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A College Education Can Bury You in Debt

By Elizabeth LaScala, PhD



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board. Since this will be a projection, one clue is to find out how much these costs rose at your college over the past few years.

- Be sure to apply for financial aid EACH YEAR by completing the FAFSA and any other forms required by your college. Low interest, federally-funded loans are still the best buy out there and are available to everyone regardless of ability to pay. The main reason students do not get them is because they don't apply and adhere to the deadlines.

- Think about debt as a claim on your future earnings. Your education can be a sound investment, but you need to decide how much debt is reasonable. This answer depends in part on your major and potential career path. One helpful formula uses the 10% rule. Monthly loan repayments should not exceed 10% of your expected earnings. Projecting an 8% interest rate return, every \$1000 you borrow will cost you roughly \$12 a month to repay over a 10 year time span. Using the current national average debt for a college graduate of \$21,000, you would face a monthly payment of about \$252. On a teacher's salary of \$30,000 a year, you would have a monthly income of roughly \$2500 and be right at the 10% threshold. But if you were to accumulate \$35,000 in debt and face payments of \$400 per month you would have to make \$50,000 at your first job.

- One surefire way to reduce the need for loans is to work. If you did not get in the habit of finding summer employment in high school, start now. Finding a good-paying summer job related to your potential career path is hard, but far from impossible. It is easier if you start searching early. Use leads and connections and check out all programs and internships posted by your college and elsewhere. The most successful are those who start searching right after winter break. The rewards are, you earn money, build a

This fall many students will move to a college campus in a different city, often a different state, and sometimes a different country. Students will move into dorm-rooms and apartments, paired up with one or more roommates, and begin a new phase in their lives-one that is characterized by greater independence than ever before.

To prepare for this transition, health experts recommend updating immunizations and psychologists offer coping strategies for bouts of homesickness. Nutritional consultants like Dr. Theresa Tsingis offer guidance about eating smart to avoid piling on the notorious "freshman fifteen," and making time for regular exercise.

One important adjustment for students is taking control of their finances. Students are often ill-prepared for this responsibility and benefit greatly from learning the basics of money management and personal finances. Amid the recent recession, colleges are paying greater attention to their bottom lines, and so should you. Think about it. If you don't understand how the bills get paid, who will? Your parents? Maybe. But someday your parents might even need your help. Ultimately you will need to take control of your money.

Trust me, the institutions where you enroll will not ask if you can afford to pay back your debt. Around this time of year, many lenders send mailings that offer ways to finance an education. Too often families go with lenders who will underwrite big loans without any idea of whether their child will even graduate much less land a job with enough earning power to pay back the debt. Does this have a familiar ring? It should. It is hauntingly similar to those unscrupulous mortgage lenders who did not educate borrowers nor verify incomes.

If you are still preparing for your college years, my advice is to start getting educated NOW about financial aid. And if you are going to college and signing promissory notes this fall, then it is important to listen up.

- Get in touch with a financial aid advisor at your college and go through your award letter, one step at a time. There is only so much information that can be written on a single sheet, and you can glean much additional information. Award letters are adorned with jargon. Be sure you understand all the terminology and how it relates to you.

- Ask the college what increase to expect in tuition, fees, room and

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professional network, and a skill set for your future job.

Resources: www.fsa4counselors.ed.gov is a source of federal student aid information. www.finaid.org is one of the most comprehensive sources of student financial aid information, advice and tools. For a student's guide to personal finance and money management visit

www.gocollege.com. and to research some starting salaries visit www.collegecrunch.org/money/52-career-starting-salaries/

The theory is that money goes to the people that need it but the reality is that money goes to the people who best understand the process. ~Kalman A. Chany

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