

Payment Plans

FIVE MISTAKES PARENTS MAKE FUNDING A COLLEGE EDUCATION AND WHAT YOU CAN DO TO AVOID THEM

By Kristen De Deyn Kirk



Parents hear about the importance of saving for their child's college expenses even before their little sweetie is born, and most truly want to stash away money. But somehow few of us are on track.

A 2012 Certified Financial Planner Board of Standards survey found that only 48 percent of parents who want to send their child to college have saved or invested money, and half of them feel behind in their efforts.

The good news is that you *can* learn from others' mistakes—and correct your own. Some common mistakes today's parents are making:

1. ONLY THINKING ABOUT THE FIRST SEMESTER

"This is one of the big things we see," says Cary Sawyer, vice president of finance at Virginia Wesleyan College. "Parents aren't even thinking about the first year, just the first bill for the first semester. Think about four years early on. Too many people think 'it'll take care of itself.'"

If college is fast approaching, Sawyer recommends asking about colleges' payment plans.

"Once your child is accepted, start on the plan," he notes. "You usually can send in your acceptance in May and start paying in June; even a few months earlier (from the start of classes) can lower your monthly payment and make it a little more manageable."

2. NOT UNDERSTANDING COMPOUND INTEREST

Laura Laing, a Virginia native and author of *Math for Grownups* (Adams Media, \$14.95; www.mathforgrownups.com), explains that compound interest can work for you or against you. If you save early, compound interest means you receive interest on both the money you saved and on earlier interest added to your account.

"If you are earning compound interest, your savings will grow more quickly. But it works against you if you owe money. What you owe grows more quickly over time," Laing explains. "In terms of college costs, then, it makes much more sense to save money than it does to borrow money. If you spend savings on a college education, you spend only what you owe. If you borrow money for a college education, you spend what you owe, plus the interest that has accrued."

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FROM *Inspiration*
TO *Impact*

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HAMPTON
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hamptonu.edu

Private School Listings Pk-12

HAMPTON

Gloria Dei Lutheran School
250 Fox Hill Rd., 23666
757-851-6292
www.gloriadeilutheran-school.net

Grades: Two-year olds through 8 grade

Year: 1973

Enrollment: 380

S/T: Varies by age

ACS: 15-18

Uniforms: No

Principal: Linda K. Robinson
Gloria Dei Lutheran School serves the Peninsula with a strong academic program in a warm, nurturing, Christian environment. With a Two-Year-Old Program through Eighth Grade, teachers mentor and guide students to reach their greatest potential

Holloman Child Development & Education Center
1520 Todds Lane
23666, 757-884-9100
www.holloman.com
Grades: Pk - 5

Year: 1959

Enrollment: Varies by location

S/T: Varies by age

ACS: Varies by location

Uniforms: No

Principal: Bart Holloman
An accelerated learning program inclusive with full day care and meals. Licensed and accredited. Over 40 years' experience. Locations in Hampton, Williamsburg, and York County

NEWPORT NEWS

Hampton Roads Academy
739 Academy Lane
23602, 757-884-9100
www.hra.org

Grades: Pk-12

Year: 1959

Enrollment: 600

S/T: 10:1

ACS: Lower & Middle = 14;

Upper = 16

Uniforms: Pk-8; Dress Code 9-12

Headmaster: Peter W. Mertz
Hampton Roads Academy is an independent college-pre-

paratory school for grades pre-Kindergarten through 12 with small class sizes and a tradition of 100 percent college acceptance.

VIRGINIA BEACH

Chesapeake Bay Academy
821 Baker Rd
23462

757-497-6200

www.cba-va.org

Grades: K-12

Year: 1989

Enrollment: 95


S/T: 6:1

ACS: 2-12

Uniforms: No

Head of School: Judy

Kankowski, Ed.D

Chesapeake Bay Academy educates students through academic programs individualized to address their learning differences, empowering them with the skill and confidence necessary for success in higher education, careers, and life. 

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3. THINKING IT'S A GOOD IDEA FOR THE STUDENT TO TAKE OUT A LOAN—WHEN ANOTHER OPTION COULD EXIST

Having your child pay for some of college teaches responsibility, but if he needs a loan to do so, it's better if he takes it from the Bank of Mom and Dad, if at all possible.

"Otherwise, we're strapping our kids with extremely high debt that is earning compounded interest over time (see number two)," says Laing. "In short, loans require kids to pay much more for their college educations than parents would have if they had put money away. Plus there are special education savings plans that offer tax benefits to parents."

4. NOT COMPLETING FINANCIAL AID FORMS

No matter what, fill out the federal financial aid forms—and do so completely and on schedule.

"Some parents start the forms and don't finish right away," says Sawyer. "You want to fill out the forms as soon as possible, so it's ready in the fall and you might receive federally backed loans like the Stafford loans, Pell grants and parent PLUS loans. The government wants to verify information, and that takes time. We see students who might have money pending, but they don't have it in time for the start of school because their parents waited too long to fill out that FAFSA (Free Application for Federal Student Aid)."


5. OVERLOOKING ALL THE COSTS

"Think about the book costs," says Sawyer. "It could be \$500 a semester. If you want to rent books from an outside company, do so early, and be sure to return them on time or you face high fees."

Sawyer also mentions fees charged by the colleges for a variety of services and activities—something parents didn't face often when they were in school. Nowadays, schools list tuition, room and board, and fees. Parents expect to see \$200 or \$300, like they might have paid for fees. Instead, the number could be \$4,000.

"Often state schools add a lot of fees because they are not allowed to raise tuition as much as they really need to," says Sawyer. "Sometimes a private school will look more expensive until you look at the public school fees and compare."

And be sure to compare scholarship and aid packages: The totals listed on the colleges' websites aren't what you'll pay. Parents and students should only consider the information—and aid packages—each school personally presents to them.

"The cost is not always the sticker price you see," Sawyer continues. "Sometimes private schools look more expensive, and it's not the case when you compare the fees and the aid packages." 



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