

# Four myths about college costs

**The true price of that B.A. may not be as high as you think.**

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**NEW YORK (Money Magazine) - The cost of a college degree continues to climb seemingly beyond the means of many families, rising far faster than incomes or inflation.**

Total expenses for the 2004-05 academic year shot up 7.8 percent to \$11,354 at the average public college, while costs jumped 5.6 percent to \$27,516 at private institutions. But numbers can sometimes be deceiving.

While paying for college is undeniably a challenge, the true cost may not be nearly as daunting as you've been led to believe.

## Myth 1

**Tuition alone will set you back more than \$100,000.** Those \$25,000-a-year tuition costs are the exception, not the rule.

Three out of four undergraduates attend schools where tuition and fees run less than \$12,000 a year, and just over half pay less than \$6,000. Of course, many of those students attend public colleges, where the average tuition this year is \$5,132.

But even at private universities, four-year tuition bills typically fall well below the six-figure mark -- and there's plenty of financial help available. (Keep reading for more on financial aid.)

## Myth 2

**The more you save, the less aid you get.** Actually the more you save, the less you'll likely need to borrow, since a big chunk of financial assistance comes in the form of loans.

But as long as you save wisely, you can minimize any reduction in your total aid package. The key is to save in your name, not your child's, because aid formulas count only 5.6 percent of parental assets vs. as much as 35 percent of money saved in the student's name.

This makes tax-advantaged Coverdell ESA and 529 college savings plans especially helpful, since those accounts are regarded as parental assets under federal aid rules. If you already have a college account set up in Junior's name, consider spending the money on your child's behalf well before college -- think SAT prep or music lessons -- while stashing away a comparable amount in your name.

## Myth 3

**You make too much money to qualify for aid.** Contrary to popular belief, the amount of financial assistance available for higher education is going up, not down, for most families.

Total aid climbed to \$122 billion in the 2003-04 academic year, up 13.4 percent from \$107.6 billion the previous year, and has more than doubled over the past decade. Nearly half of families earning over \$80,000 qualify for assistance.

The more expensive the college your child attends, the more likely you are to get help and the greater the amount you'll probably receive, particularly if you have more than one child in college at the same time.

Overall, 76 percent of students at private colleges qualified for assistance (total aid package, including loans: \$11,600; average grant: \$7,000), as did 62 percent of students at public schools (typical aid package: \$6,200).

#### **Myth 4**

**The payoff isn't what it used to be.** True, your child may not have two nickels to rub together for a few years while paying back those hefty student loans.

But the money you both spend on a college degree still yields a sizable return on your investment. Over a working lifetime, the typical college graduate earns about 75 percent more than a high school grad does.

On average, that difference totals \$1 million more -- easily enough to repay those student loans and then some. The payoff from graduate school is even bigger: People with advanced degrees earn two to three times as much over their lifetimes as those without a college degree and increase their average total earnings by as much as \$2 million.

Hey, maybe you should think about saving for graduate school for yourself too.