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Prudent Portfolio: Spring Means SATs and Worries About How to Pay for College

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By Kevin Peters



Winter has officially ended, but many parents of students planning to attend college will be far more focused on the upcoming Scholastic Aptitude Test (SAT) registration and test days rather than the weather.

Seasons come and go, but preparing for a child's education is a constant priority, especially financially. With college costs rising each year, and far too many students graduating with a mountain of student debt, it is wise to begin early to find ways to ease the burden.

Currently, total U.S. student loan debt is nearly \$1.3 trillion. There are about 44 million debtors owing an average of roughly \$37,000. The average cost for attending four years

at a private college is just under \$200,000, and that cost is increasing faster than inflation, which gives us a good idea of what many parents and students are facing.

In New York State, the average debt upon graduation totals more than \$30,000 – and that number has been increasing since 2006.

It's no wonder that parents prioritize saving for college right behind saving for retirement – or ahead of it if they already have a retirement plan.

Despite these daunting figures, there are several roads that can be taken to help bear the costs of higher education by the time our children are ready to embark on their college careers, and families should work together with a professional to identify the options best suited to their overall situation.

There are myriad scholarship programs for instance, most of which require either top grades or a high level of competence in a sport supported by the college of choice. And there is a wide variety of additional financial aid programs offered by colleges and universities. But we should remember that competition for these awards is fierce and may not necessarily be available for four years.

The average athletic award to Division I college athletes in 2015, for example, was \$14,270 for men and \$15,162 for women – and very few scholarships paid all costs for a full year. Athletic scholarships at Division II schools are significantly lower than Division I, and Division III schools typically make no athletic awards.

Similarly, full-tuition academic scholarships are available from universities, states or cities in some instances, but they generally are performance based and require high SAT or American College Test (ACT) scores and a high-level grade point average from secondary school. They also could include other requirements such as a history of volunteerism and often are restricted to students from specific localities.

While there are myriad forms of scholarships and grants, very few of them provide sufficient funds for a full year of college, and for many of them, the criteria and amounts available are subject to change from year to year.

Thus, one of the best options for ensuring adequate funds to send our children to college, without the immediate after-graduation burden of student loan debt, is to create a college fund while they are young and to continue funding it, at least through high school graduation.

A popular option is an education savings plan; the 529 Plan is one of the most popular. Such plans, which have existed since 1996, are named after Section 529 of the Internal

Revenue Code, and can go a long way toward providing sufficient funds for each child's college expenses.

There are some restrictions, but most 529 plans have no income limits, age limits or annual contribution limits. Although there are lifetime contribution limits, those limits currently range from \$235,000 to \$500,000.

Most 529 plans make it easy to save without the burden of an income tax levy and to apply those savings to the college of choice regardless of where the student lives. Nonetheless, there are differences from state to state and it is incumbent upon the parents to study each option carefully to ensure that whichever variation is chosen, it will meet your needs – and your child's need.

Spring is a beautiful time of year and it is nice to stop occasionally and smell the daffodils. But the requirements for financing a college education are always on the move, and we can't forget that diligence now will help to provide the rewards of education for our family in the future.

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