

# Ask a Specialist: Tips for Financing Your Child's Education

Regardless of where you find yourself in preparing for your child's college expenses, there are some basic questions you should ask yourself: What can I contribute? What resources are available? What can my child do to prepare for college expenses?

## What can I contribute?

Some parents feel they don't have the financial ability to pay for college expenses for their children. This may be especially true if there are multiple children in the family or for those who live on a limited income. Keep in mind that tuition is only a portion of college expenses. Other expenses include textbooks, housing, food and transportation. Perhaps you can't provide tuition assistance but could provide housing, buy textbooks or continue to pay for car insurance.

If you are interested in saving money for your child's education but are unsure of how to fit it into your budget, you can save money by analyzing and cutting discretionary spending. Examples include:

- Cut back on how many times you eat out or stop at the convenience store for a snack.
- Shop only for things you need. Don't make shopping a recreational activity.
- Cancel unnecessary services.

Place the money you would have spent on these items into a savings account. Automate your savings by having money directly deposited into a designated account. This will maintain consistency in your savings and takes away the temptation to spend it.

These small changes will add up over time. Saving \$75 a month will add up to \$900 per year and \$11,700 after 13 years. With a good interest rate and time on your side, your contributions can develop into a substantial nest egg, not to mention a fabulous graduation gift!

Accounts that offer a competitive interest rate include Educational Savings Plan (529 or Coverdell), Roth IRAs, Mutual Funds and Money Market accounts. As you are

making your choice, remember to compare fees, rate of return and tax incentives for saving.

## What resources are available?

Federal Financial Aid is available to college students in the form of Pell Grants, Federal Student Loans and Work Study. These are awarded according to the financial need of the student. Factors considered in the calculation include the cost of attendance, income, assets and household size. Some assets are considered exempt; these include home equity, life insurance policies, income from a small business with less than 100 employees and family farm income.

Visit [www.fafsa.org](http://www.fafsa.org) to file your Free Application for Federal Student Aid (FAFSA). This can be done as soon as January 1st but not before you have filed your most recent tax return. Applicants are encouraged to apply early.

Once your child is in college, take advantage of federal tax credits for education including Lifetime Learning Credit and American Opportunity Tax Credit.

## How can my child prepare for college expenses?

Encourage your child to prepare for future college expenses by saving a portion of the money earned through working a part-time job. He or she should also maintain good grades and apply for scholarships from universities, private companies and club organizations.

High school students can take advantage of concurrent enrollment and AP courses that may satisfy general education requirements at universities for a reduced rate.

In addition, Utah Applied Technology Colleges offer tuition waivers to high school students. Courses at these colleges teach students marketable skills that can be used to gain employment or transfer credits for further education. For more information visit: <http://www.ucat.edu/>.

## Words of Caution:

Applying for financial aid is a free service, so beware of anyone who tries to charge you for this service. Visit <https://studentaid.ed.gov/sa/> for additional information about federal financial aid.

If you must borrow money for college expenses, consider Federal Student Loans that are available to students and their parents. Repayment options are more flexible than loans through private companies.

Student loans cannot be discharged in bankruptcy regardless of whether they are private or federal.

Borrowing from your home equity for college expenses may be tempting, but keep in mind that this will add an additional payment to your mortgage and put your house at risk if you are unable to make payments.

Borrowing against your 401(k) may incur penalties and additional taxation, not to mention stunt the growth of the account.

**Sources:**

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