



Simple Ideas To Reduce College Borrowing

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Compliments of John A. Sicola, CLU, ChFC, CCFC

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by John A. Sicola, CLU, ChFC, CCFC

We hear from several parents each year that say, *“I wish I knew what I know now about paying for college costs. I would have done things a lot differently.”*

When it comes to paying college costs, many parents will let the student **decide** what college to attend. Out of all the mistakes made, *(when dealing with college issues)*, this is the **BIGGEST** mistake made by far. *The next huge problem is borrowing to pay for college expenses.*



Most kids today watch TV several hours a day. They use cell phones and text 24/7. They play video games and watch 3D videos. Most students' have no idea of what the real world is all about and how the decisions they make today will affect their financial future for years to come.

Making matters worse is there are too many parents that are unaware of the dangers of borrowing for college and don't give a second thought of how the effects of borrowing for college costs could affect their student's financial future as well as their own.

The cost of a college education over the last decade has risen faster than all consumer debt, including health care costs. At present we are raising a generational population that is so far in debt, due mainly to borrowing money to pay for a college degree. This debt will cause many young adults years of their productive lives to get out from under this financially destructive position.

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When it comes to untangling college costs, there are warnings at every stage of the decision-making process. Too many families are ruling out a college based on the advertised cost of attending. College cost calculators, **(that are now required on all college websites)**, are not giving the family enough information to make sound financial decisions. With college costs hitting all-time highs and the need for some advanced training or education after high school, families should put more effort in preparing for the student's futures.

We feel the reasons students are borrowing so much is not because states are reducing their support to their public college systems, or because the federal government is not providing enough **FREE** financial aid. The main reason students are borrowing so much is because the student and their parents don't know **HOW** to pay for college.

Borrowing to cover educational costs has now become the norm for the majority of students that are pursuing an advanced education. Many times borrowed funds that are **supposed** to be used to pay educational costs are being used for **ancillary expenses** of the student.

Too many families are relying too much on college financial aid and not willing to take **personal financial responsibility** for college cost.

Financial aid is a government, state, and college entitlement program (**PERIOD**). It is also a form of **wealth redistribution** and it was established with the intent (**as with all welfare programs**) for the neediest families and students. The most important thing to remember is it is the **family's responsibility** to pay for college costs, not the federal, state or the college financial aid system.



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There are six steps that all families should take in order to graduate from college without any debt. In our e-book **“How To Graduate From College With Zero Debt,”** we outline six simple steps of graduating from college debt-free. If you are interested in purchasing this book, please give us a call.

Those of you that are not interested in our e-book, here are five tips that could reduce your educational borrowing.

◆ **The Number One Idea Of Eliminating Or Reducing College Debt**

It's very simple; only attend a college that is affordable for the family. **DON'T** attend a college that is unaffordable just because of its name recognition and reputation. If you feel the reputation and name of the college is important to the future financial success of the student, you need to read our e-book **“Does Employers Really Care Where You Get Your Degree.”**

◆ **Is Your Student Capable Of Doing College Work**

If your student is **NOT** college ready (ACT score of 21 or higher) have them attend a community college the first two years. Almost every college-bound student can attend a community college **FREE** of cost and above all accumulate **ZERO** debt. We have written an e-book entitled, **“How To Get The First Two Years Of College Free Of Cost And In Many Cases Make A Profit At The Same Time.”**

◆ **If You Must Borrow, Use The Funds To Cover Educational Expenses ONLY**

Educational costs include tuition/necessary fees, as well as necessary books and supplies. Over-borrowing is a quick way of getting into financial problems. Debt **should not** be accrued for **extracurricular activities or a lavish social life**. Students can quickly overextend themselves when they use loans to pay for their newfound lifestyle.

◆ **If Students Need Additional Spending Money Try This UNIQUE IDEA**

GET A JOB! Most college campuses provide job opportunities to work part-time, or if employment is not available through the college, there's nothing wrong with delivering pizzas or flipping hamburgers on a part-time standpoint.

John A. Sicola, CLU, ChFC, CCFC**◆ Break The Starbucks Or Dunkin' Donuts Habit**

We are seeing more campuses providing outside vendors on college campuses such as Starbucks and Dunkin' Donuts. Most colleges are jumping on the profit motive amenity game by having their own campus coffee shop. A cup of coffee and a doughnut before class and at the end of the day could easily cost \$7-\$ ten a day. If the student attends college nine months out of the year a cup of coffee and a donut twice a day could cost \$1,800 to \$2,000 a year. If students need their caffeine fix before attending class try buying them a coffee maker and buy their pastry at the grocery store. Students can save a hefty amount of cash and ultimately reduce total borrowing if they are willing to bring coffee or food from their dorm room or apartment.

CONCLUSION

Most of the families that are relying on college financial aid have no idea of how they're spending their money on a monthly standpoint. According to a poll by Gallup, only 32% of Americans know how they're spending their money on a yearly or monthly basis.

If this poll is correct, this means 68 percent of the population doesn't have a workable and realistic spending plan and many are overwhelmed with debt and many could be in a financial meltdown.

Most families that have students that are or approaching college-age don't have a problem paying for college (they can borrow their way through); they have a cash flow problem. There are too many parents that are taking financial advice from their student when it comes to selecting a college to attend. Selecting and attending a college that the parents know, up front, is not affordable is a sure way of running their student into massive debt.

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According to a recent Pew report, 40% of American families spend more than they earn. Families that are running out of money before the end of the month are doing so; **NOT** because of paying for big-ticket items like their mortgage/rent or car payments, they're running out of money because they're overlooking or underestimating their small expenses during the month.

Fixed monthly expenses can be tracked very easily. However, most individuals don't track how much they are paying for variable cost such as gas for their car, eating out, weekly grocery bills, entertainment expenses, holidays, vacations, etc. Not including variable expenses in your household budget normally is a recipe for disaster when it comes to paying for college, getting out of debt, and saving for retirement.

There are too many families that have a reckless disregard on spending money on non-necessary expenses. Their variable expenses are out of control and most of these families lack financial discipline to control these spending habits. Now here's the sad point, the children of the parents are learning from the spending habits of their parents.

Family's financial situations will never improve until the family or students refrains from indulging in buying items that they know they cannot afford or need. Many financial problems occur when individuals purchase items based off of **WANTS** instead of **NEEDS**.

Making one or two small adjustments in what you're spending your money on can be accomplished by almost every individual without strapping them down to a set spending format.

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Most people spend their lives running around like a chicken with their heads cut off when it comes to paying their bills or trying to keep up with the Joneses. To be honest, the Joneses could care less how you handle your financial affairs.

Many people will go on a shopping spree because they feel depressed or they will purchase things because of the immediate self-satisfaction feeling; then they wonder why they don't have any money left over at the end of the month.

If your major goal or dream is to see your student graduate from college with zero debt, all you have to do is track your expenses, make monthly adjustments to your spending habits and make sure your student attends a college that is affordable and the student is college ready.

For more information on how to pay for college and athletic issues, please contact us.

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