

## Planning for a Child's Private School Education

Sending your child to private school is an expensive proposition. For most people, it's made a little tougher by the fact that it's necessary to save for a child's college education at the same time. Some have the income that makes this easier, but for the rest, it's necessary to create a pay-as-you-go system that will somehow make it all work.

The parents who make it work tend to plan from the time the child is very young. They keep abreast of every possible resource for scholarships, discounts, loan programs and other forms of financial aid.

It makes sense to find a financial advisor such as a CERTIFIED FINANCIAL PLANNER™ professional who can link a child's pre-college education planning to the financial planning necessary for college, grad school and beyond. Here are some things to know about the process:

**Start with cost:** The National Association of Independent Schools (NAIS), a national organization representing private pre-schools, elementary and secondary schools, estimates that the median annual tuition in 2009-10 for all grades of private day schools was \$17,880. For boarding school, the average annual tuition was \$34,900.

**Is aid available?** Definitely, and that's why it's important to keep your ear to the ground as part of your overall planning strategy. Just remember that grants and scholarships are the best form of financial aid because they don't have to be paid back. Financial aid grants for private elementary and secondary schools are awarded on the basis of demonstrated need, just like college. According to NAIS, the average endowment per student during 2009-10 was \$19,122. This is why it is important to check the size of the endowment fund at any school you consider – that's money that the school keeps in reserve to invest so it can extend aid to families in need.

**The application process:** Most schools use the Parents' Financial Statement (PFS) from the School and Student Service for Financial Aid (SSS). This is a service owned by NAIS that helps schools determine how much a family can afford to pay for school tuition and other educational expenses. If the school you are considering does not use SSS, be sure to ask what steps you need to follow in order to apply for assistance. The form considers how many children you're paying tuition for in K-12 or college and how high the cost of living is in your area.

**Don't forget your retirement:** Despite the huge challenge of paying for your child's education, you have to pay yourself first. Talk to a financial planner to see how much you'll need in retirement and how much you'll need to save weekly to make that goal. Keep in mind that your greatest potential for a successful retirement comes from starting savings early and you can't forfeit that in favor of your child's education.

**Consider a Coverdell Account:** While the best solution will differ by family, one savings vehicle might be a Coverdell Education Savings Account. Coverdells are trusts created to save money for a child's primary, secondary or college education. Contributions are relatively small --

\$2,000 per beneficiary from all sources during the year. Yet since Coverdells are considered the asset of the account owner, you may want to keep it in your name since an account in the student's name could adversely affect financial aid eligibility.

**Enlist the grandparents:** If your grandparents can afford to help, they have several options to help you save for your child's education without triggering their gift tax obligation. First, each grandparent can give up to \$13,000 tax-free to each child. Also, they can give up to \$2,000 annually to a Coverdell account you've set up for the child.

**Don't use debt as a Band-Aid:** Avoid the trap of being forced to use debt while trying to "do it all." Stay within your means. If you find yourself close to using your debt options, enlist the help of a financial planner to talk through ways to adjust your spending or find student aid.

*June 2010 — This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Marnie Aznar, MBA, CFP®, a local member of FPA.*