



## P.S. | Personally Sacha

Welcome to the weblog of Sacha Millstone, where you'll find wide-ranging and well-reasoned considerations for your financial life – and life in general.

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### Part 4: Paying for College – Hidden Resources

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Maybe you ran the **Net Price Calculator** on some college websites, and were shocked. Now you're wondering how anyone affords college.

#### Remember when you thought how much less expensive it would be when your kids were old enough not to need day care?

*How's that theory working for you?* The truth is that as kids get older, they get more expensive. The \$40 Pee-Wee Soccer fee and \$20 uniform turns into the \$3,000 club soccer expense, and the \$100 mom-and-me pool time turns into the \$1,200 summer camp. And who even *wants* to add up the cost of feeding a teenage boy, much less his friends?

Surprisingly, the first place to look for extra college funding is in your current spending plan. *While we don't think of having "extra" money left over each month, we forget that kids don't live for free at home.* When you have a high school student, you're paying for: food, household supplies & toiletries, laundry, utilities, gas for driving your student around, insurance if the student drives, school costs including all those extras like admission fees, yearbooks, supplies, field trips, school lunches, sports fees, lunch money, uniforms, music classes, tutoring & test prep, exam fees, gifts for teachers and coaches, and entertainment costs. If your family is like most families, you're also taking your student to restaurants, fast food, and Starbucks. *When your student is living away at college, you won't have these costs because they are already built into the cost of attending that college, or aren't necessary.*

In my experience, these "annual maintenance costs" typically come to \$9,000 – \$14,000/year for one high school student. If you've been paying for private school or club sports, the total may be even higher. Most of the time we've never looked at our expenses this way – we don't add up all these costs and see how big this total really is. *This is hidden money that can be used to help pay for college without much effort. How much does your family have based on what you're currently spending for your student?*

Some time spent going through your expenses for the past year can give you a pretty good estimate. Don't forget to adjust the costs for meals out and gas – as long as you don't up your own expenses, this is real savings that can make a big difference. Students are away at college for 30-32 weeks/year.

*It probably makes those day-care days look downright inexpensive.*

## The Government Wants to Help

Some families will be eligible for a tax credit when they have a student in college. Check into the American Opportunity Credit and see if your family qualifies to get \$2500/student each year for the first four years of college.

## Students Earnings Should Help

It helps when students have some skin in the game. They should be able to earn at least \$2500 each summer towards the cost of college, and most students can work a part-time job at college – ten hours per week will net almost \$3,000 for a school year. *Here's a fun fact: Students who work 10-15 hours a week during college have higher average grades than students who don't work. Here's another: When students use their own money to pay for meals, entertainment, textbooks & supplies, they are remarkably cost conscious.*

## Already Have Some College Savings?

Start with whatever you've got in College Savings Plans (529, Coverdale, UTMA or ESA) accounts for your student. Perhaps that account for your student has \$32,000 in it. Right away, that provides \$8000/year for four years of college, even without additions or growth. Add any savings the student has to this total.

## The Bottom Line

*Add it all up. Without making significant changes, how much can your family pay for a year of college? It probably is more than you originally thought.*

## We'll Answer Your Questions

Send us any questions that come up and we'll be sure to answer them in the next blog.

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