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Growing Wealth Responsibly

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Discussing College Funding with your Teen

In these competitive times, talk of college can start as early as middle school for some students. After all of the homework, projects, community service hours, SAT and ACT prep classes, weekend college visits, FAFSA forms, the common app, writing essays, waiting to hear from schools— and all of the stress that goes along with it— a decision must finally be made! Chances are you have spoken with your child at great length about all of these things, but have you discussed how much college is going to cost?

***Does your child know how much his or her four years of college will cost —
and who exactly will be paying?***

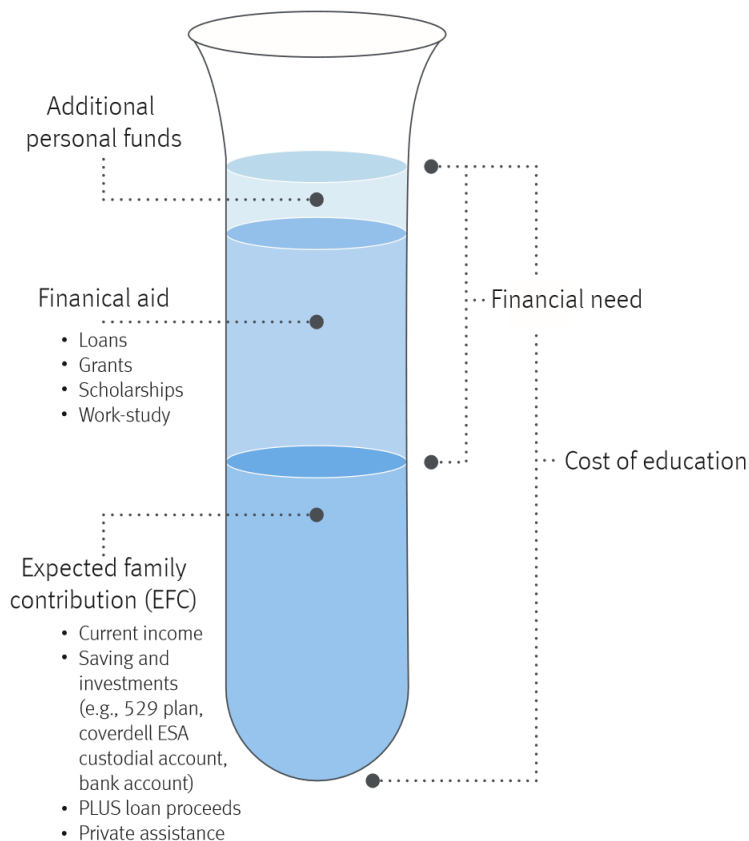


College expenses are currently rising faster than inflation. This means it may be practical for you to make a decision today about how much of your child's projected college education you may reasonably be able to afford.

Talk with your teen now about what they may be responsible for paying, to ensure that everyone has the same expectations about paying for college.

Where will funding come from? If you claim your child as a dependent on your taxes, the federal government's financial aid formula mandates that you will be responsible for an Expected Family Contribution (EFC) that will come out of your own pocket. The EFC is based on your current income, savings, and investments, and is the same, regardless of the college your child chooses. The difference between your EFC and the cost of a particular college equals your child's financial need that may be covered by financial aid from the government, the educational institution itself, and/or independent organizations.

What strategies make the most sense for your family? Every family's situation is different. So the choices you make and the conversations you have may depend on how you respond to **three key questions:**



Question #1—Do you intend to fund 100% of the college costs? If you do, it may be practical to set expectations now, so both you and your child are clear about what you will each be held accountable for. You may want to talk about how many semesters you will pay for, whether he or she will live off campus or on, what extracurricular activities will be acceptable, what grade point average he or she will need to maintain and what consequences (if any) there will be if these expectations are not met.

Question #2—Do you intend for your child to contribute to his or her college expenses? It may help motivate your child to study harder and graduate more quickly if they have a financial interest in doing so. If you expect your child to contribute, you'll need to define how. For example, you may want to establish a rule that a percentage of every cash gift or earnings your child receives be contributed to a college savings account. Or, set the expectation that your child needs to participate in a work-study program or obtain outside work during college years to help with expenses.

Question #3—Will any money need to be borrowed? If so, how much and in whose name will the loan(s) be obtained? The amount to be borrowed may affect the type of college your child applies to (e.g., public or private, top tier or middle tier, etc.).

Use this worksheet to estimate the cost of college, where possible funding may come from and what student loan payments your child will be responsible for after graduation.



Estimate the cost of college education

Average out-of-state public school cost per year:	\$34,031*
Average private school cost per year:	\$43,921*

- 1) Cost at school of your choice per year: _____
 - x 4 _____
 - 2) **Total estimated cost of college:** = _____
- (There are many kinds of aid available, such as financial aid, work study, and scholarships. For the purpose of this worksheet though, assume no other contributions are available to you.)
- 3) Estimated family contribution per year: _____
 - 4) Estimated student contribution per year: _____
 - 5) **Estimated total funds available:** _____
 - 6) Estimated total cost of college from line 2 _____
 - 7) Estimated total funds available from line 5 - _____
 - 8) **Estimated loan amount needed** = _____

Key Take Away: Communicating these expectations up front can help you and your teen avoid unpleasant surprises and help you both better prepare for the college experience that lies ahead. It may also increase your student’s awareness of the financial burden you are undertaking on their behalf and contribute to greater scholastic and economic effort on their part.

For more information about college funding options, call 732-820-4690

* Based on the 2015-2016 average total costs of a four-year college education, including tuition, fees, room and board: \$34,031 for public out-of-state, \$43,921 for private (Trends in College Pricing – 2015 The College Board). Assumes 7% annual inflation adjustments (FinAid.org).