

Talking to Your Child about College Expectations

If you're the parent of a high school student who's looking ahead to college, it's important to have a grown-up conversation with your child about college expectations. A frank discussion can help everyone get on the same page. Here are some talking points.

Costs

For many families, the cost of college is the elephant in the room. You may want to start off by saying something like "we will have saved x by the time you start college, and after that, we should be able to contribute y each year." Financial professionals typically recommend that parents avoid promising to pay 100% of college costs, in case they experience an unforeseeable financial setback.

If your child is interested in schools that have significant price differences, you may say something like "we can come up with x each year from savings and income that should cover most of State U, but if you want to attend Private U, then you'll have to borrow the difference, which is z ." Then use an online calculator to show your child exactly what " z " will cost each month over a standard 10-year repayment term. You're borrowing \$27,000 at 6.8%? That will cost you \$311 each month. The loan is \$45,000 at 8.5%? That will cost you \$558 each month. And so on. The idea is to take a big, abstract loan amount and translate it into a month-to-month reality.

Next, print out an amortization table showing the breakdown of principal and interest payments that will be due each year. Review the basic deferment and forbearance rules that govern under what circumstances borrowers can temporarily postpone their federal student loan payments. Finally, make sure to put that student loan payment into a larger financial context--there will be other items competing for your child's financial resources after college, like rent, food, utility bills, a car payment, etc. The goal is to help your child understand the long-term financial impact of choosing the more expensive college. Even then, many 16, 17, or 18 year olds may be unable to fully grasp the seriousness of such an endeavor.

Ultimately, it's up to parents to help their child avoid going into too much debt. According to the *New York Times*, for the first time ever last year, student loan debt outpaced credit card debt in the United States, and this year it's expected to surpass a trillion dollars. Unlike most other types of debt, student loan debt generally cannot be discharged in bankruptcy, and in the case of default, the federal government can garnish your child's wages or intercept tax refunds to recover the money.

If there's any silver lining here, it's that many parents believe that kids get more out of college when they are at least partly responsible for its costs, as compared to having a "blank check" mentality. Being on a financial hook, even a small one, may encourage

your child to live more frugally, choose courses carefully, and hit the books sufficiently. Later, if you have the resources, you can always help your child repay his or her student loans.

Grades

Many parents consider going to college their child's first real job. But some students don't take academics as seriously as they should. You might say something like "we expect you to maintain a GPA of x , and if you don't, we may have to reconsider paying the tuition bill for the following year." Though you'll probably want to build in some wiggle room for the adjustment period that freshmen typically require, after a certain period of time your child needs to be serious enough about academics to make the college cost burden worthwhile.

Course of study

Even if your child has no idea what career path to choose (and most high schoolers don't), ask about your child's likes and dislikes, strengths and interests. At a minimum, this information will help start the wheels spinning, and when coupled with new revelations and experiences later on, it can lead to potential career pathways.

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