

4 Things To Do in the 4 Years Before College – Video Transcript

Paying for college is a big financial undertaking. Next to buying a home, it's one of the largest purchases most parents will make.

The overall goal is to find a well-matched school and come out with the least amount of family debt. Here are four things to do in the four years before college to go into the planning process wisely.

First, take stock of your college savings and crunch some numbers. How much do you have saved now? How much will you have saved by the time your child enters college? Can you increase your monthly contribution? You can explore various saving scenarios by using an online calculator. Keep in mind that you can continue saving during your child's college years.

Second, get familiar with financial aid and net price calculators. Every college has a net price calculator on its website. A net price calculator will give you an estimate of what your family's out-of-pocket cost—or net price—will be at specific schools.

Colleges differ in the amount of financial aid they offer. By running different net price calculators, you can get an idea of how generous a college might be based on your financial information and your child's academic profile.

Third, research schools wisely. If cost is a factor, keep in mind you are likely to get the best financial deal at colleges where your child's academic profile puts him or her in the top quarter or third of the applicant pool. Other factors might include the extracurricular activities your child intends to pursue in college and your geographic location. It's also smart to research the public universities in your state because they'll typically have the lowest sticker price.

Fourth, have a frank conversation with your child about college costs. Share how much you expect to have saved at the start of college and how much you will be able to contribute each year during college.

Look at a few schools that might be a fit and estimate how much borrowing would be required at each. Then show your child *exactly* what the monthly payment would be after college for these different loan amounts using a standard 10-year repayment term. Even if your teen can't

fully grasp the future financial impact, just having the conversation is an important step in helping you or your child avoid excessive borrowing.

With these four steps, you and your child can kick off the college planning process with confidence.