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INVESTING | MONEY MAKEOVER

Family seeks a plan to cover college costs

By Lynn Asinof, Globe Correspondent | August 7, 2005

Take four kids, multiply by the cost of four years of college, then hit the total button.

When Lauren and Chet Maguire of Burlington recently did that calculation, they saw the final number, swallowed hard, and decided it was time to get help.

As the Maguires' quick tabulation showed, today's college costs can be shocking. With some private colleges costing about \$40,000 a year, the price tag for educating all four Maguire children could be well over a half million in today's dollars.

"We have spent the last 20 years and all of our spare cash raising these kids," wrote Lauren Maguire, 44, in applying for a Boston Globe Money Makeover. "Now they are hitting college age, and we have no resources left to educate them."

With their oldest daughter, Jillian, entering her senior year at Assumption College, the Maguires are already shouldering \$30,000 in college debt. That's the amount that wasn't covered by either Jillian's college loans or the \$12,500 a year in aid from the school.

"We always figured that they would go to state schools," said Lauren, a part-time teacher at Middlesex Community College. "But it wasn't what our older daughter needed, and it doesn't seem to be what our next daughter needs either."

Sitting down with fee-only financial planner Robert Ryan in his Wakefield office, the couple was hopeful he would find some magic answers in their financial statements. But Ryan, a principal with Resolute Financial, told the couple they have just enough money -- and just enough space between kids -- to maximize the pain.

"You have almost done this perfectly to be paying tuition forever," he said. With four kids ages 20, 17, 13 and 6, there is only one year when the kids' college careers will overlap. And that, he said, will diminish the amount of financial aid schools are likely to offer.

It's not that the Maguires ignored college planning. Lauren, who went back to school to become a teacher, had intended to work full time to help pay the bills. But when their fourth child was born, that plan went out the window. Now the Maguires will either have to borrow more, tap their retirement savings, or take equity out of their house to cover future college bills.

Ryan's first advice: Give colleges more than they ask for on their financial aid applications. Standard forms, he said, have no place to report the \$30,000 in college loans for the Maguires first daughter, the 7.5 percent of salary that is automatically-deducted as retirement savings from Lauren's pay or the \$11,000 in annual family healthcare premiums resulting from the fact that Chet, who owns a photo lab, is self-employed. Then, too, he said, the Maguires might want to revise the list of schools their kids are considering. "A \$40,000-a-year school may not be twice as good as a \$20,000 a year school," Ryan said.

But even with scholarships, the Maguires will have to foot some of the bill. To come up with that cash, Ryan suggested the couple take a closer look at their expenses. The family earns a total of \$113,639, but spends more than \$112,000 on living expenses, taxes, and funding their retirement plans.

One way to tame those expenses would be for Lauren to get a full-time job with benefits, automatically saving the family \$11,000 a year in health insurance costs, he said.

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One final homework assignment: Ryan told the Maguires to consider refinancing their mortgage, now due to be paid off in 2011, or taking out a home equity loan. Simply spreading the \$82,000 mortgage over 30 years could free up \$5,000 or \$6,000 a year, although it would increase their housing costs in the long run. But, he said, the couple has to look at the cost of other forms of borrowing to figure out what's cheaper.

To be considered for a Money Makeover, fill out the form at the "Your Money" section of www.boston.com/business, or call 617-929-2916 and ask for an application .•

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