

Money Mom Tours Colleges

By Claire E. Toth, JD, MLT, CFP™

Vice President and Chief Operating Officer
Point View Wealth Management, Inc.

<http://www.ptview.com>

With the onset of spring comes hordes of high school juniors and sophomores, touring college campuses. If your child is among those comparing campus dining experiences and seeking out the best looking students (or even investigating majors), you should be conducting your own due diligence. Yes, you want your child to love his college. You also want the college to love him back—by being financially viable, by graduating him in four years, and by providing a robust alumni network for the rest of his life.

Mom always said it's as easy to fall in love with a rich man as a poor one, and the same applies for colleges. Research as part of planning your college visits. You can search schools ranked on size of endowment per student. That gives you a baseline as to a school's overall financial health, and the top schools are precisely the ones you'd expect to see. Just view these numbers skeptically—particularly with large research universities, a big endowment doesn't always equate to a big endowment being spent on the undergraduate students. Much of the endowment may be committed to expensive research. Further, many great, well-endowed schools seem not to show up on published lists, and public schools tend not to have large endowments.

You can also search schools ranked on percentage of students receiving merit (rather than need-based) aid. Some of the schools on this list have well-deserved, national reputations. Most are niche schools. If your child fits that niche, congratulate yourself. If not, don't despair. Many other schools further down that list give plenty of merit aid. "Merit aid" is a fluid term. Sometimes it means money only for students with top grades and test scores; other times, it's an inducement for well-qualified but not fabulous students to attend a particular school. The old saw still holds: if you are looking for significant merit aid, your child's best bet is at a school where he is in the upper quartile and the school is trying to raise its perceived level of competitiveness. You and your child may have to have a hard discussion about the relative value of a brand name degree versus graduating debt-free or having more money for graduate school. Further, applying early decision locks your child into the package the student offers. If receiving merit or financial aid is critical to the college search process, it's best to use another route.

Once you're on that campus tour, pay attention to construction projects. It seems that just about every school is rebuilding its athletic facilities and dormitories. Those are the low-hanging fruit; it's easy to get alums to donate for those projects. If you're touring a school without those projects, ask about them. Better yet, look for other construction; that suggests the school truly is investing for the long term. Notice buildings' names. Those named for living alumni mean there's current, generous gifting back to the school.

Obviously, the information session will provide the most data. Key here is whether admissions are needs blind (i.e., the school can provide financial aid to all admitted students) or needs aware (i.e., the school has a limited budget). You'll hear about merit and other grants not tied to demonstrated need—the more, the better. Ask about the retention rate—transferring schools is expensive and can delay graduation. Ask about the four year graduation rate and how many students can timely fulfill the requirements for their majors. Particularly in some cash-strapped public schools, classes for popular majors are so limited that many students are turned away. It can take these students an extra year or two to complete their majors and graduate, turning a relatively low-cost public education into a frustratingly expensive one. It also keeps your child out of the work force for that additional time.

Financial aid matters as well, and the nitty gritty of applying for it is a specialty unto itself. Whether or not your child will be applying for aid, its relative availability matters. Does the school commit to providing 100 percent of a student's demonstrated need? To what extent do students receiving aid graduate debt-free? If students graduate with debt, what's the average amount?

The top line is important, but there's far more to a school's financial profile than just net tuition. What about summer internships, for example? Does the school rely on a loose group of alumni to provide positions, or is there a structured, well-funded program that subsidizes those students who don't find paying positions? Ask similar questions about career placement and what jobs recent graduates have pursued. Ask about outcomes at different times—where are graduates six months out, one year out, five years out? It's not enough that they're employed—waiting tables is a job. What sorts of companies are they working for, and what positions do they hold?

Review the alumni portion of the web site. This can give you a sense of how active the alums are—and where. Who are the featured alums, what access do alums have to the career center, what access do they have to the libraries? That last can be revealing—specialized databases are expensive, and a school that opens them to its alumni network has made some real investments.

The bottom line? Work with your high school student to find a list of schools that satisfies both of you. They exist. Your student should drive the process, but you can make responsible educational and financial decisions that benefit him without putting your own financial future in jeopardy.