

How to Pay for College

Bad, Better, Best

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Why Pay for College?

- The main purpose of a college education is to give you a more fulfilling and profitable “rest of your life.”
- But it’s getting really expensive.
- *Is College Still Worth the Cost?*
 - By Aaron Gouveia, Salary.com

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Is College Still Worth the Cost?

“Many students over the last couple of decades have been raised by parents who viewed college not as an option, but an inevitability – no matter the cost. But as the price of higher education goes through the roof and combines with rampant unemployment for recent college graduates, some people are beginning to wonder if the massive student loans are worth it.”

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Salary.com surveyed 1,500 readers

- 61% said college was worth the expense.
- 35% said it is not worth the expense.
- 43% of those surveyed believe a college degree isn't necessary to succeed in life.
- 36% of respondents don't even work in a field related to their degree.

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Student Loans

- 27% said they graduated with no student loan debt.
- 14% said they owe \$10,000 or less.
- 12% owe \$10,000 to \$20,000.
- 13% owe \$20,000 to \$30,000.
- 4% owe a staggering \$100,000 or more.
- 29% of people 50 and older said they are **still paying off student loans.**

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Effects of Student Loans

- 14% delayed getting married.
- 32% delayed buying a home.
- 42% delayed contributing to retirement funds at work.

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Regrets?

- 12% of people said college was not worth the cost and they would skip it altogether.
- 29% said they would still go to college, but they would choose a cheaper school.
- 31% said they regret taking out loans and wouldn't do it again if they could go back in time.

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These people are all looking back

- That's **bad**. It's too late to change.
- It's **better** to consider these issues before going to college.
- It's **best** to both consider these issues, and execute a plan to deal with them, before going to college.

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So, what issue is most important?

- How about WHAT SCHOOL the student goes to and WHAT MAJOR they get their degree in.

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36% aren't using their degree

- So it's **bad** for the student to pick a major just because the classes would be easy, or because their best friend chose it.
- It would be **better** to pick a degree leading to a career they could enjoy pursuing for the rest of their life.
- It would be **best** to pick a degree leading to a career they could enjoy pursuing AND which pays a higher than average income with upward potential.

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What's the ROI for the Degree?

- *“Perhaps the most stunning revelation in this survey has to do with the fact that people don't seem to look to the future when deciding on college.”*
- ROI = Return on Investment
 - Invested money
 - Invested time
 - Invested effort

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What's the ROI for the Degree?

- ROI = $\frac{\text{total return} - \text{investment}}{\text{investment}}$
- \$100,000 investment for 4 years in college (all costs)
 - \$30,000 net starting salary – 4 year ROI = 20%
 - \$40,000 net starting salary – 4 year ROI = 60%
 - \$50,000 net starting salary – 4 year ROI = 100%

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What's the ROI for the Degree?

- Of course, the true value of the degree is how much MORE you'd earn because of it.
- \$100,000 investment for 4 years in college (all costs)
 - \$10,000 starting difference – 4 year ROI = -60%
 - \$20,000 starting difference – 4 year ROI = -20%
 - \$30,000 starting difference – 4 year ROI = 20%
 - A little over a 4% annual rate of return.

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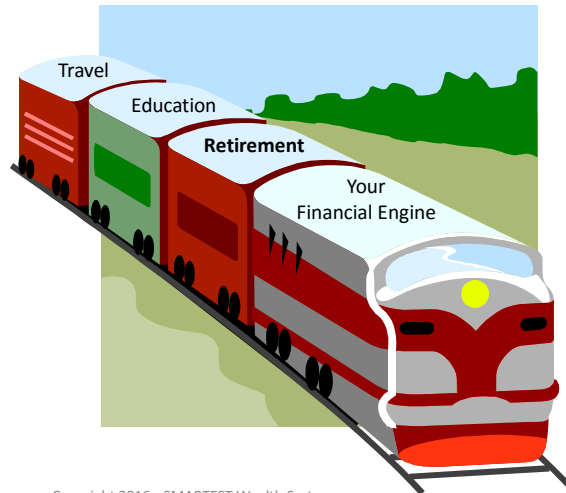
Since the degree you get MATTER\$...

- Which Degrees Pay the Best?
- Payscale.com
- <http://www.bls.gov/ooh/highest-paying.htm>
- <http://www.salary.com/category/salary/>
- The marketplace is happy to let you know what capabilities they'll pay the most for.

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Who Should Pay for College?

- Parents?



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Who Should Pay for College?

- It's fine to help...if you have more than enough in the "Retirement Car."
- However, having "skin in the game" helps the student focus.
 - On a major that gives a good ROI.
 - During the classes to get the degree.
- We value most what costs the highest personal price.

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Where should the “skin” come from?

- Well, if you can only supply money that is excess to your retirement funding...
- What are the best resources for them...and for you to appropriate money for their college education?

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Bad – The Hard Way

- Student Loans



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Better – Pre-Paying the Tuition

- Pre-paid tuition plans.
 - Lock in tuition at eligible public and private colleges and universities.
 - Cover tuition and mandatory fees only.
 - Some plans allow you to purchase a room & board option.
 - Most state plans require either owner or beneficiary of plan to be a state resident.
 - Most plans have age/grade limit for beneficiary.

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Better – Saving Ahead of Time in a 529

- 529 plans
 - No lock on college costs.
 - Covers "qualified higher education expenses."
 - Tuition, books, room & board, mandatory fees.
 - Most investment options are subject to market risk.
 - Your investment may make no profit or even decline in value.
 - No age limits. Open to adults and children.
 - No state residency requirement.

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Best – A Private Family Bank

- No school or state limitations.
- No use of funds limitations.
- No market risk.
- No age limitations.
- Not reported on the FAFSA form.
- No required repayment plan.
- Autocomplete.



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Bester - Grants and Scholarships

- Grants and scholarships are money you don't have to save up or pay back.
- www.studentgrants.org/
- www.collegescholarships.org/
- www.finaid.org/
- <https://studentaid.ed.gov/sa/>
- Many sources require a good GPA.

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How to Pay for College – Recap

- Choose a career the student can enjoy, which has a strong starting salary and headroom to grow.
 - Help them focus on the lifestyle they'd like to live – outside of work – AFTER college.
 - That's the lifestyle their degree will have to pay for.
- Choose a good school with competitive tuition.
 - The school's reputation only matters on their first job.

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How to Pay for College – Recap

- Save up for college through a Private Family Bank.
 - Guaranteed growth.
 - No corrections or recessions.
 - Is not entered on FAFSA
- Get as many grants and scholarships as possible.
- Have your student pay back your Private Family Bank flexibly, but at reasonable pace.

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Finally...

- Have them take you on an expensive vacation!



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