

How to fund college if you didn't save enough

• By Liz Weston [NerdWallet](#) Jan 13, 2019

If college tuition bills are looming and you don't have nearly enough saved, you have plenty of company. But you also have options for making it more affordable. Four out of 10 families who hope to send kids to college aren't saving for that goal, according to student loan company Sallie Mae. Among those who are, parents of children aged 13 to 17 have saved an average of \$22,985. That's not enough to pay for the typical college education out of pocket. The net average cost for a year of college, after scholarships and grants were deducted, was \$15,367 in 2017, according to Sallie Mae. That means a four-year degree is likely to cost over \$60,000. The expense can, of course, be much higher since many elite schools now charge \$70,000 a year or more.

Here are some steps to take now to secure an affordable education – and avoid crushing debt.

Set borrowing limits

The federal PLUS loan program allows parents to borrow the full price of virtually any college education. That's rarely a good idea. It's much smarter to decide before applying for schools how much parents can and want to contribute. In general, parents should limit borrowing to what they can afford to pay off before retirement, while still being able to save for that retirement.

It's also reasonable to ask the student to first exhaust federal student loan options before parents consider borrowing. Students typically can borrow up to \$5,500 in federal student loans for their first year of college and a total of \$31,000 for an undergraduate education.

Apply to financial 'safety,' 'target' and 'reach' schools

College counselors typically recommend applying for three types of schools, based on the student's academic credentials: "safety" schools virtually certain to say yes, "target" colleges likely to accept them, and "reach" options where acceptance is a long shot.

Families also should include at least one financial "safety" school – a college with costs they know they can handle – as well as "target" schools that could be affordable and a "reach" school that may surprise them with generous financial aid. The net price calculators available on every college's site can help identify likely candidates.

Consider alternatives

Not every career requires a four-year degree. For those that do, a year or two of community college can significantly cut costs but also may increase a student's risk of dropping out. Community college may be best for self-motivated types who are determined to get a degree and who can do the legwork in advance to ensure their credits will transfer to the desired four-year institution.

For kids who aren't that motivated or are unsure what they want to study, a gap year may be a good option. They'll have another year to grow up and get focused, without racking up college expenses. They could even get a job to pay some of those costs.

Encourage focus

It's a lot to ask 17- and 18-year-olds to decide what they want to do for the rest of their lives. Dithering is expensive, though. Most colleges have career counselors who can help students sort through their options, and internships can offer real-world glimpses of future career paths.

Trim expenses and tap assets

Cutting discretionary expenses can free up more money for college bills. The usual suspects: eating out less, buying used instead of new, vacationing cheaply, combing your bills for "leaks" such as memberships or subscriptions you're not using. If your student is attending college more than 100 miles away and won't have a car, your auto insurer may give you an away-from-home discount.

Tax breaks, such as the American Opportunity or Lifetime Learning credits, also may help make ends meet. Withdrawals from 529 college savings plans typically are tax-free when used for qualified education expenses.

Selling nonretirement investments and other assets can help pay for college while possibly increasing financial aid in future years. (While federal financial aid formulas typically ignore retirement funds, money in savings and brokerage accounts reduces need-based aid.) Consult a tax pro first, since asset sales can have tax consequences.

Don't pause retirement contributions, however. You can't get back the tax breaks and company matches you'll lose, or the future tax-deferred earnings that money could have earned. Retirement is even more expensive than a college education, and few of us can afford to stop saving for that goal.

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