



INSIGHTS – COLLEGE DEBT

From David L. Belk, CFP®, CKA® of Carolina Financial Advisors

Our office currently sits diagonally from the University of NC at Greensboro, where I graduated “a few” years ago. The irony is I am about 600 yards from the dorm I lived in during my freshman and sophomore years. I remember when a person in the dorm decided they wanted to get a pet for her dorm room, (no, pets were not allowed but there was a period we all had something...I had a cat!). This friend went to the local pet store and purchased an “exotic bird”; but she “*financed*” this bird. About 4 weeks later, the bird died. On one hand, it is funny, on another, it is not! She had nothing to show for the payments over the next year or so.

Americans tend to use debt for just about anything, but there are things you should and should not consider when thinking of debt. *While there is no biblical command “not use debt”,* there is much said about the warnings of being a slave to debt. Most folks accept the idea that we need to finance our homes. Are there any true reasons to finance anything else? I am not about to tackle that today, but I do want to share one story from a newly wedded couple. We met recently to check in on the goals we had set to see how they were doing. They hope to purchase a home later in the year and have been diligent about saving money for their down payment. What I loved hearing during our conversation was this, and while it is not every couple’s desire for one of them to stay at home after they have kids, they were clear with me that could be a possibility for them. They said, “we don’t plan to try and qualify for the home with both of our incomes, just in case one of us decides to stay at home”. I loved the wisdom in their thoughts and how they are looking to their future.

At the end of today’s *INSIGHTS*, we continue our input-advice from clients with “life & investing experience”. Today’s input comes from a client who is a C-Suite Executive with Vineyard Vines.

So, let us talk about COLLEGE DEBT! None of this is political so keep your feelings intact! After attempting this from many angles, I determined that this could be split up in about a 5-6 chapter book, but I knew you probably wouldn't read it...assuming you are still with me!!! So, to be quick and precise I decided to simply create a "laundry list of dos and don'ts" So here we go:

- DO: Plan to save in advance for college if you or your kids plan on attending
- DON'T: Start saving for college for your kids if you have never saved any real money for yourselves
- DO: Discuss early on with a student (middle school) about their need to participate in paying for college if you think that will be your plan. Have them start saving for their share...work summer jobs with the intent of funding college, not funding Starbucks or Anthropology
- DON'T: Expect Scholarships, while there's money out there, the majority is for "needs based" today as opposed to "merit based."
- DO: Complete the FASFA and apply for whatever you can find... do not forget about local civic organizations
- DON'T: Expect your athlete, that you think is so great, to get an offer, generally, you have spent more on their 10 years of travel team than they will receive in scholarships (this is the norm)
- DO: Consider loans for highly paid professional degrees that you know in advance have high income earning potential, be sure to hedge the debt with protection.
- DON'T: Consider loans for basic Psychology, History, English degrees, and the like. If you are going to CONSIDER THEM, you may want to hold off FOR GRADUATE SCHOOL YOU KNOW YOU WILL HAVE TO PERSUE to try and attempt to validate the undergraduate studies.
- DO: Consider work and attend college part time, to PAY AS YOU GO
- DON'T: Borrow money, for play, travel, clothes, toys, "pets", etc.
- DO: Consider Community College for the first 2 years for your basic transferrable classes
- DON'T: Attend an elite school for a K-12 teaching degree.
- DO: Pursue an advanced degree if it will pay you back in a short amount of time after achieving it

- DON'T: Pursue advanced degrees if it will take you 10+ years to break even.

Well now that I have upset many of you to include close family, just put your stones down. Let's be real...just as in the tax code there may be exceptions. For the most part these are good guidelines for "the future financial security" of the person that's considering college debt. Unfortunately, the debt is often imposed on our students. The list of dos and don'ts could go on for a while, these are just some things to consider.

So, what if you are already in debt? Do you have a definitive plan to get out? *A real plan*, or it will just happen when it happens. Consider the ripple effects of making easy decisions and choices versus those that may be better but be a bit more inconvenient in the short term.

As promised, we are continuing advice from seasoned investment clients with multiple questions about their investing careers. Here are "insights" from JH & DH of Connecticut:

1)What has proven to be the #1 factor for you to growing your wealth?

ANSWERS:

A. Investing the max amount in 401K with employer matching

2)What has been a large mistake that you made financially?

ANSWERS:

A. We bought a car that worked for my wife and me but didn't consider the addition of a child in the near term and had to sell it at \$3k loss.

3)If you could tell your "20-something" self an important lesson you have learned over your life regarding money or finances, what would that be?

ANSWERS:

A. Invest a minimum of 10% in savings and max out your 401K.

If you're a client, don't forget to have your tax returns forwarded to us upon completion so we can set your tax planning session for the year, *and remember, Your Financial Security Is Our Business!*

Schedule an appointment now. Click here: <https://calendly.com/davidbelk>

Until Next Time,
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