

Pragmatic planning

Paying for college just got tougher, but it's still doable — even this year

by Heather B. Hayes

Advisers who work for the ACCESS College Foundation are used to dealing with families in difficult economic straits. The organization — established in 1988 in Norfolk — helps low-income students in South Hampton Roads find ways to pay for college.

This year, however, with a perfect storm of credit and economic disturbances threatening to wipe out many families' college funds, the organization is hearing from people outside its usual demographic. "Parents came in droves" to the organization's financial-aid nights, held at each of the area's 29 public high schools in late fall, says Bonnie Sutton, president and CEO of ACCESS College.

"Our attendance was at an all-time high," she recalls, "and a lot of the reason is that we're seeing middle-income families and even higher-income families coming to us for help and advice. Parents are quite worried. They thought they had a plan in place and now that's been kind of knocked out from under them."

That's because many parents didn't properly allocate college savings, investing too heavily in stocks as their children approached their final years in high school. These parents have seen the value of their college funds plummet as the stock market fell 38 percent last year, wiping out an estimated \$6.7 trillion in investments. Other parents have lost jobs, forcing them to use college savings to meet living expenses.

The bad news gets worse:

- Many university endowments have lost significant value, a development that could result in students receiving less financial aid.
- Due to a drop in home values, many homeowners can't cash out

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2008-09 full-time in-state undergraduate tuition charges and total mandatory fees*

Institutions	Tuition and total mandatory fees	% Increase over 2007-08	\$ Increase over 2007-08
Christopher Newport University	\$7,550	7.1%	\$500
College of William and Mary	10,246	11.8	1,082
George Mason University	7,512	9.8	672
James Madison University	6,964	4.5	298
Longwood University	8,499	5.5	441
Norfolk State University	5,560	4.5	238
Old Dominion University	6,918	6.0	390
Radford University	6,536	5.8	360
Richard Bland College	3,048	15.3	404
University of Mary Washington	6,774	4.3	280
University of Virginia	9,300	9.4	800
UVA-Wise	6,439	4.7	288
VA Community College System	2,584	7.5	180
Virginia Commonwealth University	6,779	9.4	583
Virginia Military Institute	10,556	5.1	508
Virginia State University	5,903	4.4	248
Virginia Tech	8,198	10.8	801
Average 4-year institutions	7,582	7.0	499
Average 2-year institutions	2,816	11.6	292
Average all institutions	7,022	7.3	475

* Includes mandatory E&G fees, and mandatory non-E&G fees which are charges assessed against students primarily for activities such as athletics, student health services, student unions, recreational facilities and programs, campus transportation and capital debt service.

Source: 2008-09 Tuition and Fees at Virginia's State-Supported Colleges and Universities, State Council of Higher Education for Virginia

the equity in their homes or get low-interest personal loans.

- The majority of private student-loan companies, once an ill-advised but available avenue for college financing, have shuttered their doors.

Meanwhile, the cost of attending college continues to increase at a pace well beyond the cost of living. (The cost likely will get worse as Gov. Timothy M. Kaine has proposed a \$610 million cut to education funding, while adding only \$26 million in financial-aid money.) Many of the state's public universities raised tuition and mandatory fees last year. For example, those costs for an in-state undergraduate attending Virginia Tech jumped 10.8 percent for the 2008-09 school year, climbing from \$7,397 to \$8,198. The State Council of Higher Education for Virginia has recommended that state colleges and universities use 5 to 30 percent of their tuition increases for financial aid.



Atwill

"People are really scared right now," says Charles B. Atwill, managing member of Atwill Financial Consulting Group in Richmond. "The main fear is that they have lost too much principal over the last year and they won't be able to make it up and send their children to college."

Financial advisers and university officials, however, say that today's financial reality should be seen as an opportunity to rethink college planning, not an excuse to panic. "The worst thing that parents of high school seniors could do right now is to automatically tell them: 'We just don't have it. You've got to put your college plans on hold and go to work for a year or two,'" says Sutton. "I would advise them not to make those kinds of assumptions. I think we still play this out."

In fact, despite an environment of seeming scarcity, there remain a lot of options that parents can consider:

Cast a wide net. Because no one knows what the future holds, students should always apply not just to their No. 1 pick but also to various in-state public and private schools, as well as the local community college.

Students also need to be flexible and willing to change course, says Debra Harber, associate dean for financial aid at the University of Mary Washington. Students who wanted to attend an out-of-state school, for example, may need to attend an in-state university for a year or two and then transfer. A student planning to attend an in-state, four-year college could save a substantial amount of money by living at home and taking classes at their local community college for the first couple of years.



Harber

But flexibility isn't always required. Nancy Tessier, vice president for enrollment management at the University of Richmond, strongly encourages students to apply to private colleges, which, despite their higher cost, often offer more generous financial-aid packages. UR, with a massive \$1.5 billion endowment, promises to meet 100 percent of the demonstrated need of any student it admits. Currently 66 percent of undergraduates receive some level of financial assistance at UR, whose tuition and fees total \$38,850 per year. (In-state residents attending a Virginia private college can get a \$3,200 Tuition Assistance Grant annually from the commonwealth.)



Tessier

Start the process early. Parents of rising freshmen should educate themselves about the financial aid process and fill out applications for every possible funding source. One note of good news is that by late November the federal government made or guaranteed \$65.2 million in student loans for the current school year, an increase of 18.6 percent from the previous year, according to the Wall Street Journal.

A key step, says Sutton, is to file the Free Application for Federal Student Aid (FAFSA) form by the Feb. 15 deadline. All state-supported colleges and universities in Virginia rely on that application date to decide which students receive state aid. Students that miss the date this year, in particular, will likely miss out on any state funding. "The early bird is truly going to get the worm," she says.

College planning resources

**ACCESS College
Foundation**

www.accesscollege.org

**Office of Federal
Student Aid**

<http://studentaid.ed.gov>

FinAid

www.finaid.org

**State Council of Higher
Education for Virginia**

www.schev.edu

**Virginia College
Access Network**

www.vcan.org

**Virginia College
Savings Plan**

www.virginia529.com

Tessier agrees, strongly recommending that all families — even those with a solid income — work closely with their school's financial aid department. "Let us do our good work," she says. "Let us assess the situation and let us respond, and then ultimately the family can make the final decision on what they can or cannot afford."

Families should leave no stone unturned, applying for merit scholarships, federal student grants and loans, and college funding from private-sector and nonprofit sources.

Opt for more security. The Virginia Prepaid Education Program (VPEP) is a good avenue for parents (with students in the ninth grade or younger) who no longer have the stomach for the risks inherent in stock market investing.

By prepaying tuition and room-and-board costs (at today's prices) upfront (or on a payment plan), they gain peace of mind knowing that their students are financially "locked into" a qualifying in-state Virginia school, provided they gain admission. Parents can buy a contract that covers anything from a year at community college to four years at a university, plus another two years of graduate school. The downside? If their child opts for a private or out-of-state school, parents get the principal back but with only minimal return on investment (the interest is based on a composite money market index).



Morris

Still, an increasing number of parents are recognizing the value of a guarantee. According to Mary Morris, executive director for the Virginia College Savings Plan, inquiries and applications for the VPEP program were up in mid-December by about 40 percent (the current enrollment period runs through the end of February).

Diversify. Spreading risk among many types of assets is, of course, a key mantra for financial advisers, but too many people do it only within the context of the stock market, says Atwill, by mixing international stocks and domestic stocks, for instance, or small-cap with large-cap stocks.

He suggests instead that college savers think more broadly. By relying on the Uniform Gift Trust to Minors Act (UGTMA) rather than the more popular 529 accounts, custodians can save using a mix of not just mutual funds but also corporate bonds,

certificates of deposits (CDs), commodities and even zero-coupon Treasury bonds. The latter, which currently pay about a 4 percent yield, provide a forgotten but much-needed anchor to a savings plan, according to Atwill. "They're boring, but they're straightforward and safe and the money will be there when you need it," he says.

Another diversification scheme that some parents have undertaken, according to Morris, is to mix Virginia College Savings Plans. A formula could go like this: Pay upfront for two years of a four-year college through the VPEP program, put some money into the age-based evolving portfolio funds managed by the Virginia Education Savings Trust (VEST) and invest still other savings into a self-managed, tax-deferred 529 account, like CollegeAmerica (mutual funds) or CollegeWealth (bank-based savings accounts and CDs).

Save, save, save. Despite today's market turmoil, parents with younger children need to set and stick to a disciplined savings plan, says David R. Barrett, president/CEO of Barrett Capital Management in Richmond.



Barrett

"So much a month, so much a quarter, so much of your annual bonus, whatever you commit to, but you've got to take that step like clockwork for 18 years for your first child and 18 years for your second child," he says, noting that putting the money in a tax-deferred vehicle like a 529 is preferable so long as parents work with an adviser who allocates assets correctly and in a goal-appropriate manner. "In truth, given what college costs today and what it's likely to cost in the future, I would recommend that people start putting money away when they start thinking about planning a family because it really does take years of diligent saving to send a child to college."

Save some more. Finally, students getting ready to enter college need to do their part as well. Donna Mack-Tatum, director of financial aid at Virginia Union University, recommends that students look close to home for sources of financial assistance at their church and other local community and civic organizations. She also tells them to get a job — or two — "and work as much as they can over the summer breaks and set the money aside for college expenses." **VB**

ACCESS

College Foundation



ACCESS Turns the Dreams of College Into a Reality for Thousands of Students Like Jonathan Quiazon, 2006 Indian River High School Graduate, Now a Pre-Med / Biology Major at Old Dominion University.

*College is a locked doorway,
and students are the key to
opening the lock. ACCESS is
the hallway light that showed
me and other students where
that keyhole is.*

- Jonathan Quiazon

Since 1988 we've helped over 70,000 students go to college.

The ACCESS College Foundation helps students in the public schools of South Hampton Roads go to college:

- by inspiring the hope that a college education is attainable;
- by supporting them in achieving the requirements for college acceptance;
- by guiding them through the college application process; and
- by assisting them in gaining the funds to attend college.