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FAMILY FINANCES

Don't Pay the Sticker Price for College

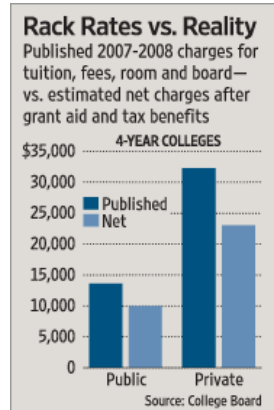
By **SHELLY BANJO**
June 1, 2008

One time-honored strategy to lower the cost of college is to opt for a public college or university rather than a private one.

But the cost savings may not be as great as some prospective students and their families think -- and it thus makes sense for even cash-strapped students to consider applying to a mix of public and private schools.

To be sure, the sticker price of tuition at public schools is far lower: According to the College Board, average published 2007-2008 tuition and fees for in-state students at public colleges came to \$6,185 -- 74% less than the average \$23,712 cost of private four-year colleges. Including room and board, the average quoted charges were \$13,589 for public schools and \$32,307 for private ones.

Bigger Grants



But private colleges typically offer more generous financial-aid grants, which narrow the cost gap. After grant aid and tax benefits, the College Board says the average net cost of tuition, fees, room and board for public colleges was \$9,981, compared with \$22,995 at private universities.

In some cases, "an expensive private school can actually be cheaper than a local state school" after federal and private grants, scholarships and financial aid, says Sandy Baum, senior policy analyst for the College Board and professor of economics at Skidmore College.

The Bottom Line

Experts say one of the biggest mistakes families make when deciding which colleges to apply to is getting stuck at the sticker price. State schools typically don't have the large endowments of private schools and, especially during a sluggish economy when state budgets are stretched, they may not be able to offer as much financial aid.

"In California, I tell clients they may spend less at private schools like the University of Southern California and Pepperdine University than if they settled on a public University of California school," says financial planner William Jordan, founder of Sentinel College Funding.

One factor: Due to overcrowding in the public colleges, he says, "it's no longer a four-year college; it's five or six years of paying tuition."

Breaks From Top Schools

In addition, recent changes to financial-aid policies at top-tier, expensive private universities like Harvard, Yale, Cornell and Stanford have

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dramatically changed what some students may be able to afford.

Cornell replaced loans with grants, which don't have to be repaid. Massachusetts Institute of Technology and Dartmouth don't charge any tuition for families earning less than \$75,000 a year. Harvard and Yale this year began capping their charges at a percentage of family income.

Parents with income between \$120,000 and \$180,000 can send their child to Harvard for 10% of their income, or \$12,000 to \$18,000, a year. Students are expected to contribute about \$4,000 a year from part-time jobs and summer work -- but compared with the average net cost of a state college, Harvard sounds like a steal for those who get in.

Since cost is only one factor in looking at private and public colleges, "families should consider a broad range of institutions" based on the right fit for their student and "then make a decision based on the whole picture," Ms. Baum says.

A Full Picture

For instance, consider a school's best-acclaimed fields of study and degrees offered, as well as factors such as a school's size, location and activities. Is a school known for an extensive alumni network or counselors who help students land helpful internships and jobs?

Also weigh the importance of a school's reputation and reach, considering the student's after-college goals.

If a Florida resident dreams of a fashion-marketing job in New York, it may be worth it to pay more for a nationally known college since "University of Florida has a reputation in state that far exceeds its national reputation," says Bari Norman, an independent college counselor based in New York and Miami.

Picking the State Route

Hayley Hoffman of Denver and her parents are one family that decided the economics of a state school were too attractive to turn down.

Ms. Hoffman initially wanted to get out of her home state to attend a private school like American University in Washington or University of San Francisco. She applied to six private schools and, at the request of her mother, the public University of Colorado at Boulder.

But even with generous financial-aid offers -- such as University of San Francisco's offer of \$30,000 a year toward its \$49,000 sticker price -- the private schools "didn't seem to offer the programs and reputation that the University of Colorado did for a lot less cost," says Ms. Hoffman's mother, Carol.

Next fall her daughter will attend the University of Colorado. The estimated price tag after grants and aid: about \$6,000 per year including room and board.

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