

Santa Cruz Sentinel (<http://www.santacruzsentinel.com>)

## **High price for higher education: CPA tries to teach parents tools to pay for child's tuition**

By Jondi Gumz - Santa Cruz Sentinel

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SANTA CRUZ — The numbers are mind-boggling.

The price tag for a year at San Francisco State University is rising to \$25,000. At UC Santa Cruz, it's \$32,000, and private colleges cost more than \$50,000.

In 1985, students paid for 25 percent of the cost of their education at state colleges and universities; the state picked up 75 percent of the tab, according to the American Association of State Colleges and Universities. Today, it's about 50-50.

The College Board reports 56 percent of students who got a bachelor's degree from a public four-year college where they began graduated with debt. The average debt: \$22,000.

What's a parent of a college-bound student to do?

This fall, about 20 parents signed up for a “paying for college” workshop at Cabrillo, taught by Steve Shapiro, a certified financial planner who runs Tuitions Solutions Now and a parent who sent two children to college.

He offered suggestions on how parents can reduce the impact of college costs.

So did Pat Moore, the owner of Options Educational Career Counseling in Soquel, a consultant for 40 years and the parent of two college graduates.

### **FINISH IN FOUR YEARS**

A major way to reduce the cost is to keep the degree from becoming a five-year or six-year project.

That can happen, depending on availability of classes and whether a student needs to complete remedial coursework or changes majors.

At UC Santa Cruz, about half the students graduate in four years. At Cal Poly San Luis Obispo, part of the CSU system, it's 26 percent. At Stanford, a private university, it's 78 percent.

The strategy for parents: Get your children into Advanced Placement or International Baccalaureate classes in high school.

“Then you have a fighting chance of finishing in four years,” Shapiro said.

These classes, known as AP or IB, cover more challenging material than standard courses. Students will be assigned to do more reading, write more papers and work with other students on projects outside of class. At the end of the course they pay to take an exam, graded by outside evaluators rather than their high school teacher.

With a satisfactory score, students can earn credit toward a college degree. Usually that's a score of 3 for AP and 4 for IB, although some colleges require higher marks. Students learn what the pace of a college class is like and develop skills they need to be successful.

Another strategy for students: Take advantage of Cabrillo College classes, summer programs and winter sessions to accumulate transferable college credits.

“They can save their parents a lot of money,” Moore said.

Moore said local teens can take a class at Cabrillo while in high school, a situation known as concurrent enrollment, even though Cabrillo has cut back on its offerings and students complain they can't get into classes,

English 1A, for example, is a transferable college composition course that has been offered during the summer.

Completion of this course with a grade of C can exempt high school seniors from the UC Analytical Writing Exam required for incoming freshmen. Yes, there's a fee for that UC exam.

Another way to get out of the UC exam is to score a 3 in AP English or 5 in IB High Level English.

An unsatisfactory score on the UC writing exam will mean taking a remedial-level course as a freshmen, which could make it more difficult to finish a degree in four years.

The CSU system requires two tests of incoming freshmen, English Placement Test and Entry Level Math.

Unsatisfactory scores mean taking remedial courses for which college credit is not granted. This can make it more difficult to complete the general education requirements, which are prerequisites for junior and senior courses.

Cabrillo offers a class specifically for high school students in the spring to expose them to engineering careers. It offers one college credit and meets one afternoon a week.

“I took that class myself one summer,” Moore said. “I think every student who's going to declare engineering should take it.”

Another strategy for students: Take time in your junior year during the STAR tests in the spring to answer the extra questions in English and math for the Early Assessment Program. The results, which arrive in August, tell you if you are prepared for college.

If the scores are not high enough, there is still time to take the appropriate math or English courses as a senior.

“I don't want a parent to have to pay for remedial work,” Moore said, recalling one client who took remedial math in college for four years and eventually earned a master's degree in social work.

Moore invested in tutoring for her daughter in high school to improve her math skills. It paid off when her daughter graduated from college in three years.

Both Shapiro and Moore say teens should think about what they will study. That will make it easier to finish in four years; a change in majors generally triggers additional course requirements, which prolongs the time to earn a degree.

“It's a bunch of baloney to not know what you want to major in,” Moore said, suggesting students find time in high school to learn about different careers.

## **FINANCIAL AID 101**

A strategy for parents: Apply for need-based financial aid by filing a form known as FAFSA, the Free Application for Federal Student Aid, which can be done as early as January of the student's senior year.

This year, 80 percent of families filed a FAFSA, up from 72 percent the previous year, according to a survey by lender Sallie Mae.

“Don't discount the idea that you're unqualified,” Shapiro said. “When I had two children in college, I qualified and my son got some free money.”

Free money, such as a grants or scholarships, does not have to be repaid while a loan requires repayment.

The form requires parents to provide their adjusted gross income for the year that just ended, a daunting task if you file your 1040 tax form in April.

Shapiro recommends filing early with an estimate of income, then updating the number once the 1040 is completed rather than wait until April, when colleges may have committed all their money.

The form requires adding back money deducted for a 401(k) requirement account “because they consider that a choice,” he said.

The formula to calculate the “expected family contribution” protects a part of parent savings, depending on age, and expects parents to contribute 5.6 percent of the rest for college. Students are expected to contribute 20 percent of their savings each year.

The form requires a personal identification number, or PIN, for the student and a parent to file online, so it's a good idea to apply in advance for the PIN so you'll have it in hand by the time you are ready to file.

“If you think a tax form is invasive, you have not seen a financial aid form,” Shapiro warned.

Private universities require another form, the CSS College Scholarship Service Profile. This form requires even more information, such as home equity, which is not required by the FAFSA.

“Do not be scared off by the sticker price,” Shapiro said, referring to the published cost of attendance of private colleges.

He estimates only 20 percent of students actually pay that amount.

He recommends talking with your children about the price of college and what you can afford.

“It's a good idea to have that conversation early in the process,” he said.

Otherwise teens may assume their parents will somehow find a way to pay for their dream school and be surprised if it is not possible.

For example, Harvey Mudd, a private school in Southern California with an estimated cost of \$58,000 this year, says 82 percent of students receive financial aid. That doesn't mean the college is promising to foot the bill, however.

A private college may offer enough financial aid to make the price comparable to public colleges, or it may offer less assistance than the family expected. Or the assistance may come as loans to be repaid rather than grants.

If a private college wants a student, that student will be offered a better deal financially.

“The kids who get the most merit aid are the ones who can show why they're special,” Shapiro said. “Admissions staffers are reading 500 essays and giving them 15 minutes apiece, so your essay has to be effective.”

A strategy for students: Apply to schools where you will be in the top portion of the applicant pool, schools that compete against one another and schools off the beaten path.

For example, Shapiro recalled the son of an MIT graduate who faced intense competition to get into his father's alma mater but he got into Clemson University in South Carolina.

A strategy for students: Be open to out-of-state universities, which may be a better financial deal than those in the UC and CSU system.

“A lot of colleges are giving out scholarships for out-of-state students,” Moore said.

The number of high school graduates is much higher than it was 18 years ago, so there is greater demand for popular UC campuses such as UC Berkeley and UCLA but the UC system is accepting more foreign students, who pay higher tuition.

Students who worry they won't get into the UC campus they prefer may want to consider the 137 colleges in the 14 states besides California that are in the Western Interstate Commission for Higher Education.

Students in these states, including Arizona, Oregon, Colorado and Utah, can request a reduced tuition rate, which is 150 percent of resident tuition, rather than paying out-of-state tuition. There is a limit to how many students get waivers so it's a good idea to apply early.

Moore suggests students ask about fee waivers.

“The schools will tell you,” she said.

Shapiro considers applying for scholarships offered by groups other than colleges to be a “fairly low return endeavor” but Moore contends “hundreds of scholarships go to waste because kids don't want to hustle” for them.

For those willing to pursue those opportunities, Shapiro recommends two books: “Paying for College Without Going Broke” by Kalman Chany and “How to Go to College Almost for Free” by Benjamin Kaplan.

## **FIND CASH, CUT TAXES**

A strategy for parents: Improve your cash flow to cover college expenses and take advantage of the federal tax law.

Shapiro listed examples of expenses that might be re-evaluated such as cable TV charges beyond the basic service, spa membership, \$5 coffees every day.

For homeowners paying a mortgage with a high interest rate, it's worth asking whether it makes sense to refinance to take advantage of historically low rates.

“It could be hundreds of dollars a month,” Shapiro said, suggesting borrowers consult a tax adviser or mortgage professional.

Congress has enacted a variety of tax benefits for education, such as the American Opportunity Credit, the Lifetime Learning Credit, the student loan interest deduction, tuition and fees deduction and student loan cancellation provisions. Details are in IRS Publication 970.

“You're eligible unless your income is very high,” Shapiro said.

Tax information will arrive in letters or emails sent to the student, not parents, so parents must ask their children to share this information.

“I got late notices,” Shapiro said.

When he asked his son about it, his son confessed he had forgotten about the notices he got.

“Sometimes it's possible for a business owner to hire their kids,” Shapiro said.

Last year, the tax code allowed employers, including small business owners, to provide up to \$5,250 in educational benefits to employees. This could help a parent who is a small business owner, according to Shapiro, suggesting a conversation with a tax adviser.

## **TRIM COST OF LIVING**

A strategy for parents: Cut the cost of living during college.

Rentals in Arizona, for example, will cost less than in the San Francisco Bay Area.

Moore said her daughter rented a house while attending Sacramento State University and rented out two bedrooms to more than cover her costs.

A strategy for students: Cut costs while in college by careful course selection and taking advantage of CSU's co-op program.

Moore likes the Cal Poly system that registers students for courses rather than allowing students to pick.

“They might have to take courses at 8 a.m. but they don't take courses that don't count (toward graduation),” she said.

She gives her clients a course catalog for them to keep and tells them to highlight what they have to take so they can figure out what they are missing.

Shapiro said students can save on textbooks by buying used books, renting them or using electronic books if available.

Another place to save is on car insurance. If your child drove a car in high school but is not using a car in college, contact your insurance agent.

“It saved me \$1,200 the first year,” Shapiro said.

Moore said she is a big fan of the co-op program, which enables college students to go to work for an employer before they graduate.

“If it's a good match, they offer you a job,” she said.

Her son followed her advice at Cal Poly and worked two days a week for the federal government in Port Hueneme in his junior and senior years. He earned \$29,000 and never needed loans. Today he's a lawyer.

## **HOW FAMILIES PAY**

Paying for college can be like buying an airline ticket, where you may pay a higher or lower price than the people in the seats next to you.

Last year, families with an income of \$100,000 or more paid \$25,760, down from \$31,245; families with an income between \$35,000 and \$100,000 paid \$21,347, down from \$22,628, and families with an income under \$35,000 paid \$19,888, up from \$17,404, according to lender Sallie Mae. All families are paying about \$4,000 more compared to three years ago.

Here's a breakdown of how families overall paid for college in 2010-11:

Grants and scholarships, 33 percent

Parent income and savings, 30 percent

Student borrowing, 15 percent

Student income and savings, 11 percent

Parent borrowing, 7 percent

Relatives and friends, 4 percent

Source: Sallie Mae

## **About the project**

The Sentinel looks at the rising cost of a college education with three stories in this special report.

### **Saturday**

As students enter high school, their search for college begins as well. [Read Day One](#)

### **Sunday**

A UC Santa Cruz student knows first hand what it's like to pay for college. Also, how a family caught in the middle plans to get its three kids through college. [Read Day Two](#)

### **Monday**

The cost of college can boggle your mind and put a dent into a family's bank account at the same time. Meanwhile, two local experts offer tips on paying for a college education. [Read Day Three](#)

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