



Financing Your Child in College*

an educational expert offers advice to parents with college in their future

By ERNEST V. HOLLIS

WHAT does it cost to attend college? And where will the money come from? Perhaps you have read that it can cost anywhere from \$500 to \$5,000 a year to send a child to college these days. Do you wonder why there is this great range—and where you would get, say, \$8,000 for the four-year education of each of your children? If your children are young, are you alarmed at predictions that college costs will increase markedly in five years, and may actually double in ten or fifteen?

The facts are sobering enough. But they should not produce the jitters or cause parents to panic. Through careful planning, a family can prepare to meet college expenses as easily as it prepares to buy a house, an automobile, or a major home appliance.

While it is safe to predict that all costs of attending college will increase each year between now and 1965, 1970, and 1975, all of the economic trends indicate that family income for most of us will increase proportionately. Although families will be paying more dollars each year toward the costs of a college education, in most cases they will not be paying an increasing proportion of the educational costs or devoting a larger fraction of their income to these purposes.

There is nothing mysterious about the costs of attending college. They break down into two segments. Educational costs, which are minor, are set by the college. But living costs, which are major, can be controlled to a large extent by the student and his family.

If we examine the two segments separately, we can then put them together to show total costs. But before we do, let it be clearly understood that all the comments below on costs and on sources of funds are limited to single, full-time, resident, undergraduate college students. In public colleges, we will further restrict ourselves to costs for students who are residents of the state in which the institutions are located and who therefore do not pay the higher tuition charged to non-residents. The story would be too complicated, and both costs and sources of funds would lose focus, if we included commuting and part-time students, married students, or those attending graduate or professional schools.

Educational costs—tuition, fees, books, educational equipment and supplies—are not the major part of the total expense of going to college. At public-supported colleges, educational costs average only one-sixth of the total that each student spends. At private colleges, where tuition is higher, these expenses will average only about one-

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third of the total. The student pays for only a portion of what it really costs his college—public or private—to provide his education. And, as a result, his educational expenses remain relatively low.

Although educational costs have risen from 6 to 9 per cent each year since World War II—and 75 per cent in the last decade—they began at a very low level indeed. And, despite some instances of very high tuition, the averages are still low enough to be within the reach of nearly everyone.

There are state universities where annual tuition and fees have reached \$800 per student. Yet the average is still under \$275. And at ten outstanding public universities, including California, Kentucky, Louisiana, and Texas, educational costs are still under \$200 for state residents.

At private colleges, the student pays a larger share of what it costs the college to provide his educational program. But only at the less well-managed institutions does he pay more than 60 per cent of the actual educational cost. The rest is made up by each college from its endowment and current gifts. The average charge for tuition and fees at the superior private colleges was \$768 in 1961-62, and the middle half of them charged from \$565 to \$980.

WHAT makes financing four years in college truly burdensome is the high cost of living—and, sometimes, the cost of high living. On a national average, living costs make up five sixths of students expenses at public colleges, and two thirds at private colleges. While most parents would prefer less high living and more high thinking, they do want their children housed comfortably, fed well, and provided with wholesome recreation, medical care, and other student services. All of this costs money. The truth is, we prefer it to the plain living of yesteryear.

Both the college and the student make decisions which determine the cost of living. Auxiliary facilities and services provided by the college, many of which contribute to education as well as to comfort and well-being, largely determine whether an institution has an atmosphere of relative austerity or of a "country club." But living

costs at any given institution are also governed by what the student and his family consider a reasonable budget.

A student on a luxury budget often spends three or four times as much as one on an economy budget. At the University of Illinois, for example, single undergraduate students spent in 1960 anywhere from \$850 to \$3,400, averaging \$1,744. Only \$376 of this was for tuition, fees, and other educational costs.

If we look just at the totals for tuition, fees, room, and board, omitting other incidental expenses for the moment, the 1961-62 figures ranged from a low of \$600 in 67 public and 24 private colleges to a high of \$2,000 in six public and 125 private colleges. The average of costs in 493 accredited public colleges was \$913. In 886 private colleges, it was \$1,392.

All these figures support the view that the essential costs of going to college are still within the reach of most families.

A superior undergraduate college education can cost a lot or a little today, and the same is likely to be true in the future. Let's take a look at how students and their parents are meeting these costs, and suggest some new ways for meeting them.

The man was right who said the easiest way to finance a college education is to choose parents who are in the upper income brackets or grandparents who established a trust fund for the purpose.

Less fortunate but more enterprising persons cut college expenses by choosing a superior college in a section of the country where costs are low. At least 300,000 undergraduates who do this are saving up to 30 per cent of the total cost of attending college. A public or private college in New England or the Middle Atlantic states, for example, will cost much more than an institution of the same high standards in the South or Middle West. High school and college counselors can give leads to such information. The enterprising family can save hundreds of dollars by following them.

If a student does not choose to go where superior education is least expensive, another sure way of saving in cash outlay is to stay home and become a commuting student. At least half of the undergraduates in

the country live close enough to a college to save money in this way. But by doing so, they would lose the social growth inherent in a residential college. This and other decisions leading to the choice of a college cannot be made lightly, of course.

While the amount of money required for four years in college varies with such factors, the pattern of who provides it does not vary greatly. Parents of commuting students, for example, pay less in cash and more in kind; but they nevertheless provide about the same proportion of the student's total budget as do all other parents.

The most recent comprehensive report of where the money comes from was my study for 1952-53 (U.S. Office of Education Bulletin No. 9, 1957). Recent smaller studies indicate the patterns have not changed much since then. That study included 16,000 single undergraduate students in 110 public and private colleges in 41 states. It showed that 41 per cent of the money came from the family and relatives, 26 per cent from student earnings, 20 per cent from assets (savings, etc.), 10 per cent from scholarships, 1 per cent from loans, and 2 per cent from miscellaneous sources.

THESE figures are average, and they do not mean that all students received income from all of these sources. In fact, the studies show that only about 20 per cent of all students receive any funds from scholarship sources, and that nearly 25 per cent do not receive any funds from parents or other relatives. On the other hand, two thirds of the men and half the women had income from work during the school year or the preceding summer.

The number of students who borrow money has increased markedly since Congress enacted the National Defense Education Act in 1958. For the school year 1960-61, under this act alone, 151,115 students borrowed \$71 million. What's more, the liberal terms of the act regarding the making and repayment of loans have had an important influence on other student loan funds. At least 21 states now have substantial loan funds. Long-term, low-interest loans are also available from religious, labor, service, and philanthropic organizations. Banks and insurance companies are making commercial loans to students in increasing numbers, usually through parents or other adults. In 1961, banks alone reported making 13,000 educational loans amounting to \$37.3 million.

But parents still provide a major portion of the money for college expenses, as they always have. Let us look at the factors which influence how much parents contribute, and how they manage to do so.

Lower income families tend to send their children to low-cost institutions, where they provide as large a portion of the total budget as a wealthier family contributes at a high-cost college. Too often this puts a B-plus student from a D-plus economic family into a C-minus college. The obvious immediate remedy is to let the student attend a superior college, contribute the same number of dollars, and let the student and the college make up the balance through work opportunities, loans, and scholarships. The long-range remedy calls for a family investment plan that begins when the child enters elementary school, or before.

It is a greater error of judgment to send one's child to a shoddy college in order to save a few hundred dollars on a lifetime investment than it is to save a few dollars on a short-term investment in shoddy clothes. Yet parents are more prone to make the first than the second mistake. We tend to forget that during the first five of his productive years a student usually earns the difference in what it costs to attend a college that gives a superior education.

Once a student has been admitted to a college suited to his needs and capacities, the family contribution to his budget is determined by some combination of the following six factors, listed in the order of their importance: (1) family income, (2) parents' level of education, (3) the breadwinner's occupation, (4) sex of child, (5) the number of brothers or sisters now in college or who have recently been graduated, and (6) the number who may later attend college.

Level of income is obviously the most important of the six factors, but it does not operate alone. The parents' own education and occupation usually influence both how much money is earned and for what purposes it is spent.

A 1960-61 study of student economics by Professor L. J. Lins at the University of Wisconsin explored some of the relationships of family income to the amounts spent for college. The study revealed a remarkable difference at each income level between the total college expenditures of in-state and out-of-state students. It also confirmed the fact that parents spend more to send daughters to the University of Wisconsin than to send sons. And it showed that student budgets rise gradually from austerity to luxury with family income.

The median college expenditures for students from Wisconsin families with incomes under \$4,000 were \$1,250 for men and \$1,267 for women. At the other extreme, men students from Wisconsin families with incomes over \$20,000 spent an average of \$1,651, and women students \$1,919. Men from out-of-state families in this bracket spent \$2,270, and women \$2,564.

Other studies show that the education and occupation of parents, especially at lower income levels, help determine whether qualified children will go to college, and how much of the family income will be used to assist them. In general, the more education parents have and the more culturally significant their occupations, the greater is their willingness to make sacrifices in order to help finance their children's college education.

How much parents pay toward college expenses depends also on how many children they have at about college age. Fewer than one-fifth of the couples with one child in college have one or more other children attending college at the same time. About one-third have older children who have previously attended college. But half of the families have younger children who are potential college students.

THE average student with no brothers or sisters spends more than students who have them. In the University of Wisconsin study, for example, students with no brothers or sisters had budgets that averaged \$1,775, and those with four or more siblings spent, \$1,390. The presence of one additional child to be put through college tends to reduce the average annual budget of a student by \$100; of two children, by \$175; three children, \$250; and four or more additional children by at least an average of \$350.

Parents provide two-fifths of the expenses of single undergraduate students. And most of them do so now on a sporadic, catch-as-catch-can basis—most frequently by cutting down on current family expenditures. About one-fourth of the parents say they make all their contributions from normal current income.

About half the students who enter college get 10 to 15 per cent of their freshman and sophomore budgets from gifts and inheritances or from other family capital.



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Parents can take on extra work to provide the necessary funds. The father can secure a second job, or the mother can take one on, or both. Thirty per cent of parents report that part of the family contribution to college expenses comes from extra earnings by some family member other than the student.

More and more of those parents whose children are not yet of college age are committing themselves to comprehensive plans for saving money systematically for the college education of their children. Yet the number who are saving in a realistic way is still alarmingly low.

A Ford Foundation-sponsored survey made in 1959 showed about three-fifths of the parents whose children are not yet of college age have no plan at all to provide money for college expenses. According to this survey, 24 per cent of parents have insurance programs to save money over a 10 to 15 year period before their children are of college age. Eleven per cent have savings in bank accounts, 6 per cent have Government bonds, 4 per cent have common stocks, and 4 per cent have other types of plans.

But those who need such savings plans most are least likely to have them. Some 58 per cent of parents in high income brackets have savings plans, averaging about \$670 a year. Only 38 and 28 per cent of those in average and below-average income brackets are saving about \$130 and \$100 a year, respectively, for college expenses. The average family with one child saves \$140 per year

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too many B-plus students are being put in C-minus colleges

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for this purpose; with two children, \$150; and with three or more children, \$180.

Compare these figures with those given above for college costs, and you will see that families are not accumulating enough funds to meet two-fifths of the cost of four years in college (the current average family contribution), much less this portion of the increased costs expected by 1970 or 1975. There is an urgent need for those who are saving for college attendance to double the amount they now set aside. And there is an even more urgent need for the 60 per cent not currently saving to devise plans.

As indicated above, parents who have savings plans rely largely on lending their money and accumulating interest. When asked in the Ford Foundation survey why they chose the plans they did, parents who are using insurance policies said they liked the regular forced payments, the protection in case of death, the fact that cashing the policies is discouraged, and the fact that payments are extended over a long period. Those using savings accounts reported they did so because this type of investment is easier, can be used for other things, pays a higher interest rate, and is safe. Those who prefer investing in Government bonds like

them for reasons of safety, high interest, payroll deductions, patriotism, and because the money isn't readily available to be spent for other things.

Savings and loan associations, which now pay 4 to 4.75 per cent and which guarantee deposits up to \$10,000 through an agency of the Federal Government, provide another sound but relatively little-used method for long-term investment by those who put safety of principal above the risks of investing directly in the private enterprise system.

Those who invest in the economy directly to accumulate funds for college attendance, through common stocks or otherwise, do so primarily in the expectation of a higher return on the investment, and as a hedge against inflation. Because saving for college is a long-term investment, they believe it is not endangered by the short-range vagaries of the stock market. They say they prefer to invest in economy themselves, rather than to lend their money to someone else who will do so to his own profit.

One of the newer plans for saving to meet college costs is investment in the shares of mutual funds. This arrangement enables one to put his money in shares of a

variety of portfolios of common stocks or of preferred stocks and bonds, and leave the management to qualified investors. There are some 250 mutual funds operating in the United States. They range all the way from funds emphasizing growth stocks, which may pay low dividends but may increase greatly in value in a few years, to funds based on portfolios of preferred stocks or bonds that produce relatively high dividends but have low growth potential.

It costs a lot to go to college today, and of course it will cost more tomorrow. Yet parents who look realistically at college costs need not be alarmed. Student budgets are flexible, and they can be controlled to a remarkable extent by family desires and family circumstances. Nearly everyone can afford to invest in a college education, with careful planning in advance.

Such planning should lead to a systematic program of saving for the future college expenses of our children. Yet too few parents have such savings programs, and many of those who do are not saving enough.

Every parent owes it to his children to consider early where the money for college will come from. Few families in the nation can see their children through college without sacrifice of some sort—either long-term or short. But the rewards are great, and of lifelong duration.

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