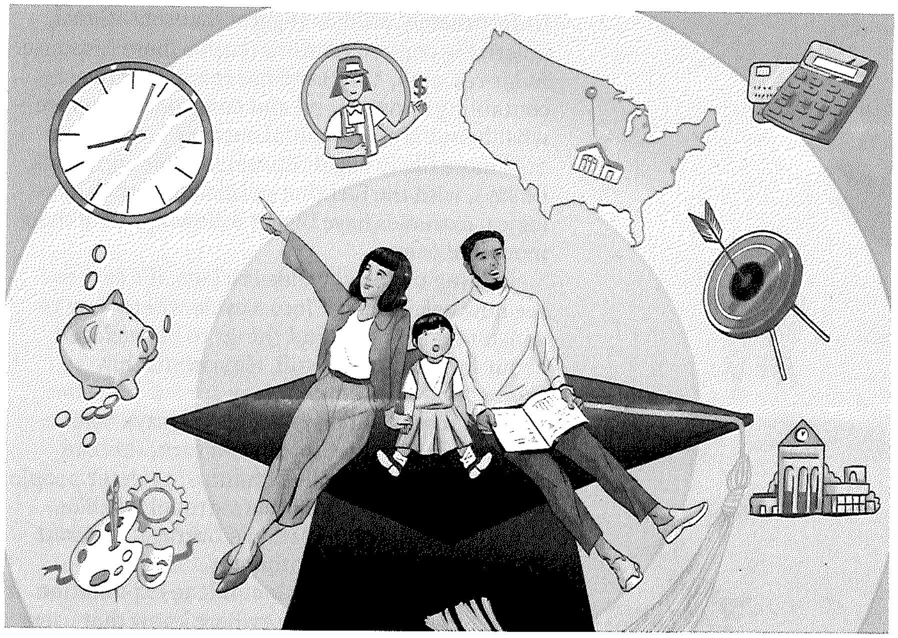

MONEY

How to help your kids get a great education—and not go broke

By Stuart Vyse

HIGH SCHOOL STUDENTS ARE NOW back to classes, resuming the quest for a college education and the good life beyond. But it seems too many of them are mortgaging their futures to get there. At $1.4 trillion, student loans now represent the second largest pile of total household debt—topped only by mortgages. For parents hoping to provide their children with more bountiful lives than their own, that should be a warning.

College is still a good income-boosting strategy. For example, a recent study of the University of Texas system found that three years after graduation, bachelor's-degree holders earned almost twice as much as their high-school-graduate peers. But if you also have to make a large monthly loan payment for a decade, are you really getting ahead? Some measures say no.

There is growing evidence that ballooning student-loan debt is slowing the progress of college graduates toward other features of the American Dream: getting married, buying a car or a home or even just moving out of their parents' place. Part of the explanation for these trends is simply that there is less money left over after the monthly student-loan payment is made, but home and auto purchases are also likely affected by the damaged credit ratings of those who get behind on student-loan payments. The Federal Reserve Bank of New York estimates that, shockingly, approximately 22% of student loans in the repayment phase are more than 90 days delinquent or in default. All of this is consistent with recent studies showing that millennials are doing worse than their baby-boomer parents did at the same stage of life.

This is the too-often ignored story of college life. How can parents help their children reach a much happier fate? Here are a few suggestions:

- START EARLY. Long before high school, have serious discussions with your children about college costs and financing. This should be an essential part of their basic financial education about work, spending, saving and debt. If you want to establish realistic goals, the junior year of high school may be too late to have these conversations.
- ENCOURAGE ACTION. Even if you are lucky enough to be able to cover your child's entire college education—but especially if you are not—require that they open a savings account and work part-time and summer jobs to cover some of the costs (books, fees, spending money and the like). Giving young people an early understanding of the value of work will help them appreciate the cost of debt after college. Multiple studies show that young people who are low on financial literacy make poorer borrowing decisions.
- DOWNPLAY PRESTIGE. Insist on colleges that you and your student can afford. There is some evidence that students who graduate from more selective colleges earn higher salaries, although the data are far from clear. But the effect of college prestige is dwarfed by the impact of major. The state-school engineering graduate will almost always command a substantially higher starting salary than the private-college psychology major.
- STAY LOCAL. Over the past 40 years, in-state public-college costs have varied between 38% and 45% of the price of private colleges. To further save on costs, some students may choose to start at the local community college and transfer to the state university. No matter how you do it, there is no better bargain for a traditional college education than your state university system.
- CREATE GOALS. Make an agreement with your child that graduating debt-free or with minimal debt is an important goal. Washington *Post* financial columnist Michelle Singletary recently reported that by living below their means, investing in tax-advantaged college-savings plans and choosing state schools, she and her husband were able to send all three of their children off to college debt-free. Not everyone has the benefit of a personal-finance expert in the family. But in the U.S., a high-quality, low-debt college education is still possible for most middle-class families who make the right decisions. Don't let your kids overpay and put the rest on a credit card. They'll thank you for it later.

Vyse is a psychologist and the author of Going Broke: Why Americans (Still) Can't Hold On to Their Money

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