Involve Your Kids. Run the Numbers.

Advice by Wealth Advisor Dan O'Brien on family college planning meetings.

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College grads are drowning in debt--$1.3 trillion worth of debt to be exact. In 2016, the average student graduate owed $37,172 in student loans. That's just $10,000 less than the average annual salary of a college grad.

Families tackle the college-cost behemoth in different ways. Trust Company wealth advisor Dan O'Brien not only has experience helping clients plan for college, he's also walked through the cost-planning process with his children.

As a family, O'Brien, his wife, and soon-to-be-grads had regular meetings about college. Here O'Brien offers insights into what to discuss and how to manage the emotions that run high during these family meetings.

Q: What prompted you to start having meetings devoted to college planning?

Dan O'Brien: We want our children to establish their independence post-graduation. We have friends whose kids live at home. Some land good jobs, but many aren't making enough to live independently and pay off their student loans.

We wanted our kids to understand that:

1. The type of job they were studying for would dictate their earning potential and, consequently, how much debt they could take on and how quickly they could pay it off;
2. They would be responsible for the loans they took out in their name; and
3. That mom and dad want to retire and won't be paying for it all.

We thought that involving our kids would help them understand that it's not "mom and dad won't let me go." It helps them take ownership of their decision while understanding our thoughts and hopes for them.

How did you involve your teens?

My oldest son got into all of the schools to which he applied, but we wanted to help him see the varying costs, especially given his potential earning power post-graduation. For instance, an engineering grad will likely earn more than an education or business grad. He plans to major in business.

So we set up a spreadsheet to show tuition, fees and boarding, as well as what the schools are willing to give him, what we are willing to pay, and what the loan would be. There are college loan calculators (for example, https://studentloanhero.com/calculators/student-loan-prepayment-calculator) to help you identify what your post-graduation payment will be based on these numbers.

With the spreadsheet, we discussed most/least expensive options and said, "You can take out a loan of X amount, but we are here to show you that you are going to have to pay X back, and this is what you likely will be making when you graduate. We aren't footing this whole bill."

Was this shocking to him?

No, because we had walked through the same exercise with my daughter two years previously. But the difference is my son will go to a junior college for his first two years, while my daughter attends a state university. While my son is bright and gets great grades, he hasn't received nearly the same financial aid as our daughter, who tested better on the ACT. There are many factors that play into a college decision, and they won't be the same for each child.

This might seem unfair to some parents who want to give each child a traditional 4-year college experience no matter the cost. Is it?

I get it. I have acquaintances who say, "Our kid just has to get out of the house." And the best thing for them might be to get out of the house. For our family—and for many families who want to manage the cost of college—you may have to detach yourself from emotions. The numbers don't lie.

At my children's high school, a senior survey of 200+ students revealed that half were planning on attending a community college. I asked my son, "Do you think this is because these kids can't get in anywhere else, or do you think it's more of a cost issue?"

How much financial help is there in reality?

Students can receive all sorts of scholarship, but government financial aid is limited, especially for those in higher income brackets.

While your student can spend hours applying for grants and scholarships, these typically add up to cover only a tiny fraction of the cost, as they did for my daughter.

What do you say to a parent who feels guilty not covering the entire bill for their student?

Everyone is different. We all parent differently. Some want their student to have skin in the game. Others may believe that the one gift they want to give their child is a full ride to college. Some families have only one child, some have five or more.

But you do what you can. And give yourself credit: You've provided a lot to the point of launching them into college. I don't believe you are obligated to foot a $50,000 bill a year for tuition and expenses, especially if it jeopardizes your financial health.

How so?

I hear of people who had their house paid for, and they take out a substantial home equity line to pay for college. I wouldn't do it. If you have your house paid for, that's one thing checked off your financial planning list. To reopen a mortgage to pay for an education that isn't guaranteed to launch your child is risky. Your financial health could be at risk.

I don't think it's worth gutting your retirement for the sake of your child's college expenses. I went to junior college for two years. And when you graduate, no one asks, "Tell me all of the schools you went to." You still can be successful, even if you spend some of your time at a junior college or a 2nd-tier university.

In the end, I believe that when you run the numbers and have intentional conversations with your child about what they hope their future will look like, then you can make an informed decision.