



Schafer: Better start saving now as college costs climb

Article by: LEE SCHAFER

Star Tribune

March 8, 2014 - 4:43 PM

Everyone with kids under the age of 18 should take a spin through the net price calculator that all colleges now have on their websites. Maybe have a glass of wine handy.

And keep the bottle nearby.

Just 15 minutes and a good handle on income and assets is all it takes to arrive at a single, boldfaced number of what a single year of college will actually cost.

It will likely be a big number — a breathtakingly big number. Try to sip your wine slowly.

Jay Benanav, a Twin Cities consultant to families on college choice and financial aid, understands all about the sticker shock of a college education. He said he always asks if parents are sitting down before revealing their expected family contribution, which is way higher than most folks think they can afford.

"It's always, 'What, are you kidding? I can't afford \$25,000 on an \$80,000 a year salary,'" Benanav said.

As parents grasp for financing strategies, the most sensible, and certainly the simplest, approach might be this: Save the \$25,000.

That probably means starting to save with the newborn still in the bassinet.

It must be said that this is a recommendation offered reluctantly. It would be better if college weren't so expensive or at least would stop getting more so. It would be better if government support were greater, and every kid with the desire could have the opportunity to learn in a small class with an engaged professor.

As discouraging as the cost of college may be, the Pew Research Center published findings that concluded that the cost of not getting a college degree, in the form of things like lower wages, is rising even faster.

For those parents who are determined to fund their kids' college educations, the financial hole could be a lot deeper than the \$25,000 per year. The price of attendance at a top-shelf college like Carleton College in Northfield is \$59,800 a year.

More than half of Carleton's class of 2017 received a grant or scholarship, but it's still no surprise how the expected family contribution could end up hitting parents.

A couple with high five-figure jobs and \$180,000 of non-retirement savings is certainly comfortable, but it's also true that this couple probably think of themselves as middle-class. Put this mythical family through Carleton's net price calculator with one child attending, and it came up with the cost of \$53,461 to the family.

Mind you, that's just freshman year, so that \$180,000 won't stretch to graduation.

There's plenty of advice on how to game the system to bring the net cost number down — like giving college savings to the grandparents and having them write the checks, so those savings can't be discovered when colleges try to assess need.

There's also a popular idea in chat rooms that savings are penalized when colleges calculate aid, a notion so popular that posters even suggest only chumps save for college.



A graduation ceremony at Bethel College.

Duane Braley, Star Tribune file

Not saving is not good thinking, Benanav said.

"The problem is, if you don't save, you are assuming that the college is going to come up with a ton of money," he said. "In this day and age, that's simply not true."

It wasn't that long ago that the most selective colleges in our region admitted high school seniors with a promise to meet all demonstrated financial need without even first checking how much a student's family could afford to pay.

Carleton went to "need-aware" admissions in the early 1990s, and St. Paul's Macalester College did likewise in 2006.

Of the colleges in the region near the top of the well-known U.S. News & World Report ranking, only Grinnell College in Iowa remains "need-blind" in deciding who gets in and also promises to meet any demonstrated financial need.

As Grinnell's Joseph Bagnoli Jr. explained recently, Grinnell is one of two dozen institutions in the so-called 568 Presidents' Group.

Each 568 group member is committed to need-blind admissions and meeting 100 percent of the families' demonstrated financial need. It's a group that is shrinking.

Grinnell can stay in the group, and support a \$45 million grant budget for about 1,600 students, because it's rich.

Macalester had a healthy total endowment of \$663 million at the end of its last fiscal year, but that's dwarfed by Grinnell's \$1.55 billion. Grinnell certainly benefited from the more than four decades of involvement of a guy from Nebraska named Warren Buffett.

One result of its financial position is that only about 11 percent of Grinnell students pay the full comprehensive fee, which was \$53,650 this year.

Bagnoli, who is Grinnell's vice president for enrollment and dean of admissions and financial aid, said parents writing checks for the full amount do ask him whether they are "carrying" the students from less-affluent families.

"Grinnell doesn't charge anyone, even those who pay the full comprehensive fee, the full cost of education," he said. "Every family's paying less than it costs."

Grinnell has considered how long it can continue these practices, with costs rising faster than the incomes of families with college-age students.

"I was speaking with a colleague recently at another national liberal arts college like Grinnell," Bagnoli said, "She said to me, 'Wow, pretty soon people are going to realize that this isn't sustainable for any of us.'"

The wisest parents already know that.

lee.schafer@startribune.com • [612-673-4302](tel:612-673-4302)

© 2014 Star Tribune