

## **Money for Life – Investing for College Begins at Birth!**

By Ruth Freeman, Family Resource Management Field Specialist

With today's annual cost of an Iowa public university at \$15,000 per year and a private college around \$30,000, families need to plan ahead to have money available for children's college.

College Savings Iowa is an excellent place to begin investing for college. Contributions are deductible from Iowa income taxes. Earnings grow tax-exempt at the state level and tax-deferred at the federal. Parents, grandparents and others can save for a child whether he lives in Iowa or not. Check other companies that sell *529 Plans* to compare set-up and annual fees.

College Savings Iowa comes through the office of Michael L. Fitzgerald, Treasurer of the State of Iowa and is a qualified state tuition plan. The minimum contribution is \$25 – up to a maximum contribution of \$2375 per year per beneficiary in these *529 Plans*. Contributions can continue until the sum of all *529* accounts for one beneficiary is \$239,000. These accounts can be invested in many different types of age appropriate investments. To learn more visit <http://collegesavingsiowa.uii.upromise.com/>

By investing \$25 per month from birth to age 18 your contributions will total \$5400. Depending on the investment you choose, that amount, through the value of time, could grow to over \$12,000. If you invest \$100 per month over those same 18 years, your contributions will be \$21,600. Again through the value of time, it could grow to more than \$48,000. These examples figure an 8 percent annualized rate of return on investment. Some investments will earn a better return; some will earn less.

No matter how much you choose to invest in College Savings Iowa or another *529 Plan*, you are helping your child reduce their dependence on loans during college!

For more family resource management information, visit the Greene County Extension office, 104 West Washington, Jefferson, 515-386-2138 or the ISU Extension to Families Web site at [www.extension.iastate.edu/families/](http://www.extension.iastate.edu/families/).

## **Money for Life – Is College in Your Child’s Future?**

By Ruth Freeman, Family Resource Management Field Specialist

Do you have a high school student in your home? Now is the time to talk about financing a college education. How much is your student saving for college? How much do you have put away to help your child? Iowa Regents universities cost around \$15,000 a year for tuition, fees, room, board and other expenses – books, supplies, transportation and personal expenses. Iowa private colleges are in the neighborhood of \$30,000 annually.

Yes there are student loans . . . but they need to be repaid! Many college graduates say that if they had understood that their loans had to be paid back, they would have made different choices. Help your student understand what it means to repay college loans over the next 10, 20 or 30 years!

High school students who work during high school can be encouraged to save money from each paycheck for college. Even \$50 per week over 2 years can add up to \$5,200. Do they receive gifts of money from parents, grandparents or others? These gifts can increase the amount saved.

Many youth talk about going to college from junior high school on. As adults we need to encourage them to prepare for college. We ask them to study hard, take college prep courses, participate in extra-curricular activities and each of these is an important aspect of being prepared for college. As is having money to pay as many of the colleges expenses as possible.

Student loans are available when the money the student and his parents have available for school run out, not to pay 100% of the tuition, fees, books, living, and as much fun as a student can cram into their college years!

A co-worker of mine always said that if a student lives like a professional in college she will live like a student as a professional! What does your child’s future look like?

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## **Money for Life – College Students Plan Spending**

By Ruth Freeman, Family Resource Management Field Specialist

Before a student receives her student loan check, it is time to develop a spending plan so the money will stretch until the end of the semester. Check with the school to see how much your student will need for tuition, fees, room, board, books, and living expenses.

If this is your first college-bound child, visit with friends to learn what their students are spending. This will be a beginning point for helping your student develop a spending plan. During the first year of college, talk with your student about any accumulating debt and long term consequences.

Living expenses range from little to much. Some students buy only the bare necessities – tooth paste, deodorant, etc. – while other students purchase big items like a stereo, computer games, pizza, new clothes, tickets to campus and off campus events, spring break somewhere warm, etc. Help your student understand what he can afford. The “other expenses” category (not tuition, fees, room or board) averages over \$3300 annually at seven Iowa schools. Books are no small item today!

If your child has a new checking account make sure she understands how a checking account works. I heard of a student who did not understand that he needed to subtract each check as it was written. Thus he was over drawn and did not understand why as he had been adding. Students need to balance their check book at least monthly. ATM machines are not substitutes for a check book register! Many young adults believe that as long as the ATM shows they have money they can continue to spend.

College is an opportunity for your child to become an independent adult and learn money management skills is part of that process.

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## **Money for Life – Money & Your College Student**

By Ruth Freeman, Family Resource Management Field Specialist

How much debt will your college student have when he graduates? In 2003, the average ISU in-state student graduated with \$24,725 in debts. This total included student loans, credit card debt, auto loans, etc. Twenty-nine percent of the class graduated with no debt.

Are debt-saddled graduates and dropouts beginning life behind the eight ball? Will they be able to purchase a home when they are ready? Will debt weigh on a new marriage? According to a CNNfn Study, seven out of 10 couples list money as their number one disagreement in marriage: how to spend it, manage it, who should make the decisions, etc.

If a student has \$2,000 in credit card debts and pays 2% of the balance monthly it will take over 23 years and more than \$6,000 to repay at 18% interest. If she owes \$10,000 at the same 18% rate, it will take just under 50 years and over \$40,000 to repay - if there are no new charges for the next 25 or 50 years! Student loans do carry a lower interest rate, but still must be repaid.

What is your student purchasing either directly or indirectly with borrowed money . . . a stereo, new clothes, trips, spring-break, eating out, etc? Some students would never spend student loan money on “wants”, but spend “other” money on these items, thus requiring more student loan money or additional use of credit cards. For some students, this is the first time they have access to money not controlled by their parents and they are not prepared.

Students come to college with various amounts of money to spend. Some parents have the assets to provide for most of their child’s “wants”. Many families do not. As a parent, help your student understand when money is available from home, how much she has in savings and how much he can earn during college. Once you and your student talk about what money will be available, it is time to talk about a spending plan.

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