

# A College Education: More Necessary and Less Affordable than Ever Before

Cum Laude? Suma Cum Laude? The pressure on students to graduate from college with honors is nothing compared to the pressure parents face today when trying to send their children to college. Unfortunately, the cost of a college education has grown disproportionately when compared to inflation and the cost of living, making it more difficult to send a child to college today than ever before.

However, a college education is more necessary than ever before. With almost 15 million students pursuing higher education, and the increasing competition among those entering the work force, a degree may be one differentiator that potential employers look for when filling an open position. A college education can be a requirement of many professional jobs, or even a minimum credential to go on to law school, medical school, or graduate school in general.

With parents undoubtedly wanting to do the right thing for their children, they have taken out home equity loans, sacrificed retirement savings, and put off their own goals and ambitions in order to pay for that coveted college education. While none of these options may seem ideal, they may be necessary to bridge the gap in affording the tuition bill. And, it's not uncommon for students and parents alike to seek out financial aid in the form of student loans from banking institutions as well as the government – but that's a resource that seems to be drying up in recent times.

As a result of the subprime mortgage crisis, the student loan business is in disarray with major financial institutions pulling out of this offering. There have also been significant reductions in federal subsidies paid to federally guaranteed student loan providers. According to Sallie Mae Chief Executive Albert Lord, student loan demand is running at \$3

billion a month, while Sallie Mae – the largest student loan provider in the country – has only been able to access funding of about \$1 billion a month. Clearly, the resources that once existed to assist families in sending their children to college are not as available, or as helpful, as they once were.

How real is the college tuition crunch? Meet the Callahans, an average family with two kids. Chad is 17 and headed to college later this year while his sister, Amy, is 14 and seemingly has plenty of time before college tuition becomes a major issue. Despite an all-time low national savings rate, Jim and Rita have been saving for their kids' college education for years now. But, the \$16,000 in Chad's custodial account won't cover one year's worth of expenses at DePaul University, where Chad hopes to attend this fall.

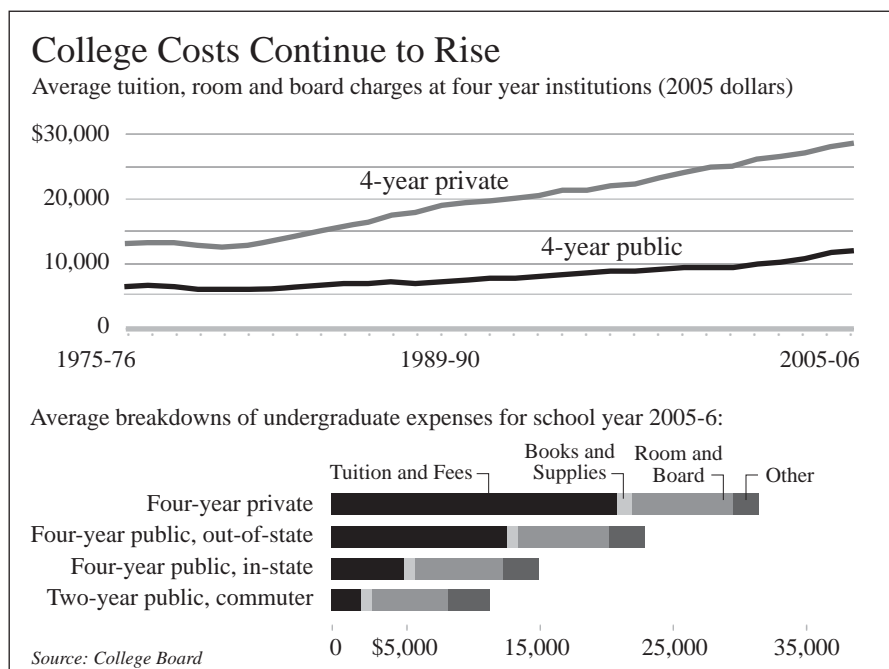
"I worry about it," says Rita. "If we don't have enough saved for Chad now, how will we have enough saved

for Amy when she's ready?" According to a recent New York Times / CBS News poll, Rita is not alone. Seventy percent of parents surveyed were "very concerned" about how they would pay for college. Only six percent were "not concerned".

"I don't want us to go broke saving for college, and I don't want the kids to be saddled with all kinds of debt," Jim commented. "I thought we were doing a good job saving for college, retirement, and everything in between, but tuition costs have gone up faster than we could increase our savings for it." According to a CNNMoney.com study, average annual tuition at a four-year public college or university is \$6,000. Average annual tuition at a four-year private college or university is \$20,000.

Jim and Rita have recently restructured their retirement savings contributions and applied for a home equity loan which they hope will fund a large portion of Chad's education, allowing them to continue saving for Amy's. "We promised them they could go to any school they wanted," says Jim, "and we want to advantage them in every way possible."

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College tuition costs have been on the rise, growing disproportionately when compared to the standard cost of living or even inflation while traditional sources of financial aid may not be as readily available as they have been in the past.

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With nearly 2 million high school seniors planning their college careers, families just like the Callahans are wondering how they will pay for it all.

And, the rising annual tuition costs are only a part of the concern. The College Board warns that it now takes the average public university student five years to complete a degree while private school students are averaging four, with private college students 2.2 times more likely to graduate in less time versus those attending public institutions. Nonetheless, parents can no longer save or budget for four years of college as it takes more time – and more money.

The bottom line? In the end, a college education is an investment with great returns. The College Board, in a recent study, learned that people with a Bachelor's Degree earn over sixty percent more income than those with just a high school diploma. In other words, investing in a college education will pay great dividends.

With student loan resources becoming less available, the ability to save at an all-time low, and soaring

tuition costs, families from all walks of life are struggling to afford a college education for their children. More and more often, parents and students are seeking out alternative ways to cover the tuition bill.

Enter Tuition Rewards. As a one-time Director of Admissions and Financial Aid at the Wharton Graduate School of the University of Pennsylvania, Dr. James Johnston had first-hand experience in helping families and students cope with the rising cost of college tuition as families and their children needed broader access to high-quality, affordable college educations.

In 1997, Dr. Johnston founded SAGE Scholars, where SAGE is an acronym for "Savings and Growth for Education". This organization was formed with the purpose of promoting the values and affordability of private higher education. Through a unique program called Tuition Rewards, SAGE Scholars brings families, colleges and universities, and financial institutions together to create college funding solutions. Essentially, clients

who participate in the program earn points that are redeemable for tuition discounts at over 200 private colleges and universities across the country.

Rewards programs in general have taken off in popularity at financial institutions across the country. Tuition Rewards is the only program of its kind, where points earned by bank clients are not redeemed for toasters or gift cards but for the ability to make the dream of a college education real.

Since meeting the Callahans, Jim and Rita have found a bank that offers the Tuition Rewards program. They may still need that home equity loan for Chad's education, but they no longer have to sacrifice their retirement goals for Amy's college savings. In fact, they're earning Tuition Rewards points on the money they're putting away for college and retirement, and the home equity loan they took out for Chad's tuition. "It's a great program," says Rita. "We're earning points for Amy's college tuition while taking care of our everyday banking needs."