

What to Know Before Your First Kid Goes to College



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The Complete College Planning Guide for Pre-Retiree Parents

Sending your first child to college is an exciting (and often overwhelming) milestone. Wasn't it just yesterday you brought them home for the first time?

But between the emotional waves of this new chapter in your two comma life, there's also the financial pressure that comes with a secondary education. [Nasdaq reports](#) that the average annual cost for an in-state students at a public university – one of the more cost-friendly options – sits north of \$10,000 just for tuition and fees. Students attending private colleges can expect to pay an average of around \$42,162 per year.

If those numbers are giving you sticker shock, you're not alone. But there's other factors to consider as well, like how much value (financial and otherwise) your child will gain in the long run from attaining a higher education.



Let's take a look at some key facts about why your child getting a degree can be a smart move for your family and your wallet.

Those with a bachelor's degree earn 75% more on average than those with just a high school diploma.

In fact, your child's degree will likely put their median lifetime earnings closer to \$2.8 million, as opposed to the \$1.6 million they would earn with a high school-level education.

Unemployment rates are significantly lower for individuals who attend college.

Although the period following college graduation is famous for frantic job-searching, the unemployment rate for degree-holders is about 2%. Rates for those without a degree are doubled at 4%.



Higher education can improve your child's lifelong health.

The U.S. Department of Health and Human Services reports that a higher education lowers risk of:

- Premature death
- Heart disease
- High blood pressure
- Diabetes
- Anxiety and depression

If your child pursues continuing education, they're also "more likely to exercise, drink less alcohol, and seek preventive health care when needed."



Section I

College Planning Basics: 4 Ways to Get You and Your Child Ready for College

College is a launchpad for your child's future, but the journey starts well before their senior year of high school. Whether you're getting a head start or feeling the clock ticking down, you can use these four steps to check off college applications, financial aid, and more from your to-do list.



By planning early, your family can navigate this exciting chapter with confidence and financial clarity.



1. Know Your Timeline

College applications, financial aid, and scholarships all have deadlines – but the rest of your life keeps chugging along, too. To stay on track, it's important that both you and your child know what's coming up on the calendar. Here's a general timeline of must-dos you can use to get started:

- **9th to 10th Grade:** Start having conversations with your child about possible career tracks and college programs (the earlier the better!). These conversations can help guide them in choosing high school classes and activities that support their career interests.
- **9th to 10th Grade:** Consider having your child take the PSAT as practice for the SAT/ACT exams. Their school counselor can likely provide information about registration, potential costs, testing dates, and more.
- **11th Grade:** Start researching colleges in-depth. Schedule college visits (virtual or in-person) during spring break or summer.
- **11th Grade:** Have your child take the SAT and/or ACT exams. Remember that these tests can be taken multiple times, so if your child struggles with test anxiety, it may be worth it to schedule two dates (one in the fall and one in the spring, etc.) to help them get familiar with the testing environment and structure.
- **12th Grade:** Finalize your child's college application list, making sure to include at least four schools. Pay close attention to application deadlines and requirements – a calendar specifically to track these applications might be handy. Schedule dates to work on college essays and scholarship applications.



2. Research Costs

As you create your college list, it's also a good idea to consider the overall costs of each option. Keep in mind that college prices can vary significantly depending on several factors, including:

- **In-State vs. Out-of-State:** Public colleges typically charge much lower tuition for in-state residents. Nationally, the average in-state tuition for a public four-year college is [around \\$11,260](#), while out-of-state students pay an average of \$29,150.
- **Public vs. Private:** Private colleges generally have higher tuition fees compared to public institutions, with an average cost of [about \\$42,000](#) per year.
- **Costs of Living:** Students at four-year universities pay around \$3,304 to \$4,551 each year in living expenses beyond tuition and fees. If your child's school of choice is in a particularly high or low cost of living area, be sure to factor that into your calculations.

Additionally, many students choose to attend a local or community college, which often offer the best prices and may even allow them to live at home longer (saving money on housing). If your child ends up wanting a more traditional experience, they can often transfer credits to a four-year university.



3. Explore Financial Resources

Be sure to complete the [Free Application for Federal Student Aid](#), or FAFSA, to explore any financial resources available to your family. You can also encourage your child to research scholarship opportunities via online databases like [CollegeBoard](#) or the U.S. Department of Labor's [CareerOneStop site](#).



4. Prepare for Life's "What Ifs"

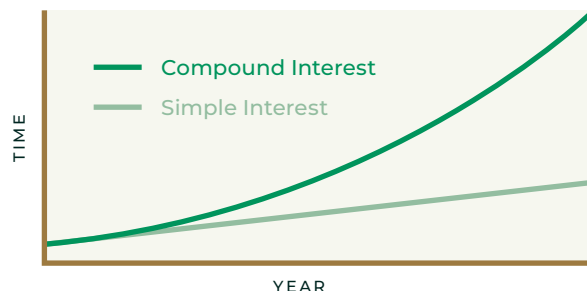
Now that your child is (or is soon-to-be) a legal adult, it's critical that they have some estate planning documents in place. Speak with your financial advisor or estate planning attorney about developing or updating your Power of Attorney (POA) and will, and consider inviting your child along so they can start the process themselves.

Section II

Funding Your Child's Education: A Checklist for Success

Start Early and Save Consistently

- Begin saving as early as you can to take advantage of the power of compound interest, which reinvests your earnings over time to multiply your savings.
- Set a goal – studies show that we're 42% more likely to achieve a goal if we've written it down.
- Automate where you can. It's easier to save for your child's college when you don't have to think about it. Consider automatically depositing funds into their college account on a monthly basis. If your teen has a job, you can also help them do the same!



Know All Your Investment Options

- Explore the savings vehicles available, like a 529 plan – which offers tax benefits for saving towards your child's education.
- Remember that investing wisely is a form of good stewardship, ensuring a brighter financial future for your child.
- Consult with a financial advisor to determine the best fit for your goals and risk tolerance, and to learn about any contribution limits associated with your chosen savings plan.

Create a Budget for Your Family

- Gain a clear understanding of your family's monthly income and outgoing expenses so you can determine how much you'd like to financially contribute to your child's college costs. Consider using budgeting tools or apps to simplify the process.
- As you crunch the numbers, allocate funds towards essential expenses, debt repayment, and both college savings and retirement contributions.
- Set regular check-ins to review your budget and adjust as needed. As your child nears college age, you may need to shift your spending priorities.

Encourage Open Communication with Your Child

- Talk about finances with your child. Explain your expected financial contributions (with specific numbers) and encourage them to research scholarship opportunities.
- Explore what your child should do in the event of financial obstacles, such as overdrawing an account, and how they can avoid such scenarios.

Section III

Keeping Your Own Retirement On Track

College planning for your first child is exciting, but it doesn't mean your own financial goals should be pushed to the backburner. Balancing both is possible with smart planning, a proactive approach, and the help of trusted professionals.

The Retirement Savings Check-up Checklist

Here are a few ways you can ensure your retirement plan stays on track when your eldest flies from the nest:

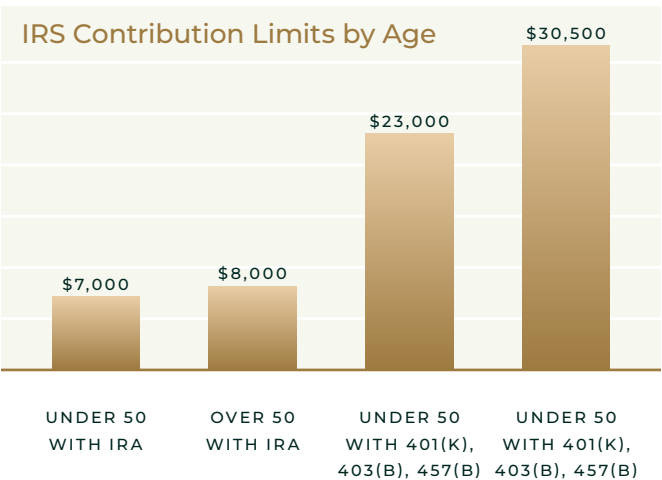
- **Gather Your Statements:** Locate all your retirement account statements (IRAs, 401(k)s, etc.).
- **Review Your Contributions:** Are you contributing enough to reach your retirement goals? A financial advisor can help you find out if you're on track or need to make adjustments.
- **Assess your Diversification:** Ensure your investments are appropriately diversified across different asset classes to manage risk and potential for growth.
- **Review Your Risk Tolerance:** Is your current investment strategy aligned with your risk tolerance as you approach retirement? Do you want to make any changes considering your child's transition to college?

Remember, you don't have to do this alone! An experienced advisor can guide you through the process and answer any questions you may have along the way.

Bonus Tip: Consider Catch-Up Contributions

Did you know that the IRS allows individuals over 50 to make additional "catch-up contributions" to their retirement accounts each year?

Those extra funds can help to speed up your savings as you near retirement. For example, the annual catch-up contribution limit for Roth IRAs in 2024 is \$1,000. Check out the bar chart below to find out what your maximum contributions are based on your age and account type.



Getting Your Kid College-Ready? We're Here to Help

Sending your child to college is an exciting adventure, but navigating the financial complexities can feel overwhelming. At PrairieView Wealth Partners, we believe in fostering strong relationships and working together in finding a faith-based approach to your financial wellness. Our trusted financial advisors are here to guide you through every step, from crafting a personalized college savings plan to ensuring your plan is on track for your own retirement security.

or explore our free library of financial planning resources below to learn more.

Free Financial Planning Resources for College-Bound Families

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Ready for College**



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