



What's New in the College World?

If you're the parent or grandparent of a current or prospective college student, you might be interested to learn what's new in the world of higher education.

Higher college costs

For the 2018-2019 school year, average costs for tuition, fees, room, and board were:

- \$21,370 at public colleges (in-state)
- \$37,430 at public colleges (out-of-state)
- \$48,510 at private colleges

The following table shows the average annual percent increase for tuition, fees, room, and board since 2015.¹ Despite steady cuts to their budgets from state legislatures, public colleges have been doing a better job of holding down cost increases than private colleges.

	Public In-State	Public Out-of-State	Private
2015-16	3.3%	3.5%	3.5%
2016-17	2.7%	3.4%	3.4%
2017-18	3.1%	3.2%	3.5%
2018-19	2.8%	2.6%	3.2%

Assuming a 3% across-the-board increase, average costs for 2019-2020 would be:

- \$22,011 at public colleges (in-state)
- \$38,552 at public colleges (out-of-state)
- \$49,965 at private colleges

Keep in mind that these figures are averages; many colleges cost substantially more. And these figures don't include costs for books, supplies, personal expenses, or transportation, which can add on a few thousand dollars. If you're a parent and cost is a factor when looking at colleges, you need to take the lead in the conversation because most 16-, 17-, and 18-year-olds are not financially savvy enough to drive a \$100,000 or \$200,000 decision.

Higher student debt

Speaking of costs, about 65% of U.S. college seniors who graduated in 2017 had student loan debt, owing an average of \$28,650.² And it's not just students who are borrowing. Parents are borrowing, too. There are approximately 15 million student loan borrowers age 40 and older, and this demographic

accounts for almost 40% of all student loan debt.³ Student loan debt is now the second-highest consumer debt category after mortgage debt, ahead of both credit cards and auto loans.⁴

Reduced asset protection allowance

Behind the scenes, a stealth change in the federal government's financial aid formula has been quietly (and negatively) impacting families. The asset protection allowance, which lets parents shield a certain amount of their non-retirement assets from consideration, has been steadily declining for years, resulting in a higher expected family contribution, or EFC. Ten years ago, in the 2008-2009 school year, the asset protection allowance for a 48-year-old married parent was \$46,700. In 2018-2019, that same allowance was \$21,300, resulting in a \$1,432 decrease in a student's aid eligibility (\$25,400 x 5.64%, the federal contribution percentage required from parent assets).⁵

FAFSA timeline

The FAFSA (Free Application for Federal Student Aid) for the 2020-2021 school year can be filed starting October 1, 2019, and relies on information in your 2018 federal income tax return.

Proposed 529 plan changes

In April 2019, the House Ways and Means Committee passed the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which focuses primarily on changes to retirement plans but also includes the expansion of 529 plans.⁶ Under the proposed legislation, 529 plan qualified expenses would be expanded to include:

- Apprenticeship programs
- Up to \$10,000 (lifetime cap) toward student loan repayment

The legislation has broad bipartisan support, so look for progress in 2019.

Recent college admissions scandal

Finally, a little perspective. The recent college admissions scandal has put a spotlight on the frenzy surrounding elite college admissions and perpetuates the notion that a child's attendance at a particular school is a make-or-break, life-defining moment. But families shouldn't buy into this narrative. Reach for the best schools? Sure, if that's important to you and your child. Think your child's life is over if he or she doesn't get into one of these schools? No. Many colleges provide an excellent education, and it's up to students to make the most of the opportunities available wherever they land.

Questions? Schedule a no-cost appointment with First Financial's Investment & Retirement Center by calling 732.312.1534. You can also email Mary.LaFerriere@cunamutual.com or Maureen.McGreevy@cunamutual.com

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Sources

¹ College Board, *Trends in College Pricing, 2015-2018*

² The Institute for College Access and Success, *Student Debt and the Class of 2017*, September 2018

³ Federal Reserve Bank of New York, *Student Loan Data and Demographics*, September 2018

⁴ Federal Reserve Bank of New York, *Quarterly Report on Household Debt and Credit*, August 2018

⁵ *U.S. Department of Education, EFC Formula, 2008-2009, 2018-2019*

⁶ *savingforcollege.com, April 12, 2019*

FR-2676957.1-0819-0921