Warning! Crisis ahead
Student debt worries on many Chicago parents’ minds

BY JOSEPH BUSH

The numbers on student debt are alarming. But the cultural domino effect for the $1.2 trillion in student debt weighing down kids’ lives is even more frightening.

“What happens in a student debt bubble is you get lifestyles re-setting,” says Joe Orsolini, a certified financial planner with Glen Ellyn’s College Aid Planners. That includes the fact that three in 10 millennials are still living with their parents, the highest number since the 1950s.

“When you’re living with your parents, you don’t have a car and can’t afford to go to restaurants, you don’t date or get married, when you don’t get married, you don’t have kids. These things are cycling through our economy. It’s a big problem,” he says.

And it doesn’t look like it will get better anytime soon.

According to the non-profit College Board, tuition and fees at private nonprofit colleges are on the rise, already to $31,231 for the 2014-15 academic year. Costs rose 2.9 percent to $9,139 for in-state residents who attend four-year public schools. Add to that room and board, books and living expenses, and the cost of college seems unreachable to families that didn’t or couldn’t start saving early.

Two things to consider

What can parents do right now to minimize those crushing student loan debts?

Fortunately, there are many organizations that want to help. People interviewed for this story agree on two things:

► The Free Application for Federal Student Aid (FAFSA) form should be filled out, regardless of need and income. FAFSA provides information for eligibility for federal and state loans, as well as scholarships.

Be wary of any organization charging money to help fill out the FAFSA or win scholarships.

“The most important thing for families to remember is there is nothing in the whole process that you can’t receive free assistance for,” says Jacqueline Moreno, managing director of college access initiatives for the Illinois Student Assistance Commission, a state agency that tries to make sure that financial considerations don’t keep people from post-secondary educations.

► The best hope for easing the financial burden of education is an early start on savings and an investment strategy, as well as searching for scholarships.

“No matter what the best way for students to reduce their debt is to plan better.”

The ISAC website (isac.org) is a good place to start that planning, with a student portal that is a one-stop shop for parents and students beginning the college quest. It includes financial tools as well as assistance in searching for scholarships.

Free money, please

Moreno, who was a scholarship coordinator at a private four-year university before joining ISAC, says there are several important factors to consider when seeking scholarships:

► Don’t just focus on large, prestigious scholarships. There are many local scholarships to be found at the ISAC student portal.

► Academic qualifications are not the only kind that earn scholarship money. There are scholarships for career path, area of study, affinities and many niche reasons, like color of hair, dominant hand and last name.
Once in a college, look for department-specific scholarships that are not broadcast by the financial aid office or a website, but come from inside the profession.

Don't overlook small-amount scholarships. "People should apply for every last dollar that they can because they need to think about compounded interest if they finance what's missing from the student loan," Moreno says.

Richard Blasen, an awareness outreach representative at the U.S. Department of Labor, says parents and students should be aware of loan forgiveness or grant programs for students who perform public service, military service or teach certain subjects in low-income areas. He also says there is discretion for financial aid directors in cases of personal hardship such as injury, death or job loss.

Chicago-area families have an asset that can help, right in their backyard. The Economic Awareness Council is a

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non-profit organization focused on preparing families for present and future economic and financial decisions. Its new online app calculates college costs and helps build a budget at collegebudgetbuilder.org.

Tracy Frizzell, executive director of the Economic Awareness Council, encourages parents to include their children in the planning process from the start.

“That can have a huge impact on not only appreciation of the importance of the college experience, but on their financial skills as well,” Frizzell says. “They’re seeing you save and make sacrifices and choices and seeing you weigh wants and needs.”

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3 tips to try

1 Timing matters. If you start saving when your child is born, about a third of your college savings goal will come from the earnings. If you wait until the child enrolls in high school, less than 10 percent of the savings will come from earnings.

2 Save for college in the parent’s name, not the child’s name. Student assets are assessed more heavily by financial aid formulas than parent assets. 529 plans are reported as a parent asset on the Free Application for Federal Student Aid (FAFSA) even if the child is the account owner.

3 How much do you need? Base your college savings goal on the full cost of a four-year college education the year the child was born. For a child born this year, save $250 a month if the child will enroll in an in-state public college, $400 a month for an out-of-state public college and $500 a month for a private non-profit college.

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