

Working Parents

Explaining the economic mess to kids and college students

Posted by: Lauren Young on October 07, 2008

I just wrote an article for BusinessWeek about paying for college amid a financial meltdown. Like sex, saving for college is something families don't really talk about, as fellow blogger Lourdes Lee Valeriano recently noted.

One piece of advice that financial advisers bring up repeatedly is that parents need to be especially frank about money with their college-bound kids.

"It may hurt a bit, but you have just bought a real-life education on saving and financial markets—that will have some real value when it comes to planning for future expenses," says Dylan Ross, a certified financial planner at Swan Financial Planning in East Windsor, N.J. "There should be a way to get college credit for such a lesson."

A mutual fund executive I know sat her son down on Monday evening and went over the account statements for his 529 plan. He's heading to college next year, and she wants him to have a realistic view of what they can afford. She's pushing for a state school.

June Walbert, a certified financial planner at USAA Financial Services, says your kids may have to accept the fact that they will need to work while attending school. She recommends looking into work-study programs, as well as applying to become a resident assistant, which often comes with free room and board. "Families need to brainstorm about money right now and come up with ideas that will work for all parties involved," Walbert says.

Another tip Walbert offered that didn't make it into my article is about holiday gifts for kids. Rather than purchasing gift cards or clothes, she advises parents to ask other family members to give the gift of a college education. "This is the time to pull families together for a cause," she says.

As I have mentioned in the past, rather than buying molded plastic toys, I contribute regularly to a 529 college savings plan for my nieces and nephews. I invest through my state's 529 plan. Another way to do it is through FreshmanFund.com, which is an online college savings registry. The free service sends money directly to the tax-free 529 college savings plan that the recipient chooses.

Here are some more tips on explaining economic woes to your kids, courtesy of the Today show.