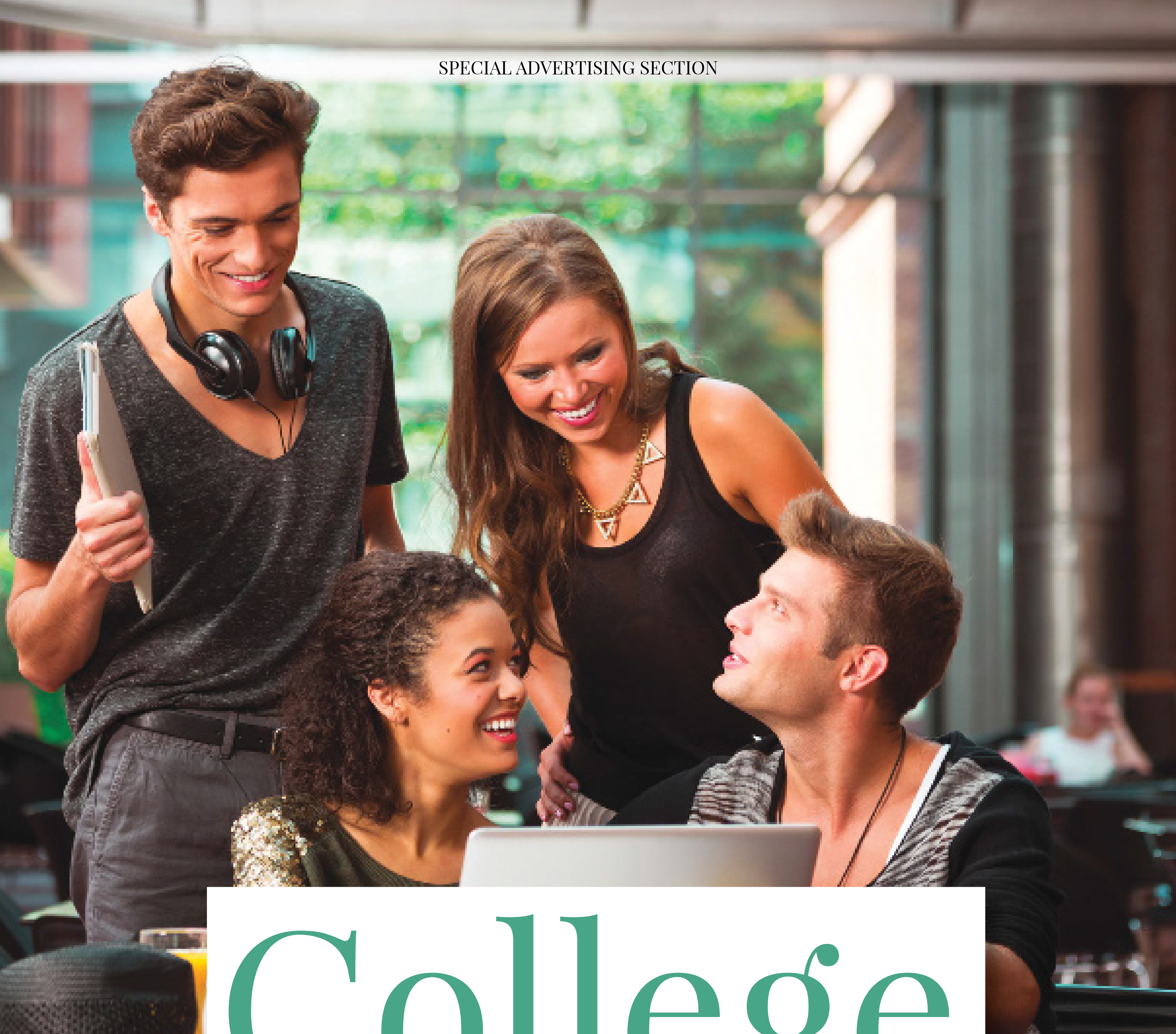
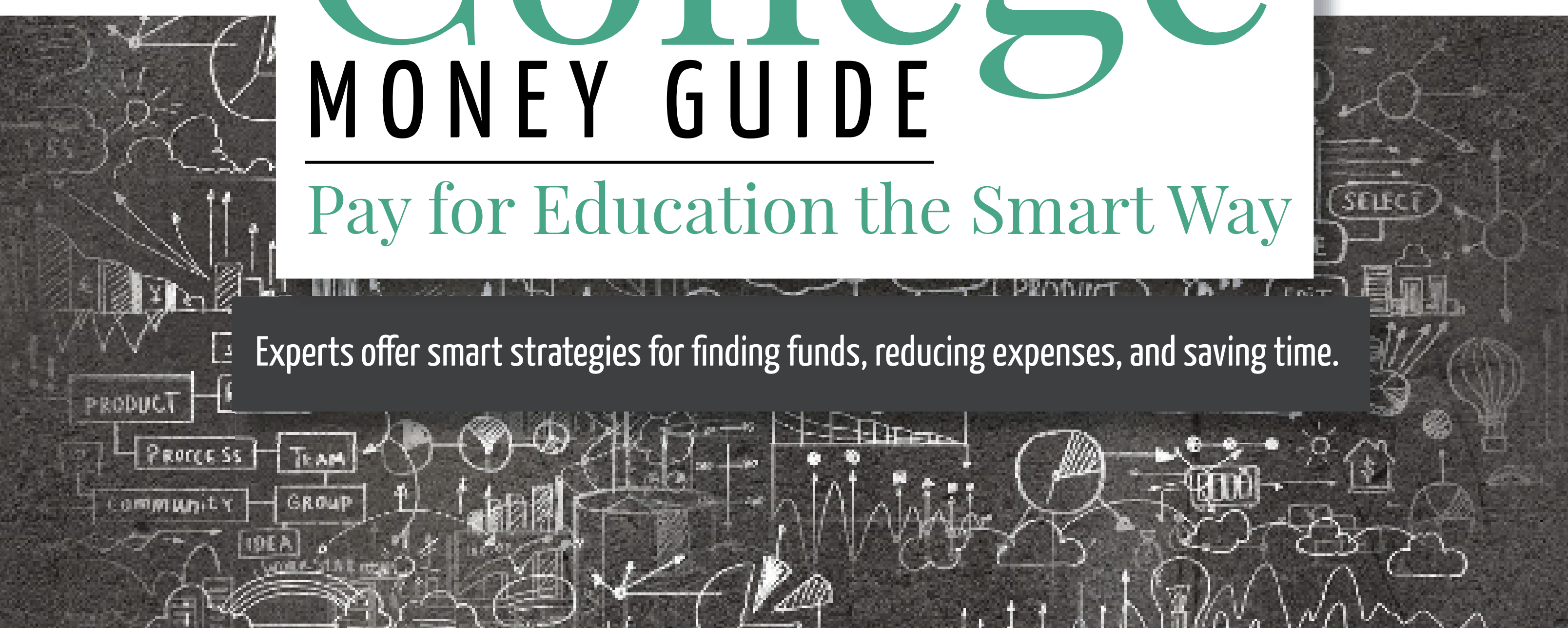


College
MONEY GUIDE
Pay for Education the Smart Way



Experts offer smart strategies for finding funds, reducing expenses, and saving time.

Letter

DR. APRIL L. OSBORN

The Arizona Commission for Postsecondary Education (ACPE) is dedicated to expanding access and increasing success in postsecondary education for Arizonans. ACPE not only serves as a forum for all sectors of higher education to come together to address opportunities and challenges, but also works to increase student financial assistance, and identify and implement strategies to help students and families plan, enter and succeed in postsecondary education. It is this last goal that has caused us to work with *PHOENIX* magazine to provide you with research on graduate regrets.

Some college graduates are expressing regrets regarding their educational choices. The most common regrets are around student debt. In this section, the author investigates these phenomena and seeks out expert advice for parents and families on how to avoid remorse and instead benefit from all that higher education provides.

One potential savings is reduction of travel and tuition expenses through attending an in-state postsecondary institution. Fortunately, Arizona provides quality options, including its prominent universities, 10 public community college districts offering university transfer and occupational curricula, more than 35 private universities and colleges offering baccalaureate degrees, as well as numerous vocational training providers. You can view a complete listing of all Arizona postsecondary education offerings in our online Arizona College and Career Guide.

A distressing finding of University of Wisconsin demographer, Jason Houle, in his November 2012 study was that a growing burden of student debt is being experienced by middle-class families. He reported that middle-income families rack up on average more student loan debt than both high-income and low-income families. The commission offers an opportunity to regain some of this lost financial ground through the Arizona College Savings (529) Program where savings benefit from both state and federal tax advantages. Information on this program is available at az529.gov.

Remarkably, the value of college has been confirmed by a new set of income statistics, reported by the Economic Policy Institute. This study reports that a four-year degree has never been more valuable. The premium in 2013 was 98 percent more per hour in wages on average over wages for a worker without a degree. Moreover, postsecondary education remains a key building block to a successful future and produces citizens who contribute to our community.

We hope you enjoy these articles and gain insight about maximizing the value of higher education. To learn more about ACPE, visit us at highered.az.gov.

Sincerely,

April L Osborn

Dr. April L. Osborn, Executive Director
Arizona Commission for Postsecondary Education

SOUTHWEST COLLEGE OF NATUROPATHIC MEDICINE & HEALTH SCIENCES

2140 E. Broadway Road, Tempe, AZ 85282 :: 480.858.9100 :: www.scnm.edu :: admissions@scnm.edu

The *good* news, according to a recent national survey, is that almost everyone is glad they attended college. The *bad* news: 68 percent regret how they paid for it.

Over the past 35 years, tuition at public universities has nearly quadrupled. Between 2006 and 2012, the amount Americans owed in student loans more than doubled. That means financial regrets about college are getting more expensive.

Blindsided by debt, many millennials wish they could FaceTime their former selves and tell that carefree high schooler to rethink the costly college, the sneaky student loans and the missed scholarship opportunities. Since tele-time-travel isn't possible, we've asked experts for strategies to help plan your child's college education – and avoid expensive regrets.

GET THE NUMBERS STRAIGHT

"I always coach families that the best time to start planning for college is when their child's in the womb. And the next best time is today." That's Monica Felton, a certified financial planner at the Elliott Group with expertise in paying for college.

The first step, she says, is gaining a clear understanding of what college is going to cost. The website collegeboard.com tabulates every school's Cost of Attendance (COA). That includes tuition, books, room, board and miscellaneous expenses – "everything except the pizza and beer," Felton says.

Today, a state school's COA is around $25,000 a year for residents (if living on campus) or $40,000 a year for nonresidents. Smaller private universities run about $45,000, and Ivy Leaguers clock in at roughly $65,000. Each of those numbers is inflating by about 5 percent annually, Felton notes. So to calculate the cost of your child's education, you'll need to factor in the inflation increase for each year between now and graduation, and add up the cost of four years' schooling.

"I just started working with a client who has a 6-year-old daughter, and they have Ivy League expectations," Felton says. "So they'll spend half a

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San Diego State University
University of San Diego
University of San Francisco
Santa Clara University
Scripps College
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Skidmore College
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Southern Methodist University
University of St. Andrews, Scotland
St. Bonaventure University
St. Mary's University, San Antonio
Stanford University
State College of Florida
SUNY New Paltz
SUNY Geneseo
Texas Christian University
University of Texas, Austin
Tufts University
Tulane University
Vanderbilt University
Villanova University
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million dollars for a four-year Ivy League education."

Fortunately, there are smarter ways of paying for college than forking over 500 Ks in cash. Here's where things get complicated.

HOW TO FUND COLLEGE

Take a look at your assets and inefficiencies, Felton advises. Do you have any high-interest debt? Is your house paid off? If you do owe money, how can you become more efficient so you can free up cash flow and funnel it into a college fund? Then develop a "wealth creator strategy, which is creating an asset and then collateralizing loans off the asset," she explains. "It's a complex way, but a much more beneficial way, so families do not ruin their own retirement; they actually improve their retirement."

Felton frequently recommends using home equity to fund college, since it doesn't earn interest. "You have an asset that doesn't have any value, so wouldn't you want to pay for college with that first?" Other smart sources include cash value life insurance and margin loans based on investments. She also employs tax strategies such as employee stock purchase plans and gifting options.

Every family is unique, so it's essential to consult with a qualified financial planner to develop the strategy that's right for you. Of course, in order to make the best decisions about funding college, you need to talk with someone more important than a financial adviser.

TALK TO YOUR TEEN

Working as a college recruiter and now director of admissions and marketing at Phoenix Country Day School, Patrick McHonett has seen a lot of families head down a path of future regret. It usually begins with the words: "It'll all work out somehow." The next thing parents know, their high school senior is choosing between schools they have no hope of affording.

"That's a lot harder conversation to have when those college admissions letters are in hand," McHonett says. "You feel like you're crushing a kid's dreams by saying, 'No, you can't go to that school,' as opposed to having the lead-up conversation about what, honestly, you can handle as a family."

First, your teen must clarify his or her vision of the ideal college experience. They need to ask themselves, 'Would I feel more comfortable in a small liberal arts college, or would I thrive at a large, sports-centric state school?' Practical considerations figure into this, too. A teen may prefer the academic and social atmosphere of School A over School B, but is that preference worth $150,000 over four years? And if it is, will the career they're choosing allow them to pay off that debt in a reasonable amount of time?

Numerous websites allow young people to investigate the entry-level salaries and earning potential of various careers. "It's important for parents to be very frank about how hard it is to earn an income [and] what the income potentials are," Felton says.

AVOID THE PITFALLS OF STUDENT LOANS

$1.1 trillion. That's how much Americans collectively owe in student loan debt, according to the Federal Reserve Bank of New York. Upon earning their bachelor's degree, borrowers typically owe about $30,000. For many graduates, it's upwards of $100,000.

Seventy-seven percent of college graduates age 40 and younger wish they had planned better in managing their student loan debt, according to a study from the Citizens Financial Group. But loan language is eye-glazingly boring, mind-bendingly bewildering and stomach-churningly scary. So most teens tune out and trust that "it will all work out somehow." That's a mistake, because all student loans are not created equally.

"I am in favor of federal student loans," Felton says. These are based on the student's qualifications, not the parents'. Federal loans limit the amount a student can borrow to $5,500 the first year, $6,500 the second, and $7,500 the third year and beyond.

"But then there's this whole crazy market of private loans," Felton says. "Those are the ones that get very expensive [and] people are shocked over. I really caution my families on private loans."

Instead, try to find ways to make college less expensive.

CHOOSE A PATH OF ECONOMY

It's a widespread but mistaken belief that Ivy League schools are the magic beanstalks leading to the kingdom of success. In reality, only 30 percent of American-born CEOs in the Fortune 100 attended an elite college. The 20 institutions that have produced the most Fortune 500 CEOs include the

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#6 in US

#1 in AZ

Best-qualified graduates

The Wall Street Journal

#5 in US

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University of Kansas and San Diego State. So even high school students with the highest ambitions can rest assured that a state university can set them on a path to success. And so can a community college.

Tuition at community colleges is generally about one-fifth that of state universities. What's more, they're usually close to home, so students can save on transportation, room and board. Evening and online classes allow students to work while earning credits. And in the Maricopa Community College District, the Maricopa Millions Project encourages teachers to utilize inexpensive open educational resources instead of notoriously costly books. The program aims to save students $5 million over five years.

Most importantly, community colleges offer "a breadth of curriculum and programs that are aligned with either fast-growing employment opportunities in the Valley or high-demand professions," says Dr. Maria Harper-Marinick, MCCD executive vice chancellor and provost. That means real-world applications and industry certifications that aren't always offered at universities.

Arizona community colleges provide efficient transfer pathways to the state's universities. NAU even offers some completion-of-degree programs that allow students to earn a degree from NAU without ever leaving a community college campus. Students should discuss their transfer plans with a community college adviser to ensure all their courses can be applied to their desired degree, so they don't waste time (read: money) taking non-eligible classes.

SUSS OUT SCHOLARSHIPS

High schoolers should start researching scholarships during their junior year, McHonett says. Websites including fastweb.com, finaid.org and scholarships101.com corral thousands of scholarship opportunities. (Tip: Monica Felton recommends setting up a separate email account when you sign up with these sites, because in addition to useful information, you will be inundated with junk mail.)

"Scholarships come in the form of $500 to $1,000, not $10,000 to $20,000," Felton says. "So I encourage students to take on scholarships kind of like a part-time job, where they apply to 25, not two or three. And they can reapply for scholarships every year."

Build a spreadsheet listing each scholarship's requirements and deadline, McHonett says. And note that many schools' admissions application deadlines are later than their scholarship application deadlines. Many students miss the scholarship boat because they don't notice this crucial detail.

Finally, McHonett advises, don't assume that because of your economic situation or particular qualifications, you wouldn't be eligible for scholarships or need-based financial aid. "Colleges are really clamoring for a wide variety of socioeconomic backgrounds on their campuses," he says. "There's a ton of money out there; you just need to do the research and hunt after it."

SAVING TIME = SAVING MONEY

At $25,000 to $65,000 a year, it pays to graduate in four years – or less. There are several ways to accomplish this, but there's no "one size fits all" solution.

Advanced Placement classes allow high school students to earn college credit in more than 30 subjects, and they're becoming increasingly popular. The number of U.S. public school students taking AP courses nearly doubled in the last decade. AP classes can certainly help state-school-bound students knock off required credits, but McHonett cautions that "some colleges, especially highly selective academic colleges, aren't accepting those credits anymore."

Northern Arizona University has launched an online bachelor's degree program that allows students to progress at their own pace and earn credit for knowledge they've gained through work and life. It offers students the potential to graduate in as little as one to three years, saving thousands of dollars. But while this program is perfectly calibrated to someone who's already entered the workforce, it wouldn't suit the average 18-year-old who wants the full college experience. ASU and UofA offer more traditional all-online programs, which can help students have the flexibility to work while earning a degree.

Another way to save time and money is to avoid indecision. Fully 80 percent of college students change their major at least once, according to the National Center for Education. This often means students waste time and money on classes that won't apply to their degree and have to play catch-up on prerequisites for their new major.

Ideally, career planning should begin before college. "Young people in high school need to have a fairly good sense of the field they want to pursue so they get the right courses in high school, so they aren't in need of remediation [in college]," Harper-Marinick says.

But that's not always practical. Many families believe their child needs to commit to a career in fifth grade and pursue a super-specialized trajectory aimed at a specific college, McHonett says. "Philosophically, personally, I don't feel that's the best way, because kids change."

Instead, he recommends high school students take a more Socratic approach: Know thyself. Engineer your life experiences so they teach you more about your strengths, your passions, your curiosity. "Try to dip your toes into the water that's most familiar to you – within your school," he says. Are there classes in marine biology? Sustainable design? Computer coding? Take those courses to test the waters of your interests.

Next, look for internships, volunteer opportunities, jobs or even the chance to shadow someone in a particular career for a day. Talk with high school teachers and advisers about research opportunities. It's much less expensive and stressful to sample career paths in high school, rather than when you're paying college tuition and under pressure to declare a major.

Clearly, avoiding regrets about funding college isn't simply a matter of ensuring the bank statement adds up. Families must plan for their child's education holistically, taking time to consider career paths, types of colleges and financing options.

Teens must be active participants in the decision-making process, McHonett says. "You want to be there to walk side by side with your child and support him or her every step of the way, but a kid [must] own their own college search and application process." It's easy for graduates to attribute regrets to financial issues, he says, but often their real regret is less definable: that they chose the wrong college for their personality, or didn't fully engage in the campus experience. "It's passivity that can lead to regrets," he says. "You've got to own your experience."