

# Thinking about private school for your kids? The earlier you start the better

BY DAVID J. BOCZAR

Considering private grammar and high school is a parent's first introduction to a lifetime of saving for a child's education.

Depending on where you live, you might face a decision to choose between private and public schools, and there might not be much of a choice. It's an expensive proposition made even more complicated by the fact that you have to save for college at the same time. Some are able to pay for private school today plus save for college. For others they may have to plan on 'paying as they go' for all schooling – today and for college.

How do parents make it work? Some have the money to make anything work, but for those who don't, it's essential to plan from the time your child is very young. From the beginning, keep abreast of every possible resource for scholarships, discounts, loan programs and other forms of financial aid.

Here are some ideas to start with:

How much? The National Association of Independent Schools (NAIS), a national organization representing private pre-schools, elementary and secondary schools, estimates that the median tuition in 2006-07 for all grades of private day schools was \$15,894. For boarding school, the price is almost double.

How much aid? A little more than 18 percent of all private school students are receiving some form of aid at an average grant of \$10,871. Financial aid grants for private elementary

and secondary schools works roughly the same as college – they are awarded on the basis of need. Grants are the best form of financial aid because they don't have to be paid back.

Applying for aid: 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 to plan for retirement: You'll do anything for your kids, but 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: This is not a universal recommendation because some families may benefit more from savings plans customized to their situation. Coverdell Education Savings Accounts – formerly known as education IRAs – 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 – though there may be exceptions for certain types of rollovers. Yet since Coverdell Education Savings Accounts 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 parents 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 \$12,000 tax-free to each child or they can give money up to any amount directly to the school without triggering the gift tax. Also, they can give up to \$2,000 annually to a Coverdell account you've set up for the child. For college, they can also gift money to a 529 College Savings Plan or a Uniform Transfers to Minors Act (UTMA) account for your 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.

*David J. Boczar, CFP, CFA (www.davidjboczar.com) is a local member of the Financial Planning Association, with an independent financial planning practice located in Westport. This column is produced by the FPA, the membership organization for the financial planning community.*