

Episode #234: College Planning: When's It Too Early to Begin?

Video Transcription

Welcome back to another episode of "Money Script Monday." My name is Gabriel Lindemann, and it's my honor to be your host today.

Today, we're going to be talking about something that's dear to my heart, like always, college planning. But more importantly, we're going to focus on when is it too early to begin the college planning process.

So, with that in mind, let's get started. Now, what is college planning? Too often people get mixed up between college planning and college funding.

College planning is the most important thing. It's getting the kids into school. It's how you're going to get them accepted. That's why a lot of college planners, what we do is we'll have them apply to three to five schools, so we have a couple of dream schools, and then we have a couple of schools that they're almost guaranteed to get in.

But again, most importantly, it's getting into school, that's working with the counselors, working with the admin team. That's the test prep. All that fun stuff behind the scenes that's what's going on.

The second part is, how do you make it affordable? Sometimes it's moving assets around. Sometimes it's taking out loans. Sometimes it's college funding plans. Sometimes it's utilizing the 529, but that's the part where we transition over to college funding.

So again, college planning is broken down into two parts, how to get into school, super important, frankly, the most important. Second, how to make it affordable. The college funding options, there it is.

Now, this is typically done in eighth grade to your junior year. And the reason why is because, you know, if you're in fifth grade or you're, you know, elementary school, you can't really be working with the college counselors, you're too young. Even eighth grade is right there on the cusp, but right there that gets you at least with eighth grade, it gets you the opportunities.

So when your students transition to high school, at least you got a good roadmap to know what to expect, and what you're going to do. And again, you can't really, it's too young when they're in third grade or elementary school to think about that because they're not ready yet. But eighth grade to junior year.

Now you might ask, why not seniors? Well, senior year, you're kind of out of luck. There's not a lot a college counselor can do to help them prepare. They should already be accepted by their senior year or getting their acceptance letters.

At that point, it's just kind of helping them with appeal letters and such, but it's not real college planning at that point. And honestly, a lot of students at that point are going to be looking at community college. So again, eighth grade to junior year is when we really want to focus on the college planning aspect.

Now, I did talk about college funding. And that's typically when we look at below eighth grade. Now a lot of times people say, "Well, what do I do with my newborn? Or what do I do, you know, my son or daughter just had a new baby? Can we start with the college planning?" Yes.

Again, it's too young to start with a college counselor, but it's never too young to start college funding. Because again, instead of waiting till they're in eighth grade or freshman in high school and having to be kind of aggressive on those plans, because you need income for college in five or six years, now you have an extra 15, you have 20 years sometimes.

So, with that being said, you don't have to put in, you know, \$2,000, \$5,000 a month to get those rates of returns to borrow against it for college, we can be less aggressive, \$500 a month, \$1,000 per month. Even a couple of hundred dollars per month is still better because we have time and the power of compounding interest.

Another common question I get is, "Gabe, what about a 529 or a Gerber plan? Will that be beneficial at all?" So let's talk about that. I don't know. Every situation is different. There are families out there that make a beaucoup of money. Whereas honestly, a 529 plan might be beneficial along with a college funding plan that we would design.

Now the Gerber plan, honestly, that's a marketing genius. All that is, is a participating whole life policy that has very low yielding rates of return. But again, it shelters the money for college. It has great marketing, so people think it's the best thing in the world, but there are a lot of other opportunities out there.

But nonetheless, even if you get a client that tells you, "Hey, we've been, you know, participating in a Gerber plan for our kids," that's still better than doing nothing. So, again, you have 529s, you have the Gerber plans. Those are the things that are out there that most people recognize.

And I don't know, it could be good for them. We'll have to review it. That's all the benefit of working with a real college planner. We can assess that. We can look at the pros and cons and see, "Okay, what you're in is the best thing out there, or more importantly, what you're in is hurting you, but we can transition to help you do something better."

Now let's talk a little bit about current events, and what's happening now. Well, if you know anybody that has students applying to any UC schools, especially UC schools in California, it's tough. It's tough. We've had a number of good students with great, you know, GPAs, 4.2 and above getting declined at top UC schools.

The reason why is nobody really knows because it's not like the schools come out and tell us why people are declined. But what the theory is is now with COVID numbers getting a little bit better, kids are able to go to school, whereas before students were postponing, taking deferments because they didn't want to do Zoom classes, and having to pay \$50,000 out of pocket.

Now that they can actually go back to a real school, all those students that were accepted but postponed, they're going back in there. So there are only so many new students they can take in.

So, if the threshold is 10,000, just using round numbers, but they have 9,000 that postponed it, well, that 9,000 gets first dibs, they get to come in. So you only have room for 1,000 new applicants. Well, that sounds pretty reasonable, what's happening nowadays.

Second, a lot of talk about this, EFC is changing. I know a lot of people in the college planning world are very scared because, you know, with EFC changing, what does that mean? What's it going to look like?

The big fear is when they change it over to the Student Aid Index, SAI, what they're changing is the opportunity and the discount when parents and families have two kids in school. Now that's not going to hurt, you know, the Rockerfellers or the Gates family, because they can pay outright.

But if you get a husband and a wife with two kids going to school, let's say they're making a combined income, you know, \$200,000 and you don't get that discount on the second kid that could be the difference of that second kid going to a top-tier school, or frankly, going into a community college because of that discount.

But again, this is all the importance of why you want to work with a college planner to kind of make sure we can move assets around and make sure you're still getting the best opportunities to attend all the schools that any student might want to attend.

Lastly, there's been a lot of talk in Congress about passing free education. A lot of Congresspeople out there say they just want to get free education and loan forgiveness. That all sounds good. But think about this.

We talk about this a lot in the college planning world. It's already tough to get into school currently. Students with a 4.2 can't get into top UC or state schools for that matter. Now, transition that over to, now you don't have to worry about affordability, it's free.

So what students now are taking 4 to even 6 years to get a bachelor's degree could take anywhere from 8 to 10 years. That's a long time. That's the difference of, you know, somebody graduating, you know, when they get out of high school and graduating in their 20s versus their 30s.

You know, a lot of times we talk about college savings. Ten extra years of going to school and not working in the workforce that's a big detriment to everyone's pocketbook, especially the family if you're supporting your kids. Now, the good news is that it doesn't affect private schools.

So, it would be an opportunity in the college planning world because again, everyone that can afford to go to school, they're going to go to a top-tier private school. They want to get into, you know, classes that are smaller, you know, more engagement with the professors anyways. And the graduation rates are four to five years versus four to six years in the UC and state schools.

So this could be a great opportunity. Will it happen? Most likely not. It just always comes up during a political season, which right now we're in. But it's good to know some of the rhetoric that's being thrown out there.

So, worst-case scenario, if this does happen, it's a huge opportunity for college planners, but more importantly, for families to work with a college planner, to get them accepted into one of those top tier private schools so they can graduate under four years and hit the work field.

Again, my name was Gabriel Lindemann, and it was my honor today to talk about college planning. Thank you very much.