

Can you get a degree without the debt?

Yes! Finance guru Alvin Hall's seven-point plan shows parents and students how

Alvin Hall's Generations Money Saturday 12.04pm Radio 4 FM



WHEN I DECIDED to pursue my higher education at a small, high-quality college in New England, the annual cost was nearly three times what my mother, the family's sole breadwinner, earned in a single year. In fact, she couldn't afford to contribute a single penny. I could have gone to a cheaper university, but I wanted the best curriculum I could qualify for — one that would enable me to expand my abilities, teach me to think critically, and serve me well long into my professional life. So I took on a challenge that many young people today are also facing — finding a way, any way, to pay for my college education.

In order to cover some of my costs, I worked on campus during the school year. I always got a summer job — perhaps the most memorable one was working at a gunpowder factory! I applied for scholarships and grants and, yes, I took out loans. Piecing together these sources of income enabled me to pay my tuition bills, feed and house myself, and receive the training that has made possible my entire subsequent career. In the process, I taught myself, using common sense, how to handle money responsibly. As a result, there is part of me that believes I truly *earned* my education.

For the majority of students thinking about going to university in the UK today, the phrase “earn an education” perfectly captures the tough new reality they face. Paying for a university education often places a burden on three generations: the student, the parents and even the grandparents. Thankfully, there are tried-and-tested ways of avoiding or reducing financial distress to the family. Here are seven that I know from experience will work.

“A good education is the only thing of value that can never be lost or stolen”

1 Start saving today. Parents should begin setting aside money for a child's education as early as possible. Small amounts regularly saved can grow into a surprisingly large college fund. The Government may be abolishing Child Trust Funds in 2011, but if you have one that's up and running, you can add to it every year until your child reaches 18. At holiday times and on birthdays, encourage grandparents, other family members and friends to contribute to the child trust fund or children's saving account, instead of giving another piece of clothing or toy that will end up ignored after a few weeks. A good education is the only thing of value that can never be lost or stolen.

2 Consider targeted gifts from grandparents. If the future student's grandparents are reasonably affluent and have a history of being generous, parents should talk to them about helping to pay towards their grandchild's education while they are alive rather than leaving a gift in their wills. Under the tax rules, anyone can give away up to £3,000 every tax year without being liable for inheritance tax, or a larger sum if you survive for seven years after making the gift. Yes, this will most likely mean that the parents will inherit less. But this is a selfless and generous way of helping to pay for a child's education while at the same time affirming the importance the entire family places on learning.

3 Make paying for education a shared responsibility. When parents know they can't pay for the full cost of their children's education, they should sit down with the children (and maybe bring in the grandparents, too) to discuss how the family can meet this challenge together. Don't feel guilty about insisting the child should earn and save part of the money. Make it clear how much the

family — parents and grandparents — will contribute and how much is beyond their means. This kind of honest dialogue is supportive and helps the student to understand the need for self-sufficiency.

4 Don't neglect retirement savings. Parents should not stop contributing to their retirement or pension plans in order to pay for their children's education. This is one of the biggest mistakes that loving, well-meaning parents make. It's important for parents to secure their retirement so they won't later become a burden on their children, who will be spending the years to come repaying their education loans and building their own financial security. It's not about being a skinflint — it's about finding other ways to economise in order to contribute to your child's education without endangering your own future.

5 Earn some of the cost of your education. The prospective student should figure out how much he or she could earn by getting a job during the summer holidays, working part-time during the term, or taking a year or two off to work before enrolling in classes. If getting a full-time job in these tough times proves too difficult, think of a skill that a business, friends, or family, would be willing to pay for, like computer training or repair, gardening, tutoring, or dog-walking.

6 Keep borrowing to a minimum. Just because you can borrow money to pay for your education at a cheap interest rate doesn't mean you should take out the maximum you can and saddle yourself with long-term debt. Remember — you will have to repay those loans in the end and

in a world where job security and economic stability are no longer guaranteed, a heavy debt burden adds enormously to the life risks you face.

7 Draw up a budget. Children and parents should work together to create a weekly or monthly budget for the university-bound student. Take an especially close look at the amount allocated to discretionary spending. Make sure you sign up for the best phone-plan and take advantage of all the student discounts that are on offer. Setting up a budget may feel very grown-up and perhaps a bit fussy, but it is vital if a student is going to maintain control over his or her finances during the university years — and beyond.

And finally... Be positive, pro-active, and creative when thinking about how everyone in the family can chip in to reduce the financial burden of a university education. And please, for your own peace of mind, stop moaning, rehashing, comparing, and complaining about how

things used to be or how unfair things are today. Those “good ol' days” are gone forever — for good or bad. But it is still possible to get a university education that will pay big dividends long after the debts have been repaid.

