

# How am I going to pay for my child's college education?

Written by Clari Nolet

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When my daughter finished high school in 2007, I thought I had been so smart to have started saving for her college education when she was just 3 years old. However, after financial crisis at the end of 2008, the money I had saved for college is no longer enough to cover four years of private college.

After speaking with many parents and clients, I know I am not alone. Living in one of the most expensive communities in the country, trying to save for retirement and children's education is already a tough combination. Add the financial meltdown and it's just ugly.

Unfortunately, the conventional wisdom that abounds is the belief that if you own a home in Los Altos and have saved for retirement, you can't qualify for financial aid. This just isn't true.

The only way to find out if you can qualify for federal student aid is to fill out the FAFSA Free Application for Student Aid. You can access it online and there are many workshops to help you through the process.

Even if you don't qualify for financial aid, you can qualify for federal loans.

There are unsubsidized Stafford loans and, with decent credit, Parent Plus loans can cover the gap. These loans are significantly less expensive than private loans and do not hurt your ability to retire as other options might, such as taking equity out of your home or borrowing/liquidating your 401(k) plans.

In researching my options, I found that it's difficult to assess the short- and long-term costs of various college funding options. Yet, it really pays to think through all possibilities since bonuses, initial public offerings, stock options and rising home equity are no longer viable strategies.

It may be time to revisit your philosophy about paying for college and include your student in the process.

Developing a financial strategy and understanding the associated costs is a valuable lesson – one that will pay dividends – and that they won't learn in school.

Los Altos resident Clari Nolet is a financial and mortgage adviser with Opes Advisors.

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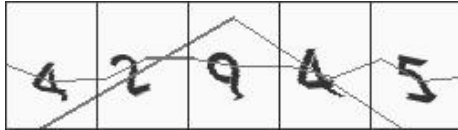
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