" , "The Money Marathon: 7 Simple Steps to Financial Freedom" and his new book " 25 Truths: Winning Wisdom for a Better Life" available at [www.eddouglas.com](http://www.eddouglas.com) or [www.25truths.com](http://www.25truths.com). Ed may be contacted at [ed@eddouglas.com](mailto:ed@eddouglas.com) or 660-646-2066.