



Regions Wealth Podcast

Episode 8: Should Your Kid Go to College?

Parents often spend years saving and planning for their child's education. Private Wealth Management Regional Executive Lee Blank joins us in studio to discuss college planning and what parents need to consider when funding college education.

Episode Transcript

Anne Johnsos:

Welcome to Regions Wealth Podcast, the podcast that tackles life's challenges with financial experience. I'm your host Anne Johnsos. Parents often spend years saving and planning for their child's education. And that degree is viewed as necessary for the vast majority of professions. But what if your child doesn't have the drive to go to college right out of high school? And what if you face hurdles paying for college? Joining me in studio is Lee Blank. He's a market executive and regional private wealth executive at Regions Bank. Lee, thanks for joining us.

Lee Blank, Private Wealth Management Regional Executive, Regions Bank

Thank you, I'm glad to be here.

Anne:

Nearly two out of three college students graduated with student loan debt in 2017, and the Institute for College Access and Success calculated the average student's debt at a little under \$29,000. Weighing the potential ROI of a college degree is becoming a tricky issue for lots of American families. To put this struggle in personal terms, we took real people's concerns and created a fictional testimonial from Adrienne, a woman who could use your insight, Lee. Let's hear what's on her mind.

Adrienne:

Hi. My name is Adrienne. I have two kids: Emma, my eldest, and Luke. Luke is in his senior year of high school, and I'm a bit worried about him. He doesn't want to go to college, but we were really clear that it's mandatory. Luke's grades are average, but he's a whiz when it comes to technical things. He's been begging us to attend trade school. My husband is a lawyer, and he really has high expectations for the kids. He hasn't said it in quite these terms, but I think he thinks a trade school degree isn't as valuable as a liberal arts education. He thinks Luke just needs to apply himself more. As a mother, I want Luke to do something he loves. I'm just worried that down the road, he'll regret not getting his bachelor's.



Anne:

How married should people be to the traditional timeline of high school and then immediately a four-year college?

Lee:

I think you really need to know your child, know where they are, are they tired of school, or are they raring to go and really relish education and want to continue it. I think you just got to sit down have an honest conversation with yourself and your child.

Anne:

Let's say Adrienne wants some alternatives. What are some alternatives that she could present to Luke rather than just sending him to a four-year college or rather than just sending him to a trade school?

Lee:

I think one of the great things is, if your child's not really ready for that education or really ready to know what they want to do — and let's face it, those of us at 18 or 19, how many of us really knew it — let them go experience the real world and see what it takes to balance a checkbook, to pay rent, pay for your car, pay for your mobile phone, pay for your social activities. Once they have an appreciation for that it'll give them a much clearer path of what they want, might want to accomplish in their life.

Anne:

So are you suggesting a gap year?

Lee:

I think a gap year is a great way to experience that, and then you've got to step back and let them kind of fail or let them go try, let them have the opportunity to succeed and not be there to catch them when they fall so that they can experience the choices they make and then learn from those opportunities.

Anne:

You mentioned something that I think is key in parenting anyway that letting your kid fail, it's so hard for parents to do that. So what would be a good example of a failure that might end up being a lesson?

Lee:

I think when it comes to your financial life it's not making the payment on time and then there's a late fee, or you don't have enough money to pay that bill, how do you figure it out? Now, no parent wants it to go to a point where it's going to be long-term detrimental, but you know, having to pay a late fee or bouncing a check or having to make a choice between going out with your friends or staying home because you don't have enough money in your wallet,



those are decisions we all have to make. And the earlier you learn how to balance and make those priorities then you learn a lot about yourself and what's important to you.

Anne:

Right. So it doesn't always have to be a binary decision: liberal arts college or trade school. It's helpful to start by understanding what your child wants, And then think about what experiences can help them get there, or at least get closer to figuring it out. There's more on Adrienne's mind, though. Let's take a listen.

Adrienne:

With Emma, things were a bit different. While she wasn't the strongest student in high school, she was really excited about college. My husband and I were a bit concerned at first, but she really thrived. She landed a few scholarships, and we happily paid for everything else. She's going on to get her master's, and we've promised to pay for that as well. Here's the clincher: because we've invested so much into Emma's education, it's going to be a bit harder for us to pay for Luke's. And, if we don't foot the bill, we'll have no chance of convincing him to attend college. My husband and I are considering student loans. We don't want to tap into our retirement accounts.

Anne:

Adrienne's telling us what a lot of people in her situation are thinking right now: College isn't cheap. And sometimes families have to make tough decisions. As of 2019, the average cost of tuition and fees for college runs between \$9,700 for an in-state public school and up to \$36,000 a year for a private school. So how should families balance money alongside these other considerations when making decisions pertaining to their kids' education?

Lee:

Well, every parent wants to give the most they can to their child, but they also need to do it responsibly and use it as a real teaching moment for their children. I think so many parents try to have these grown-up conversations between just the two of them and not involve their children at a very crucial time where you can help them by helping them understand decisions and how decisions get made so it'll help them in their life beyond college. But more importantly, it also gets them invested, it makes them more accountable for being a better student, it makes them understand what's going on in the family and how they contribute or how what they want to achieve impacts the rest of the family.

Anne:

As many as 44.7 million Americans have student loan debt. The total amount of that debt is \$1.46 trillion. That's at the end of 2018 and that's more than credit cards or auto loans. At a really high level, Lee, what consideration should parents make when financing education, particularly when it comes to student loans?



Lee:

I think they need to really sit down and determine what is valuable to them from a big picture. And then second, how that taking on that debt to finance that education is going to impact either the parent, if they're going to be involved, or the burden it's going to place on the student and how long it'll take them to repay it and really have a good understanding before they get involved with student debt. I see what happens so often is people, because you don't pay it while you're in college, it's in the future and it's not real to them. Make it real now so that they understand the implication.

Adrienne:

The only alternative is to have Emma pay for her own master's program. However, we always told her we'd pay, so we don't want to backtrack. On one hand, we really want Luke to get a degree. On the other hand, though, I'm not sure if it makes sense to push him and put him into debt in the process.

Anne:

I'm stunned that they will pay for Emma's master's, but they won't pay for Luke. If you were Adrienne's financial advisor, what would you tell her?

Lee:

What I would do is ask her to bring both of the children in and let's have a conversation and pull money and all of those things off of the table and talk about this as a family and what the opportunities we want to provide for each of them are. We have limited resources and we so want to make wise investments and help you both. That's a hard conversation to have and that may be where you have a third-party kind of come in and help you mediate that conversation.

Anne:

What would you suggest to Adrienne to get Luke on track? Because it seems like he's figuring it out.

Lee:

I think the two options: one would be the junior college or community college opportunity to get him started on school. I would also get him enrolled in classes that do excite him. If he shows more aptitude for technology and those type of things, find that kind of school or classes within that school that would excite him and see if it ignites a passion for learning.

Anne:

Let's say that your child's choosing between in-state public versus a \$36,000 tuition for a private school and wants to take out student loans to cover the cost. What can parents do to explain the potential impact that debt may have on their future?



Lee:

Try to make it as fact-based as possible. And look at what the cost of that education is over the long haul and how long it'll take you to pay it back. If you're financing it with student loans, what's that difference between that \$9,700 in in-state tuition versus the \$36,000? You can get a great education wherever you go as long as you apply yourself, and that is the most important thing, not what the name on the diploma says.

Anne:

So we talk about teaching our kids financial literacy. At what point do we introduce them to a financial advisor or let them see some of how we approach money?

Lee:

I think as early as you can. You know when you're first starting with your allowance you learn a little bit of thrift at that point, learn to set aside a little bit for a rainy day or long-term and then learn the principles of saving. And then as you get a little older, let them see how you, it doesn't have to be how much, it's just the fact that you're talking about what you're doing, if you're saving as a family, if you're planning to go on a trip, and how you have to make sacrifices today to go on that vacation, and then planning for long-term. So when I'm like my grandparents that are retired, how we can sustain our lifestyle. And those concepts you know when you're in middle school you're not going to care about those, but as age-appropriate just continue to expose them to how you make financial decisions. It will again make money less of an importance and more of just a means to help you have a fulfilling life.

Anne:

So do you recommend they meet with your financial advisor or do you just recommend talking to them about your own process?

Lee:

I think it would be nice to introduce them to your financial advisor. I would say when you're in your 16 to 18 timeframe so that they really understand and see that there are people that can help you make these decisions. And as they, you know as they turn 18, they are adults so that is the time that they'll be more responsible for their own decisions from a legal standpoint. So you might as well prepare them and don't wait until that point, the sooner you can the better.

Anne:

I think a big question in our country right now is whether or not college is worth it. And we have that question between these two kids right now. So what are your thoughts?

Lee:

I think the most important thing is engaging your children in the conversation. One, they'll give you pretty good answers. Two is making sure you're transparent on the financing of those educations. And really you don't have to treat all children equal. You want to give them equal



opportunities but find out what their path is and help them get down, move forward on their path.

Anne:

At the end of these podcasts we like to offer takeaways so our audience has something to discuss or to tell their friends. So, what are some takeaways you'd have for Adrienne?

Lee:

I think the first one is engage your children in the conversation, that's number one. Two, don't be afraid to discuss finances and how you're going to finance the education. And three, make them as part of the process as early as you can, I'd really say when they're freshmen in high school is not too early to start.

Anne:

Thank you so much Lee Blank, market executive and regional private wealth executive at Regions.

Lee:

Thank you, it's been a pleasure.

Anne:

And thank all of you for listening. We tackle a new financial topic every episode of Regions Wealth Podcast, so please join us again for fresh insight.

Anne:

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