



Parents Unprepared for College Costs

By *Emily Zaborniak*



When college begins, students are not the only ones who may find themselves overwhelmed. According to a recent survey conducted by AllianceBernstein Investments, more and more parents are realizing they have miscalculated the costs of higher education. AllianceBernstein's report, "Failing Grades? American Families and Their College Saving Efforts," reveals that parents' intentions to provide financial support do not correspond with their fiscal realities. One major misstep many parents make is overestimating the amount of assistance students will receive from financial aid, such as scholarships, grant money, and loans.

In the National Association of Student Financial Aid Administrators website's news section, Assistant Director for Communications Justin Draeger summarizes the results of the survey: "Two-thirds of aid administrators said the current system does not meet the needs of many students and their families. Nearly 75% said that less than half of those who apply for aid are financially able to meet their expected family contribution, and 61% said they thought it would be a major financial hardship for the average family applying to meet their EFC."

It's a tough truth for many parents to face. NASFAA President Dallas Martin offers this advice: "It's important to remember that financial aid is meant to be a last resort, not a way to mitigate college costs."

The competition for scholarships is fierce, and 72% of parents believe that their children have the talent that will earn them substantial awards. If scholarships and grants fall through, parents begin to rely heavily on student loans, borrowing significant amounts that have to be repaid at inflating interest rates. This creates debt that is difficult to escape and can leave graduates at a disadvantage.

"With college costs at an all-time high, parents are more likely to limit how much they are willing to spend on higher education expenses," Martin continues. "As a result, many young adults are picking up more of the tab for their undergraduate educations and accumulating heavy debt burdens in the process."

More than half of the financial administrators surveyed by AllianceBernstein admitted that they would not let their own children take out the loan amount that an average student depends on today. Despite concern, the population of students with sizeable loan burdens is expanding.

As represented in the survey, most parents feel responsible for paying for college, and many believe it's the best way to invest in their children's futures. In fact, a solid 41% of parents aim to cover all expenses. So how can parents make their savings add up to meet college costs?

At the end of their report, AllianceBernstein Investments suggests parents should determine specific college savings goals early, take action in order to understand exact needs, invest systematically, and seek the help of financial professionals. The sooner parents start to save, the better.