Mission Financial Planning Offers Strategies for Keeping College Affordable

Paying for college shouldn't overburden students or their families. Mission Financial Planning helps clients develop a multi-pronged funding strategy, approaching college as a financial decision, exploring a "want" vs. "need" analysis of the expected costs, affordability and the possible benefits.

Mission, KS (PRWEB) August 28, 2012 -- It's not that unusual for Sharon Weaver, president of Mission Financial Planning, to work with young dentists with $200,000 or more in student debt -- debt at relatively high interest rates, with little room to negotiate rates and terms. Weaver laments "Debt burdens these students, and their families-to-be, with years of high monthly payments". Even if they file bankruptcy, their student loan obligations will remain.

Mission Financial Planning hopes to reach parents with high school and college age children before they become burdened with student debt, to help them create strategies for keeping college affordable.

Dentists with college bound kids often find their family is too affluent to qualify for significant financial aid, but not wealthy enough to afford to pay out of pocket. When faced with the choice of funding their kids' college and their own retirement, the old adage "no one will loan you money to retire" becomes a stark reality. Mission Financial Planning works with each client individually, frequently using a combination of solutions and ideas:

MAKE SURE YOUR KID HAS SOME "SKIN IN THE GAME". While many parents dream of putting their kids through school, author Mitch Anthony had other plans. Financial Advisor magazine printed a great article on Anthony's committment to having his kids help pay for college. He observed that his plan ". . . encouraged our kids to develop a good work ethic, to be more prepared when they enter college, to remain focused on courses that will be valuable to their lives and to understand why they are there."

MINIMIZE THE COST. This can be done through the college choices you make -- attending a state school or taking the first years at the junior college are obvious examples. But even at the expensive schools there is negotiating room; few students pay full fare.

PLAN AHEAD FOR FASFA. Before you apply for all financial aid, grants, scholarships or tuition reduction plans you can find, make sure your finances are FASFA friendly. Spend down your kid's assets first, since aid formulas count student assets more heavily than parental assets. (Note: 529 savings plans are counted as the parents' assets.) Assets being used as collateral won't count as an asset on the FASFA. If you have credit cards, you may want to pay them off with taxable assets as another way of reducing the assets shown on FASFA. Starting in your child's Junior year of high school, keep income to a minimum. Thinking of cashing something out to pay for college? Minimize income by avoiding withdrawals from retirement accounts and take care to offset capital gains.

ASSESS YOUR FINANCES. Look back at your income, expenses and assets over the last several years. If there has been a decrease in practice production, take-home income, asset values or another event that could constitute hardship, write a letter to the school's financial aid office requesting financial aid. Get an appraisal to show that your home equity has declined. Be sure to mention if you have multiple kids in school or if you're paying private school tuition for younger siblings.

REDIRECT 401K CONTRIBUTIONS. Dentists who have been actively maximizing 401k contributions may have room in their financial plan to shift cash flow funding retirement over to college funding for several years. Practice owners who have conscientiously maximized their deferrals and profit sharing over time may have accumulated enough that their retirement plan can maintain itself through compounding interest or growth during a few years of redirected contributions. Be careful with this strategy, it will likely increase reportable income.

CONSIDER STUDENT LOANS CAREFULLY. If you must borrow money, student loans can be used to manage cash flow during these very expensive four years by deferring some of the expense until after graduation. At that point, depending on your "skin in the game" strategy, you may (or may not) choose to help pay the loans off. A great rule of thumb: A student's loan amount owed shouldn't be more than their expected salary when they get out.

Economist Barry Bosworth reminisced in a recent Investment News article "I remember advising my sons to make their avocation their vocation, but I think that now I'd tell them that a little bit of money wouldn't hurt either".

Higher education has traditionally been equated with better jobs, higher earnings and, to a certain extent, insulation from unemployment. Employment for educated workers is expected to grow almost twice as fast as the overall job market in the next decade -- but the income advantages of having the degree(s) are not expected to grow at the same rate. Is college worth it? Most likely yes, but approaching college as a financial decision, doing a "want" vs. "need" financial analysis of the expected costs, affordability and the possible benefits will help you know for sure.

Mission Financial Planning works with dentists in all stages of life and practice, advising recent dental school graduates, established dentists with high school and college age children, and practice owners transitioning to retirement, helping them create financial strategies for everything in their personal and practice lives, including the process of paying for college.

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