



Going for the Green: Saving for your Child's Education

October 16, 2009

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***As seen in the October 16th issue of *The State Journal*.**

My nine-year old is a typical boy who loves sports and *thinks* he will play basketball or golf in college, but, realistically, he's no Michael Jordan or Tiger Woods. I'm not counting on a full ride. At the same time, I do want to enable him to attend the college of his choice without being constrained by an inability to pay for it when the time comes.

According to College Board's *Trends in College Pricing 2008*, approximately a quarter of full-time, four-year college students are enrolled in out-of-state institutions with published prices of \$21,000 per year or higher. 25% of full-time private college students are enrolled in schools with published prices of \$33,000 or higher.

As the parent of a fourth grader who will start college in just nine years, these numbers are daunting. Like every parent, I want the best for my child and understand the importance of a college education in today's society. On average, college graduates earn 62% more than high school graduates, and those with professional degrees earn three times more. There is nearly a million dollar lifetime earnings gap between high school and college graduates. See College Board's *Education Pays 2007*. So, while I constantly wonder whether I am doing everything I can to prepare my child for adulthood and society, I also wonder -- worry - - whether I am adequately prepared to pay -- or help pay -- for his post-secondary education.

The best advice my own financial representative, Jon DeGroff, gave me was to start saving early and often. The earlier I start, the better off we will be. Not only will I save more, he said, but as I invest my savings, I will have more time to ride the ebb and flow of the financial market.

One of the most popular college savings vehicles today is the 529 Plan. There are two types: prepaid tuition plans and college savings plans. I started a 529 Plan for my son several years ago. While it obviously has not been immune from market conditions recently, it nevertheless has provided a tax-advantaged vehicle for me to save for my son's education.

Permanent life insurance can also be a viable way to pay for college. In certain circumstances and depending on the type of policy and other factors, the cash value of a life insurance policy may provide another source of available funds that may be insulated from market conditions and provide specific tax advantages.

Another option for some people may be to leverage equity in their homes. I have a friend who is completely debt free coming out of a top tier professional school because her parents took out a home equity loan to pay for her education. While that may not be as viable of an option in today's housing market as it traditionally has been, it nevertheless is an option for some.

Many people use retirement accounts to fund their children's education. I specifically asked Jon about how my retirement fund could assist in defraying the cost of my sons college. His response: We all make

sacrifices for our children, but this is not the purpose of a retirement fund. That makes sense to me. When I think of my own retirement, I'd like to think I'll be able to spend some time (and money) golfing.

Clearly, there are a number of different options -- many clubs in the bag, so to speak. For me, the key has been club selection and working with my caddy to identify the option that works best for my son, our goals, and our lifestyle.

While grants, scholarships, and student loans may be options down the road, they are out of my control for now. I will not know until my son is ready to leave for college whether these can help supplement the exorbitant tuition fees and costs of sending a child to school. I simply cannot rely on these, so I must do what I can do now.

Financially and emotionally, his college education may be one of the biggest investments I will ever make. And, it may be one of the greatest contributions I can make to his future.

The way I look at it, I have done a little saving for the first nine years of his life: The Front Nine. Now, we're making the turn. Like Tiger Woods on the Sundays of nearly every Major tournament, it's time to make up ground, be more aggressive, and aim for the green.