

# THE DEBT FREE DECREE

How To Graduate From College  
With Money In Your Pocket



# **The Debt Free Degree**

How to Graduate From College With Money in Your Pocket!

by Derek Sall

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## **Preface**

Regardless of your age or walk of life, if you have college expenses on your mind, this book is for you! If you are a parent of a young child and you're worried about that college tuition, I'll teach you what you can do today to avoid paying inflated tuition prices in the future. If you're a high school student and you're afraid of that future college payment, I have great tips and resources for you too! Finally, if you are already attending college and already have a debt load, I'll let you in on a plan to reduce it down to zero before you receive your diploma!

College is a very important step in developing your career in Corporate America. Without your degree, you may not even be considered for an initial interview in your field of interest. While this may prompt you to begin your college classes, it doesn't come without its struggles. The cost of receiving your college degree is increasing every year, and if the tuition payments are ignored until graduation, the final expense could easily be equal to the cost of a small house!

Many people graduate from college with a debt-load that is beyond their comprehension. The payments are high, their income is low, and their stress level soars through the roof! I don't believe that this is the optimal experience for a college graduate. A debt-free degree will alleviate stress and allow you to excel in your career.

Please understand that this eBook does not guarantee a degree without any debt. This is merely a guide to assist you in your quest for debt-freedom in regards to your college tuition. I sincerely

hope that this book will help you financially, and if it does, please contact me and share your story. I would love to hear it!

If you have any questions about any of the content within this book, or if you would simply like to contact me, feel free to email me at [derek@lifeandmyfinances.com](mailto:derek@lifeandmyfinances.com).

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# Chapter 1

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## Debt After Graduation

I never thought that I would be so afraid of getting the mail, but it was happening. A nightmare that I never knew existed was coming true.

### My Debt Story

My wife and I had recently gotten married and life was fabulous! I was just hired in as a full-time employee at the Corporate Headquarters of a Fortune 500 Company, and we both assumed that my income would be more than enough to support our new life together.

We rented a modest apartment in South Florida and the monthly cost was much lower than many of the other options I had seen. Typically, a one bedroom apartment would cost at least \$1,000 a month, but I found us a deal for only \$875. In addition to the “low cost”, this complex also had a pool, a work-out facility, and a couple of tennis courts! We both loved the location and we figured that this life of ours would be fabulous forever!

### Here Come the Bills

At that stage in my life, I considered myself to be a financial expert. After all, I had just received my Bachelors Degree in Finance and had taken care of my own personal budget for many years. In preparation of our new life together, I had calculated a

few of the larger expenses that we would incur (such as the rent, car expenses, and food), and I figured that we would have at least \$500 extra each month. Plus, my wife was looking for a job, so any additional money that she would make would just be a bonus. I felt that we were very responsible with our money, and there should be no concerns about money whatsoever. Within the first month of marriage, I knew that I was dead wrong...

In the first couple of weeks, we had a few expenses that I didn't plan on. First of all, we really didn't own any furniture. My previous apartment was completely furnished, and my wife was moving from her parents' house. No big deal though. We had received some gift money from the wedding, and we could use that to cover the expenses. Well, while the money *did* help, it certainly did not cover the expenses for all of the furniture. We paid an additional \$500 or so from our own funds to cover the difference.

There were other fees as well. Since we had moved to another state, we needed a new license plate and I.D. cards. We also needed to register our vehicle. This ran us another \$300. Next, I realized that our electric bill was a little higher than I had planned. Since we lived in South Florida, the air conditioning was running constantly. There was just no way around it! Our \$875 rent estimate soon inflated to over \$1,000 a month.

### **The Loan Comes Due**

I'm not sure why we didn't see it coming, but that discovery at the mailbox was a frightening experience. The envelope was from the student loan company...It was our first student loan bill. At that moment, I had no idea if I even had the funds to pay this bill! Our rent was coming due again, and I wasn't getting paid until the next week! As I walked back into the apartment, I immediately pulled up our budget on my desktop computer.

After calculating our income vs. our expenses that month, I soon realized that we were going backwards with our finances. We were



spending more than we were bringing in. Even when I took out the unusual expenses, we were still in the red. The small pit in my stomach quickly grew to the size of a bowling ball... “How are we going to make this student loan payment?”

We decided to call the student loans company to ask if we could postpone the payment. They kindly assured us that we could defer our loan for a couple of months until our financial situation improved. Their explanation of the process sounded awesome, so we took this man up on his offer. (If you're in this situation, please do not do what we did. By deferring the loan, we put ourselves in a worse position later on because we still owed them for the interest each month).

### **My Wife Needed a Job!**

Now that we knew our current income could not support our lifestyle (which wasn't even that lavish), the pressure was on for my wife to find a job.

I felt like a failure. All my life, I assumed that I was going to ‘bring home the bacon.’ I should have been able to support just one individual other than myself! Sadly enough, I was now pressuring my wife to find a job so that we could keep our head above water. If she didn't find work, we would begin to slip further into debt with little hope of escape.

The search took almost two months. She applied for over 200 positions and was only interviewed by a handful of companies. Luckily, she dazzled one of them and was offered a part-time position. It wasn't at all related to her emphasis from college, but we desperately needed the income, so she took the job.

### **Fed Up With the Debt**

By the end of December, 2009, my wife had about 2 months under her belt with her new job. We were caught up with our bills and we

decided that we never wanted to have another scare like the one earlier in the year. We were going to pay off those student loans as quickly as possible!

Between my wife and I, we were in the hole \$18,000 from student loans! It doesn't sound like a lot, but think about how much income you put in savings each month. If you were able to save \$500 a month, it would take you three years to pay off \$18,000 of debts, and that's without factoring in interest!

Rather than just making the suggested payments, we decided to take a more aggressive approach. We cut our budget down to the bare minimum - there was money for our rent, food, and transportation; that's it. We allowed ourselves nothing for clothes, gifts, or any type of fun. I know it sounds crazy, but by following this method, we were able to save \$1,500 per month beyond what we needed for the necessities.

Of course, not everything works out the way you plan. About 7 months into our debt-repayment plan, our only source of transportation died along the side of the road. It was gone for good, and we needed another vehicle. Luckily, we had an idea that this was going to happen, so we had about \$6,000 stashed away as a "just-in-case" fund. Rather than skimp on another vehicle, we decided to go for something more dependable. After all, we didn't want to have to go through this all over again in a few months. We spent all of our reserve money and paid for a used Jeep Liberty with cash (we actually still own this Jeep today – it was a great buy).

After our car issues, my wife went full-time with her position and I got a raise from my job. With the additional income, we were able to increase our debt payments to over \$2,000 per month! After 14 months, we made our last payment and were completely debt free!

## **Debt Freedom**

If we would have followed the “recommended payment plan”, we wouldn’t have paid off those student loans for another 9 years! I can’t imagine what that would have been like.

Since we paid off our loans and did not increase our lifestyle, we now have an additional \$2,000 every month to do whatever we want! Initially, we took a “congratulations to us” trip across the country, and then we saved up for a hefty down-payment on our first house. Since we don't have any debt besides our mortgage, I figure that we can pay the house off in less than 4 years.

“And then what?” you might be asking yourself. Well, then we amass some amazing wealth and live how we want to live. We won’t need to be shackled to our jobs and we can travel the world if we want to!

Just think, what if you graduated from college without any debt whatsoever?! You would be a decade ahead of most of your friends. Your house will be paid off before they even think about making their last student loan payment. You’ll be building up your retirement account and they’ll be stuck under a large mortgage payment that they can barely afford.

Debt freedom means you’ll have choices. If you don’t want to get stuck in a mediocre job or a life that’s your worst nightmare, I would advise that you work towards a debt free degree.

## **The Typical Debt After College**

Most students graduate from college with some form of debt. It could only be a couple thousand dollars, but for those aspiring doctors and lawyers out there, the school debt can rack up to

\$250,000+!! I don't care if you make \$200,000 a year, that debt is still going to be tough to pay off.

“But if I make that amount each year, won't I be able to pay it off in just a couple of years?”

This is what you might think, but if you are a doctor, you're not going to be driving a Toyota Camry around; you'll want to look the part and get yourself a nice Porsche or Lexus, valued at \$45,000. Then, you can't just live in any old neighborhood. You'll have to live where the other “successful” people live, and your house mortgage will be \$500,000 or more.

### **The Average College Debt**

You might convince yourself otherwise at this moment, but it's tough not to live the wealthy lifestyle when all of your colleagues have the shiny cars and the large McMansions. It's best to keep that debt down (or non-existent) at the time of graduation. According to FinAid, the average college student goes to school for 4 years and amasses \$23,186 in student loan debt.

Here is the assumption of the student:

“I'm an intelligent individual and I'm getting my degree. Once I have that piece of paper, there will be plenty of jobs offered to me. I'll have no problem paying off this loan.”

I got sucked into this belief as well, but it is a huge myth. The truth is that almost every one of your peers is getting their own piece of paper (just like you) and the competition is going to be through the roof. That parchment might get you into an interview (if the rest of your resume is impressive anyway), but it is certainly no guarantee of a job!

When I graduated from college, I figured I would land a job inside of two weeks. I had a GPA of 3.7, my minor was in Engineering,

and my major was in Finance. I looked great on paper, but there were plenty of others that were just as qualified for each of the positions I was applying for. It took me almost 3 months before I found work, and I was one of the lucky ones.

One of my friends is still looking for a full-time job and it's been 5 years since he graduated! Luckily, he was one of the smart ones that didn't rack up debt while he was in college. In fact, I'm pretty sure he graduated with more money than when he stepped onto campus for the first time.

### **Those Student Loans Will Come For You**

You might be wondering why I'm making such a big deal about finding a job after college. There's one massive reason why, and it typically has at least 5 digits: your student loans. One month after graduation, you'll get a parcel of mail with a bill inside, and that will be your first payment on your student loan debt.

If it takes you more than a few months to find a job (and yes, this could easily happen), you'll have to make sure you have some money stock-piled somewhere so that you don't start defaulting on your loans. But, if you were borrowing money for schooling in the first place, I would suspect that you don't have two dimes to rub together, let-alone a few hundred bucks for your debt repayment. This is one of the initial problems with borrowing money for your education.

### **Debt Will Make You Miserable**

Not only will your debts cause you to drag emotionally, they'll also hinder your career. Many times, students graduate and assume that they'll jump into a fantastic career right away! This might happen for a handful of students, but for the majority, that perfect job just never seems to present itself. It would be nice to wait around for it, but there's just one problem. Ahh yes, that debt payment needs to

be made in a few months. All of the sudden, finding that first job is a matter of urgency! If you miss that payment, you'll get hit with a penalty fee, additional interest charges, and your credit score will take a hit. Suddenly, that terrible job up the road is sounding a little more appealing. The pay isn't great, and the job isn't very exciting, but at least you'll be able to pay the bills!

Because of debt, your whole future has taken a turn for the worst. If you were without debt, you would be able to take your time and explore your options. There would no longer be a sense of urgency, and your decision would not be clouded by defaulted payments and penalty charges. A debt-free degree would give you a much higher probability of success in life.

### **Bankruptcy as Young Adults**

Before just recently, I assumed that the stereotypical bankruptcy involved a power hungry middle-aged man that was trying to build an empire on credit, assuming that his business would take off and he would be left with all of the rewards. Instead, his business fails and he has no choice but to declare bankruptcy. This may often happen, but I now understand that bankruptcy is quite prevalent with young adults as well.

According to the American Bankruptcy Institute, college students accounted for 19% of the bankruptcy filings in 2010! Do you understand how staggering that percentage is?! That means that 1 out of every 5 people filing for bankruptcy is a kid that has barely hit puberty!

How is it that someone so young could be in such a world of hurt financially? I can sum it up with one word: **college**. Parents all over the country have been taught that in order for their children to be a success in life, they need to go to college. So, since they love their children and they want them to succeed, they push them out of the house and encourage them to go earn a degree. No other advice is given...

All of the sudden, the student thrown into a world of bills: tuition, groceries, car insurance, gas, car repairs, and the cell phone. They most likely don't have a job, so how in the world are they supposed to pay for these things? Many students reach for their credit card...a dangerous tool when their income is \$0.00.

After a year or so, that same student finds out that their credit card is maxed out at \$15,000 and they can no longer afford the minimum payments. Creditors are calling and the student feels absolutely stuck. They can't possibly stay in school and work a full-time job at the same time, but they need to make the payments on this credit card. They ultimately make the tough decision and decide that you'll put off school until your credit card is back under control.

Finally, the student has found a full-time job. It doesn't pay too great, but at least they'll be able to pay down that credit card! Then, that unforeseen envelope comes in the mail...those student loans are due and the payment is \$400 a month. Keep in mind that they're also paying a \$300 a month credit card payment - there's just no way they can make ends meet, at least not with a salary of \$18,000/yr.! All hope is lost. \$40,000 may as well be a million, because they'll never pay that off on your current income. Bankruptcy seems to be the only way.

This is how college students get into trouble, and it's really not their fault. They get pushed into school, even if they don't want to be there, and they incur a multitude of bills that they just can't possibly pay! They're being set up for failure before they even start their first class! There must be a better way. Well, there is. After all, that's why this book is called, "The Debt-Free Degree".

## **Divorce Because of Debt**

Kathy Chu, from USA Today said it best when she wrote, “If love is the tie that binds couples together, money is often the wrench that pries them apart.”

When two people marry, there is often no concern of debts or financial responsibility, but then the bills start rolling in and everything changes. Debt is suddenly a scary issue, and for a newly married couple it can be incredibly overwhelming.

Imagine if you and your spouse each had the average college debt load after graduation. That means that you each owe \$23,186, between the two of you, that's a grand total of \$46,352. In the area where I live, that amount would cover half of a house loan! But, instead of living in your house, you are awarded 2 little pieces of paper that said you each earned a degree. It doesn't feel like much, and it's certainly not an asset you can sell, so this is a huge hurdle to jump!

Your loans are most likely set up to be repaid in 10 years, which means that your payments are going to be around \$470 per month. Tack on your vehicles, your house payment (or rent payment), and food, and suddenly, money is super tight.

With a tight income, the expectation is that you'll both be careful with your money, but inevitably, one of you is a spender by trait. You don't really mean to hurt the family financially, but money just seems to run through your fingers. With the constant overspending, more and more bills go unpaid and the stress level continues to rise. You both blame each other for the financial problems until you both decide that it may be best to go your separate ways.

It's really a terrible thing, but debt is a powerful wedge that can often drive two people apart. I've taken it upon myself to save you from this financial crisis and clear you from your debts before they



even happen! Rather than dwell upon the negative situations that debt can put us into, let's think positively about how amazing life would be without it!

## **Life Without Student Loans**

As a high school student, we were always asked the question, "What are you going to be when you grow up?", or "What will be your major in college?" Never was there a question like, "How much debt do you think you'll be in when you're done? Do you have a plan for how to repay it?" Right now, I am offering those questions to you. Please stop and think carefully. Do you really have a plan?

In this book, I am going to provide a plan for you to graduate from college completely free from debt and ahead of all of your peers. Here's a little glimpse of what life will be like.

### Right after graduation

Your friends quickly realize that they need to find a job inside of the first few months, otherwise they'll have no way of making their initial loan payments. They rush into jobs that are sub-par and earn a below-average wage.

You, on the other hand, have no debts and go into your highly-sought-after interview with confidence. You nail the interview because you really don't have a sense of urgency to land a job like your friends did. The prestigious company hires you on the spot and they are offering you a salary that's \$20,000 more per year than your buddies.

### Five Years Into the Job

Your friends have moved up in the company, but there isn't that much opportunity. They feel stuck and still have 5 more years of

student loans to pay, which is holding them back financially. They can only save slightly for the future and are really feeling burdened by the debt-load. They are still renting because they just can't save up enough to buy a house.

Your job is better than you could have imagined, most likely because you felt confident financially, and didn't have a fear of getting fired. So, you spoke up in meetings and were noticed for your bright ideas. In addition to the job, you've also started a part-time business with your excess money each month. It's going quite well, and you figure that you could probably take it full-time and ditch your day-job if you really wanted to.

With the extra income from work and your business, you've been making additional payment on your 15 year mortgage, and should have it all paid off by next year!

### 10 Years After Graduation

A few of your friends have finally saved up enough to buy their very own house! But, because cash flow is still fairly tight, they decide that they'd better go with a 30-year mortgage, just in case anything happens. They have recently started their family and they feel blessed, although, they really have to be frugal in order to make ends meet. In fact, in addition to both of their full-time jobs, your buddy has taken on some part-time work at a local restaurant, just so that they can keep their head above water. Good news though, they just paid off their student loans! Too bad the cost of their children has actually increased their expenses beyond the loans they used to have.

You are currently living in a completely paid-for 3 bedroom house with your lovely wife and child. Your business has really taken off, and you decide that you'd rather have the flexibility of working for yourself than that 8am-5pm job, even though it paid quite well. Since you have no debts whatsoever, there's no need for your wife

to work at a job. You both decide to work together on your business from home.

Because you've been at home, you've been able to experience all of your baby's firsts. You were there when he first said "Da-da" and "Ma-ma". You saw him roll over, crawl, and take his very first steps! Those priceless memories will be painted in your memory forever!

Money really isn't an issue now. When you were with your company, you paid quite a lot into your retirement savings, which were company matched, so that's pretty much on cruise control until you're older. Your income is fairly large, and you've been able to hire some help, which is freeing up your time for other projects that have been on your mind.

### 20 Years After Graduation

Your friend's stories haven't really changed. They are still working similar jobs (perhaps a different company, but still the same old job) and haven't really received a promotion in a while. But, they are "lucky to have a job, given the economy", so they just keep plugging along, trying not to make waves. Their children are growing up and there are growing fears of that big future expense: College.

How in the world are they going to help their kids through college? They simply can't! Money is too tight. Oh well, a few student loans won't hurt them! After all, they took out loans when they were younger and it didn't hurt them too much. They paid off the loans and were able to buy a house (which still has 20 more years of payments before it's officially theirs). Their kids will be just fine....and so the cycle of debt continues to the next generation....

You, on the other hand, couldn't be doing better! 10 years ago, you hired a few employees to take responsibility of your business.

They did quite well with it and made that business consistent profits! In the meantime, you were able to come up with a few other ideas and created two more business, which practically run themselves. Your income is nearly a million dollars a year, your children are enjoying the private school system. You and your wife couldn't be happier! In fact, for the past 3 months, you've been enjoying a cruise on the Caribbean in your own private yacht!

As for college, you know that your kids can attend any school that they want, but not because of your wealth, it's because you're going to hand them this book, just like someone did for you when you were younger. With this, they'll be able to graduate from college without any debts and create an abundant, fulfilling life for themselves, just like you did! It's amazing what can be done when one starts their life completely free from debt!

## Chapter 2

\* \* \*

### College is the New High School

You may have heard this phrase before, and it's absolutely true: College is the new high school. Your parents (or grandparents if you're from a younger generation) probably did not go to college because at the time, a high school diploma was all that was needed to enter the workforce. Now, if you don't earn that special piece of paper from a college institution, you'll most likely struggle to even get an interview for work, let-alone land a job.

#### **A Time When College Wasn't the Norm**

My parents are part of the baby boomer generation and would have had the opportunity to attend college in the early 1970s, but since a degree was nearly unnecessary at the time, neither of them considered it. My dad went into the military out of high school and my mom was working for the bank, so there certainly were jobs available.

How many people do you figure attended college in the year 1970? At the time, there were about 200 million U.S. citizens and only 8.5 million of these chose to attend an institute of higher education. That means that only 4% of the overall population was receiving an education after high school!

Today, there are a few more people in the U.S. – 307 million, a rise in population by 50% from the 1970s. But, while the population

grew 50%, guess how much college attendance has grown during that same span in time. College attendance is up 150% (21 million students)!!

I think I proved my point. College just wasn't as necessary in the past as it is now. Therefore, there were much smaller attendance numbers compared to today.

### **An Earlier Start to Life**

Since our parents and grandparents didn't go to college after high school, they naturally started their adult life at an earlier age than young adults today. This means that they were already finding work and enjoying a decent income at the young age of 18!

Today, many kids plan to continue their education after high school. Rather than entering the workforce at the age of 18, many of them enroll in college for 4 or 5 years (depending on the program). So, the typical kid today doesn't enter the workforce until 22 or 23 years of age.

There has also been a trend going on lately where students decide to stay in school even longer because of a weak economy. They figure that with a higher-level degree (normally the Masters), it will be easier for them to find work. So, some of these young adults aren't entering the workforce until the age of 25 or later.

### **A No-Debt/Low-Debt Lifestyle**

Since there weren't as many kids going to college in the previous generations, there was far less opportunity to accumulate debt. I mean, think about it. How many people do you know that have racked up over \$10,000 in college loans? I'd say that over 75% of my friends left school with more than \$10,000 worth of student loans. In fact, I can think of more than a handful of young adults that need to pay back more than \$100,000 for their college education! Those baby-boomers just saved themselves a huge debt-

load by not attending a higher education. They immediately entered the workforce and started banking the cash!

Rather than taking on debt for the intangible degree, many of the baby-boomers put their new-found cash toward a tangible property. This not only saved them the expense of rent, but it also served as a hedge against inflation in the years to come.

Many of our parents and grandparents had a no-debt life (for everything except that pesky mortgage), which is clearly a huge benefit over the young adults today.

### **The Cost of Living, Then and Now**

Have you ever wondered what life was like 40+ years ago? What was the average income? How much was gas? What about milk, eggs, and bread? Was life easier in terms of income vs. expenses? Let's explore the answers to these questions and see if life is easier today or more difficult.

Today, an average family will earn an income of \$61,000 per year. Back in 1970, the median income per household was \$10,276, approximately 1/6 of what the average family earns today. Who would have thought the average income would be so much less? But, let's not forget about the effect 40 years of inflation can have on the basic necessities of life. Often times, the average income doesn't always keep up with those expenses.

According to census.gov, the cost of food was approximately 1/6 (the same ratio as our income) the cost of what it is today. So, food does not really play a factor in our quest for a variance in purchasing power between generations.

While food may not play a huge part in our research, it appears that the price of gasoline absolutely does! Do you have any idea what a

gallon of gas cost in 1970? It was \$0.36! Today, the average cost per gallon is \$3.40, nearly 10 times the amount! Considering our average income is only 6 times greater (plus I'm sure we're driving more miles for work today), this is an obvious disadvantage for the present generation.

Finally, let's review the cost of an average vehicle then and now. In the 70's, you could have purchased a brand new Dodge Charger (the optimal muscle car of the era) for \$4,700. Today, a similar vehicle will run you an average of \$30,000. The multiple of this increase is 6.4, which is not that much greater than our income increase of 6x, but it is still more of a disadvantage today.

Overall, the cost of living then was less than what our cost of living is today for our young generation. It may not be a huge difference, but the inflated costs of necessities are definitely impacting the current generation.

### **Investment Comparisons, Then and Now**

Do you remember how I began this chapter? The typical baby boomer entered the work force immediately after high school, which means that they were earning a full-time salary already at 18 years of age! You might not think this means much in terms of income comparison, but think about the benefits of starting an investment portfolio 6-7 years earlier!

Between all of my friends from high school, I don't know a single one of them that started a 401k or a Roth IRA after we graduated. Do you know why? Because we all went on to college! And, what college student has the extra income to put toward a retirement fund each month? None of them! Let's take a look at how much of a difference these few years can make once it's time to retire.

Let's say that Tom gets hired right out of high school and is able to contribute \$4,000 a year toward his retirement. Assuming his



yearly investment will yield an average of 8% each year, by the time he's 70, he'll have over \$3 million in his account!

Suzy really wanted to be a teacher and therefore decided to go to a 4-year college in order to obtain her degree. She thought about starting a fund for her retirement, but she barely had an income, and every last cent she could save went straight toward her education expense. Four years went by and Suzy graduated and got the teaching job of her dreams. She still had to pay back some student loans, but decided that she'd better get that retirement fund started anyway. So, at the age of 23, she began contributing \$4,000 a year into her company investment account.

Retirement Fund Comparison				
Age	Tom's Contributions	Tom's Fund Value	Suzy's Contributions	Suzy's Fund Value
18	4000	\$4,320.00	0	\$0.00
19	4000	\$8,985.60	0	\$0.00
20	4000	\$14,024.45	0	\$0.00
21	4000	\$19,466.40	0	\$0.00
22	4000	\$25,343.72	0	\$0.00
23	4000	\$31,691.21	4000	\$4,320.00
24	4000	\$38,546.51	4000	\$8,985.60
25	4000	\$45,950.23	4000	\$14,024.45
26	4000	\$53,946.25	4000	\$19,466.40
27	4000	\$62,581.95	4000	\$25,343.72
28	4000	\$71,908.51	4000	\$31,691.21

60	4000	\$1,423,798.58	4000	\$951,764.88
61	4000	\$1,542,022.47	4000	\$1,032,226.07
62	4000	\$1,669,704.27	4000	\$1,119,124.16
63	4000	\$1,807,600.61	4000	\$1,212,974.09
64	4000	\$1,956,528.66	4000	\$1,314,332.02
65	4000	\$2,117,370.95	4000	\$1,423,798.58
66	4000	\$2,291,080.63	4000	\$1,542,022.47
67	4000	\$2,478,687.08	4000	\$1,669,704.27
68	4000	\$2,681,302.04	4000	\$1,807,600.61
69	4000	\$2,900,126.21	4000	\$1,956,528.66
70	4000	\$3,136,456.30	4000	\$2,117,370.95

As you can see by the table, after 47 years of retirement fund contributions (which was only 5 fewer than Tom), Suzy had far less saved than Tom. In fact, Tom has over \$1,000,000 more than Suzy in his retirement account! Isn't that incredible?! By starting his investment just 5 years before Suzy, Tom had come out ahead by more than \$1 million.

I can already see some of you shaking your heads and proclaiming, "Since Suzy went to college, she most likely is earning more and could therefore invest more than Tom each year." Keep in mind that Suzy is still paying back her student loans, but I'll play along with you. Let's say Suzy increases her contributions to \$5,000 a month instead of \$4,000. She still won't come close to the value of Tom's fund (she'll still be shy by about \$500,000). In order to catch up with Tom by the age of 70, Suzy would have to contribute \$5925.19 each year for the entire 47 years of her retirement fund life. With a student loan, I seriously doubt that that would be possible.

Retirement Fund Comparison				
Age	Tom's Contributions	Tom's Fund Value	Suzy's Contributions	Suzy's Fund Value
18	4000	\$4,320.00	0	\$0.00
19	4000	\$8,985.60	0	\$0.00
20	4000	\$14,024.45	0	\$0.00
21	4000	\$19,466.40	0	\$0.00
22	4000	\$25,343.72	0	\$0.00
23	4000	\$31,691.21	5000	\$5,400.00
24	4000	\$38,546.51	5000	\$11,232.00
25	4000	\$45,950.23	5000	\$17,530.56
26	4000	\$53,946.25	5000	\$24,333.00
27	4000	\$62,581.95	5000	\$31,679.65
28	4000	\$71,908.51	5000	\$39,614.02
60	4000	\$1,423,798.58	5000	\$1,189,706.11
61	4000	\$1,542,022.47	5000	\$1,290,282.59
62	4000	\$1,669,704.27	5000	\$1,398,905.20
63	4000	\$1,807,600.61	5000	\$1,516,217.62
64	4000	\$1,956,528.66	5000	\$1,642,915.03
65	4000	\$2,117,370.95	5000	\$1,779,748.23
66	4000	\$2,291,080.63	5000	\$1,927,528.09
67	4000	\$2,478,687.08	5000	\$2,087,130.33
68	4000	\$2,681,302.04	5000	\$2,259,500.76
69	4000	\$2,900,126.21	5000	\$2,445,660.82
70	4000	\$3,136,456.30	5000	\$2,646,713.69

## **Our Parents Invested Early**

If your parents were born in the same era as mine, you now understand that they had a much larger advantage in life. Not only did they have fewer expenses than you, but they were also able to invest early because they spent fewer years in school!

Many of us will go through college and therefore have a later start when it comes to our investment accounts. This is why it's so important to graduate debt-free! Let's give ourselves a chance to live the worry-free lifestyle of the previous generations!

## **The Importance of College Today**

The number of college students is increasing every year, and it's not happening by chance. While college used to be for a select few individuals, it is now a necessity for attaining nearly any job! Think about it. A few years ago, an intelligent individual could start working within a company and quickly move up the corporate ladder if they worked for it. A degree wasn't the deciding factor when it came time for a promotion. The employers took note of your skills and abilities, and if you were going above and beyond their expectations, they'd be happy to move you to the next level.

Here's the situation today. You might think that you can take the same path as your parents (start at the bottom and work your way up through the company), but without a degree your resume might be reviewed for 5 seconds before it's thrown in the trash.

## **It's a Matter of Globalization**

A few decades ago, if a job was available, it was either advertised by word of mouth, or an ad was put into the local newspaper. Either way, the number of applicants was most likely pretty low – probably something like 40 applicants or less. It was fairly simple

for the hiring agents to carefully review each resume and select the most valid applicants for the 1<sup>st</sup> round of interviews. With only 40 initial applicants, your odds of getting the job were actually pretty good.

Today, we have this wonderful tool called, “The Internet”. With this great invention (which has improved the lives of many) the job search has become a nightmare. Now, not only are you competing against those that are within your neighborhood, you are also going head to head with every interested individual across the globe! Each job opening could yield over 500 applicants!

Now that there are so many applicants for each open position, there’s just not enough time for the hiring agent to go through all of them. In order to help them widdle down the applications to a manageable number, many companies utilize a software package that will automatically omit applicants that do not meet the general requirements. Thus, if the job requires a degree and you stated that you don’t have one, your resume (with all of your experience and knowledge that matches the position perfectly) is immediately removed from the stack of the “most qualified” applicants and will most likely never be reviewed by a human being. I can’t say I agree with this method, but given the volume of applications that come in for each open position, I understand why it needs to be done.

### College is Expensive, Yet Necessary

I hope you understand how important a degree is today. I have a few friends that never got their degree, and it always seems like they’re fighting an uphill battle. Not only is it more difficult for them to get a decent job, they are often underpaid for the work that they do – all because they are missing that piece of paper from a college institution.

Personally, I don’t think that a person’s value should be placed on whether they obtained their degree or not, but this measure has

become the standard in our culture today. And, if you ignore this truth, life will most likely be a struggle.

If you want to succeed within the workforce, you may as well just plan on earning your college degree. But, in order to start on the fast-track toward a successful career, it's best to earn that degree without any debt whatsoever! The debt-free degree *is* possible, and I believe that anyone can get through higher education without borrowing a single penny!

## Chapter 3

\* \* \*

### **Invest In Your Child's Education When They're Young**

One of the most sure-fire ways to guarantee a debt free degree for your child is to start investing early. If your child is still quite young, this will be your best option because time is still on your side.

Much like a retirement fund, the earlier you can start the education investment, the more likely it is that your funds will grow large with compound interest. So, if your kid is basically a newborn, you have a great opportunity to create a massive account of money (over the next 18 years) by putting only a small amount away each month.

#### **How Much Will College Cost in 18 Years?**

In our retirement planning, we have all heard of this pesky thing called inflation. Each year, the cost of goods tend to rise by 3 or 4 percent, and if we chose to park our money where it yields no return, we essentially lose money, don't we? The cost of goods went up, our savings stayed the same, so we now can afford less than we could have in the previous year.

While this is a scary notion for many retirees, the inflating costs of higher education are even more frightening. Like I said before, the

cost of goods tend to inflate by 3 or 4% each year, but for some reason, the cost of college is inflating by about 7% each year! Let's look at a couple examples of what this means for you if this trend continues.

#### 4 Year Public School – In State

The current average in state tuition is \$8,244 per year, which means that the 4-year degree currently costs about \$33,000. Assuming a 7% rate of inflation in college costs, you can expect to pay:

- \$46,250 if your child starts school in 5 years
- \$64,870 if your child starts school in 10 years
- \$111,450 if your child starts school in 18 years

#### 4 Year Public School – Out of State

The current average out-of-state tuition is \$12,526 per year, which means that the 4-year degree currently costs about \$50,000. Assuming a 7% rate of inflation for college costs, you can expect to pay:

- \$70,275 if your child starts school in 5 years
- \$98,565 if your child starts school in 10 years
- \$169,348 if your child starts school in 18 years

#### 4 Year Private School

It costs about \$28,500 per year, which gives us a grand total of \$114,000 for the 4-year degree. Again, with a 7% rate of inflation for college costs, you can expect to pay:

- \$160,000 if your child starts school in 5 years
- \$224,250 if your child starts school in 10 years
- \$385,310 if your child starts school in 18 years

I don't know about you, but these numbers freak me out a little, and I'm not even a parent!

### Calculating Your Specific Costs

I understand that the examples above might not fit your exact situation. Perhaps the state college near you costs \$12,000 a year instead of the average \$8,244. Or, maybe your child is 8 years away from entering his/her first dorm room instead of the 5, 10, or 18 year examples. In order for you to get an accurate understanding of how much it might cost to put your child through college, just take a few seconds to fill in the blanks below.

$$\underline{\hspace{2cm}} \quad \times \quad \underline{\hspace{2cm}}$$
$$= \quad \underline{\hspace{2cm}}$$

$$\underline{\text{4-Yr. Tuition Cost Today}} \times \underline{\text{Inflation Factor (Refer to table below)}} = \underline{\text{Future Tuition Cost}}$$

Years Until College	0	1	2	3	4	5	6	7	8	9
Inflation Factor	1.00	1.07	1.15	1.23	1.31	1.40	1.50	1.61	1.72	1.84

Years Until College	10	11	12	13	14	15	16	17	18
Inflation Factor	1.97	2.11	2.25	2.41	2.58	2.76	2.95	3.16	3.38

Just in case the instructions above didn't make sense, let me go through an example based on my local area of Michigan. Our state college costs about \$12,500 per year today (multiply this by 4, and I get the 4-year cost of \$50,000). And, let's say I have a child that's currently 8 years old.



Since I assume he'll start college at 18 years old, that means he has 10 years before I'll need to start dishing out the cash for his higher education. So, according to our table, our multiplication factor is 1.97.

$$\frac{\$50,000}{=} \times \frac{1.97}{=} = \frac{\$98,500}{=}$$

$$\frac{\text{4-Yr. Tuition Cost Today}}{=} \times \frac{\text{Inflation Factor}}{=} = \frac{\text{Future Tuition Cost}}{=}$$

Given the example above, you can see that in just 10 years, tuition could nearly double! This is a great reason for you to start planning for your child's future today!

### **Don't Forget to Invest in Your Retirement!**

Now that I've freaked you out about the cost of tuition, I want to make sure that you don't forget to invest in your life first! Now, before you stand up, point your finger at me and call me selfish, let me explain.

Most likely, you have a fixed budget (like the rest of us) and only have a small amount of extra funds available each month. Let's say you've crunched the numbers and figure you can afford to invest \$200 a month toward your child's education. But, there's just one problem, you haven't begun investing for your own retirement yet!

If you are 25 years old with a newborn, and decide to invest in their education rather than your own future, you might think this is honorable and selfless, but actually it is quite the opposite. With that \$200 a month going toward your child's college fund, you'll most likely be able to afford them quite a nice education. However,

by making this investment, you'll have to forgo your retirement savings until they start college (when you're 43 years old)!

By ignoring your retirement until you're middle aged, the chances are pretty good that you won't be able to survive your own retirement years. This is how I see your life playing out:

*You retire excitedly at the age of 65 and figure your funds will last you for 20 years. Well, the market isn't doing as well as you'd planned, and your medical expenses really jumped after your stroke. Suddenly, the well has run dry. By the age of 75, you have exhausted your entire savings. Now what? You guessed it. Your kids have to pitch in and help you pay for your living expenses.*

How much could it really be though? After all, if you're old, you probably eat much less, and don't go out on expensive vacations. You'd think the costs would be low, but this simply isn't the case for many older individuals. If they cannot care for themselves any longer, they'll need to live in a retirement facility, and these places typically cost around \$200 a day!!

Can you imagine the burden that this daily expense could put on your children? If I were you, I'd much rather cut back on their education fund and make sure that I actually gave them an inheritance, rather than a mountain of debt!

### Splitting Up That \$200 to Save For Retirement

Instead of putting all \$200 toward your child's education, why not split it between the education and your retirement? If you would invest just \$100 a month over the course of 18 years, this money would grow to over \$280,000 before you reach retirement (assuming 8% gains each year)! And, the other \$100 would give your child a \$50,000 head-start toward their college expenses. Not too shabby, huh?

## **Different Investment Options for College**

Investing for college in advance is one of the best ways to get yourself financially prepared for those big expenses, but how does one go about saving money for the high cost of future tuitions? Given the nature of inflation in the past decade, it's obviously not too wise to put your money into a non-interest bearing account. It's actually best to invest your money regularly so that you can hopefully earn 8%+ on your investment (this would allow you to win slightly over college inflation). So, now the question is, what do you invest in?

### The Qualified Tuition Program (the 529)

This program (often referred to as the 529 plan after the section of IRS code where it resides) began in the 90s and has allowed many parents to begin investing for their child's college fund. Historically, parents would either put money away in the bank for this occasion, or they would invest the money into individual stocks. To be completely honest, both of these options were pretty terrible. The savings account would not yield enough returns to combat inflation, and investing in only a few stocks was not only a risky method, but the capital gains were taxed heavily if you sold your investments at a profit.

The 529 plan allows individuals to invest their money into a state-operated investment plan with tax-free returns.

### **Two Types of 529 Plans**

These 529 plans are not talked about very often, and they can be quite confusing (especially since there are two different types). Let's get down to the basics and discuss each plan individually.

## Pre-paid Tuition

The Pre-paid Tuition plan allows the college saver to purchase credits at participating colleges or universities for future tuition (and possibly room and board) at today's cost. In other words, if one credit costs \$600 today at the participating college, you could buy that credit for \$600 and save it until a later date for the future student.

Most pre-paid tuition plans are sponsored by state governments and may have residency requirements (ie. You may need to live in the state where your selected college is). Many state governments might also guarantee your pre-paid college investments that they sponsor, so please check with your state government to get all of the specific details.

## College Savings Plan

While this is also a method for investing in your child's future education, it is not at all similar to the Pre-paid Tuition plan. Generally speaking, the College Savings Plan allows the college saver (typically the parent(s)) to establish an investment account for the student.

If you have a 401(k) at work, this option is very similar. Your money is put into a fund of your choice (and just like at work, your options are limited) and can be contributed to regularly throughout the life of the fund. The earnings of your fund depend on the fund manager's choices, as well as that market conditions at the time.

## Tax Savings

Here's the great benefit from investing in a 529 plan: tax savings. If you are contributing funds to a 529 plan, your future gains from

your investment will not be taxed by the federal government, and in many cases your money will not be taxed by the state either (depending on which state you live in of course).

Even if your investment does not yield the type of return you were hoping, it still could be earning more than the general market because you are not expected to pay tax on the gains! It may not sound like much, but keeping 15% (or more) of your gains, rather than pay it to the government, is a huge benefit.

### Fees and Expenses

It would have been great if these college investment funds were free, but since there are fund managers and employees behind the scenes, this is of course not the case. There are various fees and expenses with every fund, so before you close your eyes and pick one by chance, it's probably best to learn about the different fees and expenses that you might incur (as you might have already guessed, yes, this may be boring, but if it saves you \$20,000 or more, then it might be worth it to read the next few paragraphs, right?).

If you are investing in the Pre-paid Tuition plan, there probably aren't that many fees to worry about. Administrative fees and enrollment fees are pretty standard with this type of 529 plan, and you can find them quite quickly when reading over the details of the plan.

If you plan on investing in the College Saving Plan, there are many more fees to watch out for.

- **Loads** - If you invest in a broker-sold plan, there are likely to be "loads", which is simply a commission for the broker that sold you the plan. These may be "front-loads" if paid when the plan is set up, or they may sneak them in as a "back-end load"

which allows them to withdraw money for their payment once the fund reaches its maturity. If you avoid using a broker, then you can most likely avoid these load fees.

- Annual Distribution Fees – You’ll find these fees if you go through a broker as well. The fee normally ranges from 0.25% to 1.0% and is purely commission for the broker. Again, avoid the broker and you can avoid the fee.
- Enrollment fees – We’ve all seen these before. This is simply a one-time fee just for enrolling in the program. Typically, this fee isn’t huge, but it’s always good to know it might be coming.
- Annual Maintenance Fees – Parking your money into an account will often yield some sort of maintenance fee. It’s often quite small, but make sure you are aware of the cost before pulling the trigger on any particular fund.
- Asset Management Fees – Because the fund may be constantly reviewed and adjusted by the fund manager (and his minions), there is typically an annual fee to pay for the services. This isn’t necessarily a bad thing because if the market were to shift at a moment’s notice, the manager will be on top of it and you won’t have to worry as much about altering your investment. Just make sure to compare these fees from plan to plan.

### How to Avoid the Cost of the Broker

Many states offer the option of “Direct-Sold College Savings Plans”. Through this option, you can invest directly through the state, thereby eliminating the need for the broker, and avoid the commissions and sales fees that typically come when dealing with a broker.

You can find information on these direct-sold plans by contacting the plan's sponsor or program manager (you'll most likely have to visit the plan's website for this), but you might also find it useful to visit The College Savings Plan Network. They offer many resources and can often answer all of your questions through their helpful pages and links.

## **How to Get Started**

Investing in a Pre-paid Tuition plan is pretty simple. Just head to your college of choice in the area, and they'll let you know all of the details to pre-pay for their institution. It may even be on their website.

When it comes to College Saving Plans, knowing where to go is not always as simple. There is a ton of information out there to help you select the correct plan, but for whatever reason, when it comes to who you should go through to get started, the information is scarce.

To get started on your College Savings Plans, there are really three different avenues. If you'd like a broker to handle your account (like a Merrill Lynch or Edward Jones), you can go that route and contact your local office. If you're looking to handle an account on your own, your local bank may provide an option for you, or you can simply search the web for "(Your State) 529 Plans". For example, I entered "Michigan 529 Plan" and the very first option in the search engine was "Michigan Education Savings Program" and gave very clear instructions on how you could enroll today. Before you jump into a savings plan though, make sure that it is legitimate and is sponsored by your state. There are plenty of scams out there, especially when it comes to monthly payments that are often blindly put into an investment account for years and years.

To avoid a fraudulent College Savings Plan, you can always double check with the state website or your bank for help. They are often quite knowledgeable on the subject.

### **Which 529 Option is Better?**

Here's the big debate. Between the Pre-paid Tuition plan and the College Savings Plan, which option is better? As with most debates, there really isn't an option that is hands-down the best; it just depends.

#### Positives of the Pre-paid Tuition Plan

- By paying today's price for tuition in the future, you do not need to worry about the inflating costs of college
- Your investment will not fluctuate with the market. Once the current credit is paid for, it's good for the distant future
- There aren't many fees associated with this option. Again, once the credits are paid for, you're all set.

#### Positives of the College Savings Plan

- This option has the potential to earn more than rate of inflation for college tuition (but don't forget that it could earn less – it's very similar to stocks within the market)
- Your child can choose to go to any institution of their choice, they are not limited like they might be with the Pre-paid Tuition Plan.
- This plan could yield some sizable earnings, and they are tax-free gains, as long as they are used for college education



- Pre-paid tuition typically covers only the cost of credits, whereas the College Savings Plan can be used for housing and educational materials.

The Pre-Paid Tuition Plan is no-doubt the safest way to go. Your investment won't be influenced by the market and you can be certain that a college education is awaiting your child. However, as many of you know, with greater risk may come a greater return. The College Savings Plan might very well yield you nothing over the course of 18 years (you might even lose money), but on the flip side, it might yield an average of 15% and you'll be able to pay for both of your kids to go to college with just the one account! The College Savings Plan is obviously more risky, but in the end, it might just be worth it. Honestly though, either of these plans is better than doing nothing and getting your butt kicked by inflation! So just pick something and run with it!

### **How Much Do You Need to Invest?**

Once again, if you choose to invest in the Pre-paid Tuition Plan, this answer is quite simple. If you need 120 credits to graduate, then do what it takes to buy 120 credits as soon as possible (or at least before your kid starts attending college).

If you decide to open up your College Savings Plan, the calculations get a little trickier. Fortunately for you though, I've whipped up a nifty table so that you can get a rough idea of what you need to invest in order to get to your target savings goal.

Let's stick with the example from a few pages ago – your child is currently 8 years old and after the inflation factor, you find out that 4 years' worth of college tuition will cost you \$98,500 (we'll round this up to \$100,000).

Take a look at the table below. Since our child is 8 years old, that means that we have 10 years before the college tuition starts. In order to achieve an \$80,000 savings, you must contribute at least \$430 a month into your 529, and in order to save up \$120,000, you'll have to sock away \$644 a month. Since our \$100,000 goal lands smack dab in the middle (of the table's examples), we can take the average cost between these two monthly payments. So, our approximate monthly savings should be \$537.

That's quite a lot of money per month! What if you started investing in that college fund when your kid was a newborn? Scrolling down on our nifty table, you can see that our investment would have only needed to be \$206 (the average of \$165 and \$247)! Starting early certainly has its advantages!

		Total Money Needed For College (after inflation factor)							
		\$40,000	\$80,000	\$120,000	\$160,000	\$200,000	\$240,000	\$280,000	\$320,000
Years Before College Starts	1	\$2,937	\$5,873	\$8,809	\$11,745	\$14,681	\$17,618	\$20,554	\$23,490
	2	\$1,466	\$2,932	\$4,398	\$5,864	\$7,330	\$8,796	\$10,262	\$11,728
	3	\$951	\$1,901	\$2,852	\$3,802	\$4,753	\$5,703	\$6,654	\$7,604
	4	\$689	\$1,377	\$2,066	\$2,754	\$3,442	\$4,131	\$4,819	\$5,507
	5	\$531	\$1,061	\$1,591	\$2,121	\$2,651	\$3,181	\$3,711	\$4,241
	6	\$425	\$849	\$1,274	\$1,698	\$2,122	\$2,547	\$2,971	\$3,395
	7	\$349	\$698	\$1,047	\$1,396	\$1,745	\$2,094	\$2,443	\$2,792
	8	\$293	\$586	\$879	\$1,171	\$1,464	\$1,757	\$2,049	\$2,342
	9	\$250	\$499	\$748	\$997	\$1,246	\$1,495	\$1,745	\$1,994
	10	\$215	\$430	\$644	\$859	\$1,073	\$1,288	\$1,503	\$1,717
	11	\$187	\$374	\$560	\$747	\$933	\$1,120	\$1,306	\$1,493
	12	\$164	\$327	\$491	\$654	\$818	\$981	\$1,145	\$1,308
	13	\$145	\$289	\$433	\$577	\$721	\$865	\$1,009	\$1,153
	14	\$128	\$256	\$384	\$511	\$639	\$767	\$895	\$1,022
	15	\$114	\$228	\$342	\$455	\$569	\$683	\$797	\$910
	16	\$102	\$204	\$306	\$407	\$509	\$611	\$712	\$814
	17	\$92	\$183	\$274	\$365	\$457	\$548	\$639	\$730
	18	\$82	\$165	\$247	\$329	\$411	\$493	\$575	\$657

**Table: Monthly Contributions Needed for Overall Savings Goal (table assumes 8% growth each year)**

## **Start That College Fund Now**

If you know that you want to help pay for your child's college tuition in the future, it's best not to wait. The time to put money away is NOW! I mean, just take a look at that table again. What if your child is brilliant and has the opportunity to go to Harvard or Yale? Wouldn't you want to give them that opportunity?

Well, you could either start setting aside \$657 a month now, or you could wait and pay \$23,490 a month when they start taking that first class. If I were you, I'd certainly start putting money away now. \$657 a month is much more doable than \$23,490....

## Chapter 4

\* \* \*

### **Find That Free Money!**

Your parents have told you that money doesn't grow on trees, but you know what? There's free money everywhere! You just have to know where to look. Obviously, I wouldn't suggest hunting down a literal tree that produces 5's, 10's, and 20's, but those proverbial trees are out there. In fact, there are foundations out there that are just waiting to give you their money!

#### **Do Well In School**

This has to be the most basic advice that I'll ever give, and quite honestly, I hear it everywhere! Get good grades! It's really as simple as that! Do your homework, study a little, get plenty of sleep, and Bam! You leave high school with a 3.95 GPA. Looks like you're on the road to a cheaper college education.

#### It Needs to Start Before High School

I remember my middle school days. Do you? Really tall girls, a wide variety of voice levels, awkward interaction, and blind arrogance; I could really spend all day talking about these four subjects (and it would be a blast), but let's focus on this blind arrogance portion. What do I mean by this? Well, if you can trace back to your middle school days, I'm sure you remember the group of kids that often said, "My grades don't even matter right now. I'll do better when I'm in high school."

Do you know what happened to these kids? Off the top of my head, I recall one of them dropping out of high school, another one barely making it through on account of his illegal drug addiction (and is now still barely surviving the game of life), and the other is making mediocre wages in the local factory. Why is this? Because they were never able to acquire those good grades in high school (among other reasons of course)!

It's true that Elementary School and Middle School grades do not really matter in the grand scheme of things, but if kids do not learn the basics before entering high school, they really have no chance to get that high GPA when it matters! Imagine an elementary student that decides she doesn't need to learn division and multiplication in grade school, but assumes she'll pick up the pace and do well in high school calculus! That's just not going to happen. It's a recipe that leads to failure every time.

If you want to have a chance at earning scholarships after high school, you'll buckle down and study hard all the way through elementary school, middle school, and of course, high school. Earn that high GPA and give yourself the opportunity to cash in.

## **Score Well on the ACTs and SATs**

When I was in high school, everyone seemed to focus on the ACT, so naturally, that's what I took. But, what's the real difference between the SAT and ACT?

### The SAT vs. the ACT

Knowing some general details about each of these tests will immediately help you choose which one is best for you, because while the two tests do evaluate your knowledge and intelligence, they do so in different ways.

If you love English and have great comprehension, then you'll most likely score better on the SAT. This test asks questions in such a way that the average person would have to read it more than once before they could even think about answering it! Also, the SAT doesn't have a science section, which again, favors the comprehensive mind, rather than the analytical one.

The ACT, as you may have guessed, is more of a straightforward test that places a large focus on mathematics. If you don't like wordy questions and have a love for science and math, then this is most likely the test for you.

### Which Test Do the Universities Value?

Like I said before, in my area (West Michigan), the SAT was hardly ever talked about. I think this was largely because the institutions in the area valued the ACT results more so than the SAT.

If you are thinking about attending your local state college, make sure that you actually go to the school, look into the eyeballs of an admissions counselor, and ask the question, "Which aptitude test does this institute value more, the SAT or the ACT?" Make sure to get the answer directly from the source. Please don't rely on your friends to give you accurate information – chances are that they actually know less than you do.

### Preparation

Here's the name of the game. If you score well on the ACT or SAT, you have a much greater chance of swimming in that scholarship money, so what can you do to score well? It's all about preparation.

When I was in high school, preparation was not very high on my priority list, and I never did anything until the last minute. Projects, homework, and studying for tests – I always waited until the night before. The only problem with this was, it worked! I aced most of

my tests and the homework always got done somehow – I figured that I could carry that same method into the ACTs. I was dead wrong.

It was a week before the big test, and I was feeling super prepared because I just picked up some learning discs from the store (remember, I would typically study for tests the night before). I took a couple of practice tests and studied for a few hours, but I soon realized that I waited way too long. The scores of my practice tests were slightly above average, but there were nowhere near high enough to get a scholarship.

The day of the test came, and I did my absolute best, but as I expected, the results weren't fantastic. I scored a 26, which is above average, but a score like that just doesn't get the attention of colleges or scholarship committees.

A couple of kids in my class scored a 36, which is the highest possible score on the test. This means that during the 3-hour test, they got every question right except for one (or zero). How in the world did they do this? Yes, they were intelligent, but they had also been studying for the test since middle school.

Since most of the aptitude tests are very similar, they are actually very easy to score well on! If you start studying a couple of years before you actually take the exam, you'll know how to handle all of the questions once you sit down and take the real deal. Just head to your local bookstore or search out the learning guides online. They're everywhere! The concept is so simple, but few people do it, because they just don't think far enough ahead. If you study for the ACT/SAT early in life, you're almost certain to score well!

## Scholarship Money for Scoring Well

If for some reason you don't think that the ACT or SAT is important, take a look at this table from a pretty well-known institution (since these tables change frequently, I'd rather not provide the name of the university). This is the guide they use for awarding their scholarship money to the incoming students. If you study early like I suggested in the previous section, a score of 30+ is certainly attainable. That could take \$5,500+ off your college bill per year! That's a \$22,000 savings overall!

<b>ACT Score</b>	<b>SAT Score</b>	<b>Scholarship Award</b>
20	930-960	\$500
21	970-100	\$1,000
22	1010-1040	\$1,500
23	1050-1080	\$2,000
24	1090-1110	\$2,500
25	1120-1150	\$3,000
26	1160-1190	\$3,500
27	1200-1220	\$4,000
28	1230-1260	\$4,500
29	1270-1300	\$5,000
30	1310-1340	\$5,500
31	1350-1380	\$6,000
32	1390-1440	\$6,500
33	1450-1500	\$7,000
34	1510-1560	\$7,500
35	1570-1600	\$8,000
36		\$8,500

## One More Important Thing to Know About These Tests

Ok. So, you've been studying for this test for a couple of years, and now the big day is here! You know how the test is set up, you know how to solve all of the problems, but there is still one big piece of information that could keep you from scoring well on this test!

The answer: stamina. You'd never think about it before you sit down and take this exam, but it can wipe you out in a hurry! Be



sure to take some items with you that will keep you alert. While it's often not prescribed by your dentist, this would be a great time for some candy and soda. Maybe you could even throw an energy drink in the mix. Don't over-indulge though. If you got too hopped up on sugar, you won't be able to focus. Take some sweets along and have them when you start getting drowsy (for me, this was about 1 hour into the exam). Staying alert will surely help you score well on this test!

## **Finding Scholarships**

So maybe you haven't yet scored a 36 on your ACT and colleges aren't knocking at your door to give you a free ride to their school. That means that it's time to find scholarships on your own. I'm guessing that you've already heard of the two big dogs of scholarships: Scholarships.com and Fastweb.com. These are great sites and they have millions of scholarship opportunities! The only problem is, everyone else knows about them too, and there are some scholarships that have thousands of applicants. This makes your chances pretty slim.

Rather than taking your search to the gargantuan engine known as Google, I found a great source that utilizes Google's vast search engine, but limits the results to actual scholarships (and not articles that have the word scholarship in them or other spam sites related to scholarships). It's called CollegeScholarships.org. It's an incredibly simple site with a search bar in the middle where you enter your info. Within this search bar, you'll get the best results if you search the qualities that you possess which will have the greatest chance of yielding a scholarship. For instance, if you are a minority, I would most definitely search for scholarships which are offered only for your ethnicity.

For myself, I am a white Caucasian male, which is the absolute worst when it comes to finding scholarships, so I had to get a little

more creative in my search. My dad is an Army veteran, and I know that there are scholarships for the children of veterans, so I used that for my search instead. To utilize this tool to its fullest potential, just think about all of the characteristics that make you unique. This could be your GPA, your athletic achievements, or the field you plan on studying in college. Ideally, you'd like to find a scholarship that has many requirements and you meet them all. When you find these unique scholarships, your chances of winning will severely increase!

### Do You Attend a Religious Organization?

If you are currently a member of a religious organization, there are most likely scholarship opportunities available to you, and there's a good chance that you'll win them too! Quite often, these are not large scholarships, but anything helps right? It's definitely an option worth looking into.

### Check With The College

Most colleges have an entire web-page devoted to the many scholarship opportunities that are available. Since these scholarships are specific to your university, you'll have much better odds than if you would search FastWeb.com or Scholarships.com. Print out all of the scholarships that pertain to you and apply apply apply!!!

### Merit Awards

When I was in high school, there was a test called the MEAPs (Michigan Education Assessment Program). This assessment was quite similar to an ACT or SAT, but if you did well on it, you would automatically receive \$2,500 for your first two years of college. These merit dollars have since been taken away in our state, but there are still other state merit awards out there! Make sure to get online and type in, "Merit Award for (enter your state

here)”. There may just be some easy money that you could earn from the state!

## FAFSA

I’m sure you knew this one was coming. High schools everywhere suggest that you should fill out the FAFSA form to see if you qualify for financial assistance. So, while you may have heard the name, what does it stand for, and how do you benefit by filling it out?

FAFSA stands for Free Application for Federal Student Aid, and after filling it out (this typically takes only an hour or so) you might be awarded college grants (money that doesn’t need to be paid back – we like this kind!), work-study programs, or low-cost government loans. Obviously, we don’t want to sign up for the loans (it wouldn’t really help in our quest to graduate without any debt), but the grants and the work-study programs would definitely be a bonus!

Typically, the aid is only given to those with financial need, but since the test only takes an hour to fill out, why not just do it and see what happens? One hour of your life could very well be worth a \$2,000 grant!

Since that FAFSA awards are based on financial need, you’ll need to have your financial information handy – your most recent W-2s, your current investments, and your cash holdings should give you a good start on these forms. And, if you’re a student, make sure your parents are there with their financial information as well (since you are their dependent).

## Don't Waste all of Your Time on Those Big Scholarships

If you had the choice to buy a lottery ticket with a \$300 million pot or one with a \$300 prize, which ticket would you buy? I'd bet that most people would go for that \$300 million, wouldn't you? It's just an emotional thing. When we hear the words, "\$300 million", our hearts start to race and we instantly begin to picture our mansion on the ocean with the new Lamborghini in the driveway! But, since everyone is going after that \$300 million, you basically have no chance of winning (the odds are normally something like 0.0000001% or something like that.... I call that zero).

The same thing is true when it comes to scholarships. Nobody wants to do the work of searching out scholarships, so what do they do? They look for the big ones! Applications flood into the offices of the \$10,000+ scholarships, while the \$100 and \$200 scholarships are barely glanced at. You want to know my suggestion? Go for the small scholarships. There is a much higher probability of winning them.

## Develop a System for Filling Out All Those Applications

So at this moment, you're probably getting excited about the possibility of graduation college completely debt-free (at least I hope you are), but it's going to take a lot of time and hard work to accomplish this! All of those online applications certainly aren't fun, especially since you have no idea if you'll ever hear a response, let alone see any scholarship money. But, the best way to get through all of these applications is by developing a system.

Almost every application will ask for your name and personal information, so type this info into a spreadsheet. They'll also ask for your extracurricular activities and awards – put every award and activity you can think of in this spreadsheet. If any other questions come up that you think might come around again with other applications, type them in the spreadsheet! Do you see where

I'm going with this? Rather than typing the same thing over and over again on each individual application, just copy/paste the information from your spreadsheet! It will save you a ton of time and keep your brain from exploding.... Believe me, after the 5<sup>th</sup> application, you'll be glad that you put together this system.

In addition to the spreadsheet, you may want to develop a document of essay answers to the common questions, "What is one of your greatest achievements?" or "What are your goals for the future?" By having your essay responses handy, you'll save yourself a ton of time when this same question rolls around again on that next application.

You may also want to have the following documents at the ready – just in case:

- Transcript
- Standardized test scores
- Financial Aid Forms (such as the FAFSA)
- Parents' financial information (tax returns, savings, investments, etc.)
- One or more letters of recommendation (it's best to have electronic copies)
- Proof of eligibility (e.g. membership credentials)

The more applications you fill out, the better your odds become for winning some scholarships, so developing a system is a must! To keep yourself going, just think about how much time you'd need to spend at your job to make the same amount. If you make \$10 an hour, you'd have to work 20 hours to make \$200, which could easily be obtained by filling out a 30 minute application! Keep plugging away at it, and I'm sure you'll see some financial results from your labor!

## Attend Community College

When I was in high school, I spent some time looking at scholarships, but I really didn't do the work that was necessary to get a free-ride to any well-known universities. Even with my scholarships, I still would have owed \$3,000 per semester (or more, depending on the university), and I knew that this wouldn't be a wise move financially. So, I started looking into community college.

Not only was community college much cheaper, but they also offered some great transfer opportunities! By taking my first 2 years at the community college, I was able to take fewer classes than if I were at the university. I had never heard of it before, but they had a program where some core classes would be waived if you completed your associate's degree. For me, this was called the MACRO program. Check into your local community college to see if anything like this is offered.

The other great thing about the community college route is that no one ever asks if you went to community college for the first couple years of your undergrad, they ask, "Where did you go to college?" And, you respond with the university that you transferred to and received your degree from! It's a beautiful thing.

## Chapter 5

\* \* \*

### **Already in College? Pay the Debt Now!**

*“In a couple of years, I’ll be making \$75,000 because of my degree, so I really don’t have to worry about my debt right now. I can probably pay it off in a year or so once I start working.”*

This is the typical mindset of college students that currently have student loans. I actually used to think this way myself, but now that I’m out of college and have some real-world experience under my belt, I know that this statement is not only false, but that it’s incorrect on three different levels!

#### Falsity #1 – I’ll be making \$75,000

The average college student assumes that they’ll be making \$75,000 right out of college. This is an absolute myth. From the stats I’ve heard, the average entry level income for a college grad is around \$45,000, but I think that’s even a little high.

I graduated from school with a 3.6 GPA, and it took me 2 months to find a job. It was only temporary (my contract needed to get renewed every 30 days) and it paid \$16 an hour (about \$33,000/yr.) with no benefits! After an entire year, I was able to get hired in full-time with a salary of \$41,000 a year. I’d say that the pipe-dream of \$75,000 a year is mainly for those graduating with high honors or from an incredibly prestigious school.

### Falsity #2 – My life will be easy because I'll have my degree

Just because you have a degree does not mean that employers will fight over you and pay you big money. There is still a ton of competition out there and you'll need to prove yourself before they'll even consider hiring you.

If you are currently in college, think about how many of your friends from high school are doing the same thing. How many of them are currently attending college classes and plan to get their degree? If I had to venture a guess, I'd say that it's at least 75% of your friends!

Merely graduating with a piece of paper does not give you that much an advantage anymore. To earn a good job, you need to prove yourself to an employer through extracurricular activities and related experiences! Without the extra effort, you could be without a job months after graduation.

### Falsity #3 – I'll pay off all my debts easily when I get a job

Debt is not easy to pay off. My wife and I had \$18,000 worth of school loans after college (which is way below the average) and it took 14 months of eating cheap and having no fun to get rid of it! I'd say that the average person wouldn't be able to shake that debt until at least 5 years down the road!

When you graduate from college, you typically have about 6 months before you have to start paying back those loans. That means that you'd better find a job soon after graduation, because if you don't, you'll most definitely be screwed (financially speaking). But, even if you do find a job, think about the expenses you'll have.



Most likely, you'll be living on your own, paying for your own rent, food, clothes, utilities, car maintenance, insurance, gas, etc. This can easily cost you \$2,000 per month, and how much will you be making after taxes each month? Oh, probably \$2,500 if you're lucky. That leaves only about \$500 a month for fun and your student loans. If you have \$10,000 in loans, you're looking at about 2 years' worth of no fun and student loan payments. What if you have \$40,000? Better wait 8 years before you have any fun. Like I said, debt is a pain to get rid of. It's best to avoid it at all costs!

### **Keep Applying For Those Scholarships**

Just because you're in college doesn't mean that your scholarship opportunities are over. You'll find scholarships that are just for sophomores, juniors, and seniors, and if you meet all of the criteria, you have a pretty good chance of getting them! If you need some help with your search, refer back to Chapter 4. I've already covered this topic quite thoroughly and you should find all the help you need within that section of this book.

### **Do What You Can to Avoid that 5<sup>th</sup> Year**

When I started college, I had my mind made up. I was going to be an engineer. So, for the first 3 years of school, that was my major. When I started my 4<sup>th</sup> year I still loved the classes I was taking, but when I started my first internship, I found that I did not enjoy the practical application of what I was learning. Rather than sticking with a career that I wasn't going to enjoy, I switched my major.

I know that I made the right choice, but because I switched my major so late, I was forced to stay in school for 5 years instead of the typical 4. This absolutely killed my pocketbook because there are very few scholarships offered for that 5<sup>th</sup> year. In fact, I went the whole year with absolutely no scholarships and my debt-load

was doubled. If I could have avoided that 5<sup>th</sup> year, I would be much farther ahead financially.

### **Don't Forget to Double-Dip**

While it is rude and disgusting to double-dip your chips into a communal dipping sauce, double-dipping your credits in college is one of the smartest things you can do!

Often times, there are “core classes” that college students need to take before they focus on their degree of choice. You might need 3 credits of a culture class, 3 credits in a foreign language, and 3 credits in literature (as well as many others of course), but some classes count for more than one type and could potentially fulfill the requirements for both! For example, when I was in school, I needed to take a culture class and a foreign language class. Well, I found one Spanish class that was worth 3 credits and it knocked off both of these requirements! That move alone saved me about \$750 because I didn't have to take a second class!

### **Don't Waste Your Money on Books**

The one expense that many students forget to take into account is the books, and often times, one semester's worth of books can be \$500 or more! It's a huge expense! Now, don't let the title fool you. I'm definitely not encouraging you to avoid buying the books. You'll certainly benefit from having them, but, make sure that you buy and sell them wisely.

Many of you have heard the phrase, “Buy low and sell high” when referring to the stock market. Well, I believe that the same phrase applies to college textbooks. Too often, students go to the bookstore a day before their class starts, and there's only new textbooks left to be purchased. Since they need the book, they just pay the extremely high price and get on with their life. The smarter students get to the bookstore early and find used books from past

students at a much cheaper price. But, what if you could find a way to get these books at a much cheaper price? Let me tell you, you can.

### Buy Your Textbooks Cheap

Bookstores make big money on textbooks. They buy a book from one student for \$25, and they turn around and sell it to another student for \$80. It's a huge mark-up and for this reason I would encourage you to stay away from bookstores altogether! As is the case with anything, the more direct your purchase, the cheaper the item should be. So, do your best to get your textbook directly from another student that just finished the class!

Here are some ways to buy a book directly from another student:

- Post an ad on the school bulletin board (or on the college website if they have a forum)
- Express your interest on popular social networking sites – we all know that people are online 24/7
- Ask your friends if they know anyone that's taking the class currently and would like to sell their book
- Be on the lookout early – before the semester ends for that class, head to the bookstore. If you see someone in line that's going to sell the book. Offer them \$5 more than what the bookstore will give. They'll sell it to you every time, and you'll get it for way cheaper than if you would buy it from the bookstore.

## Sell Your Textbooks For More Than You Paid For Them

First of all, yes it is possible to sell a book for more than you paid for it (remember? Buy low, sell high). If you purchased your books with one of the techniques above, then you're in a great position to sell it for more than you paid for it.

Before you get too excited about making a profit on your textbook, you absolutely need to find out if it will be used again next semester. If it won't be, you'll need to post your book online to the masses. eBay works great for this.

Most likely, there is still a college out there that will use the book in the next semester – be sure to post it early because shipping will take some time.

If your book will be used again in the upcoming semester, use these tips to get top dollar for it:

- Talk with your friends to see if anyone will be taking the class next semester. If they are, let them know that you'll sell your book to them for \$5 less than what they can find at the bookstore (this will most likely still be much more than you paid for it, plus it's a win for them because they are saving money)
- Post your book on the popular social networking sites, the bulletin board at school, and the school website (if they have this feature)
- If you know that the book is a popular one, post it on eBay. Books are cheap to ship and you can easily make a profit this way
- If you still have the book a few days before the beginning of the semester, head to the bookstore and see if anyone is

browsing the shelves for it. Since most of the remaining books will be new, you can let them know that you're selling your used book for much cheaper – it will be a guaranteed sale (just make sure to make the transaction outside of the store...you don't want to get yourself into any legal trouble).

## **Cut Your Living Expenses to Practically Nothing**

Besides buying books, one of the biggest financial killers is your living expense. After all, we can't just decide one day that we're not going to eat or have a place to live. These are essentials and whether we like it or not, they're going to cost money.

Before we get into the money-saving methods, let's first go over the "don'ts" when it comes to living expenses.

- Don't live on campus. Quite often, these dorms and apartments are severely overpriced and will land you in debt faster than you can say, "broke grad". One of my first apartments was \$3,500 per semester – that's over \$1,000 per month! I could have rented an entire house for \$650 that was only 2 blocks away!
- Don't eat the same food that your mom fed you all your life. Most likely, this consists of expensive meats and side dishes that you can no longer afford. Lobster and crab-legs are off the menu until graduation!
- Don't take exotic spring break trips. Sure, I was jealous of my friends' trip to Cancun, but guess what? They are still paying off their student debts and mine is long gone. Soon, I can go to Cancun every year with cash if I so choose.

## How to Live on Less

Alright, so we handled the “don’ts” of living expenses, and they should really be quite obvious. If you want to avoid college debt, your housing, food, and fun must be cheap. Let’s explore how to do this so we can keep you out of debt!

### Cheap Housing

Always remember, colleges are not “non-profit organizations”. They make money on your books, on your classes, and on your housing. If you want to live on less, you’ll want to avoid their products whenever you can, especially when it comes to housing!

Like I mentioned within the “don’ts”, my first college apartment was about \$1,200 per month. Yes, it was convenient because it was right on campus, but it was still an outrageous amount to pay each month for a 500 square foot, 1 bedroom, 1 bath apartment. If you want to save some serious money, find off-campus housing.

If you are a freshman, this can be tough, because you might not know any students that live off-campus. If this is the case, I would say that the best way to find off-campus housing is to browse the ads within the campus cafeteria or study area. I have always found housing this way. But, if this doesn’t work for you, then start looking at Craigslist. There’s a section for “rooms for rent”. These ads are most often placed by other college students looking for another room-mate for their off-campus house.

By renting a room off-campus, your total expenses per month will most likely be 1/4 of the cost of on-campus housing. Even if you need to take a few trips on the bus to get to your classes, it’s still definitely worth it financially.

## Cheap Food

When I was in college, my friend told me that his grocery bill was \$15 a week. At first, I thought he was joking, but then he showed me a detailed list of what he would eat each week, and what each item cost. Suddenly, I was a believer and changed the way I bought food.

Here are some of the cheapest foods out there. They'll keep your expenses low and your stomach full:

- Free Campus Food – there's always something going on around campus, and to gain students' interest, there's normally food! Take advantage as often as you can!
- Ramon Noodles – at less than 10 cents per package, you bet this is on the list!
- Rice and Beans – these items are not only cheap, but they're filling! And, if it's too boring for you, buy some taco shells and make a burrito!
- Hot Dogs – I used to get a 48 pack of turkey dogs for \$3.79! It's super cheap, and I still thought they were pretty tasty.
- Peanut Butter and Jelly – This tasty lunch could last you for an entire week for only \$5!
- Grilled Cheese – A nice warm meal for the low cost of bread, cheese, and margarine.

- Meat and Cheese sandwiches – I still buy a pound of lunch meat, cheese, and bread every week for a total of \$7 and it fulfills my lunch needs each week.
- Mac and Cheese – at 50 cents per package, you can get by for cheap (throw in a few of those turkey dogs and you’ve got yourself a tasty cuisine)!
- Pasta – you can buy an entire package of pasta and sauce for \$5 or less and it could provide you 3 or 4 meals.
- Pork – if you crave meat, this is typically the cheapest you can get. I’m not a huge fan of the stuff, but if you make it into a stew or a soup it’s not too bad.
- Eggs – packed with protein, eggs and toast can be a very cheap breakfast at about 40 cents per meal.

Stick with these items and you might be able to get by on \$15 a week, just like my friend!

### Cheap Fun

Back in college, I often heard the phrase, “I deserve to....”, and it often referred to some sort of reward that my friends would give themselves even if they didn’t have the money for it.

This phrase seemed to be even more prevalent around spring break. “I’ve studied so hard and got such good grades this semester, I deserve to go to Panama for spring break!”

For many students, this was a vacation on credit, because they didn’t have the money in their bank account to pay for



it. The trip might have been fun, but paying that card down later in life was torture I'm sure.

Rather than still paying for your vacation 5 years after it happened, why not make some cheap fun for yourself? For your next spring break, round up your friends and head out on a road trip! You can sleep in the car at Wal-Mart, and your food can be bought at supermarkets along the way. You could see a bunch of sights for a mere \$100 rather than \$1,500 like your friends in Panama!

## **Keep Your Credit Card Under Control**

Do you know the best way to keep your credit spending under control? Don't have a credit card! Oh boy, I can hear the protests already!

*"I don't use my credit card any more than I would if I was using cash."*

*"I never carry a balance on my credit card. I pay it in full every month!"*

*"My credit card earns me money because of the rewards."*

*"I need my credit card so that I can build my credit."*

There are all very common disputes that I hear, and I have to say that many of them are completely bogus.

(1) There have been countless studies performed where people are given the option of paying with a credit card and with cash. In almost every case, those that pay with a credit card spend far more than those that have to make the purchase with cash.

(2) Many card holders also carry a balance, especially college students! A [study that was performed in 2004](#) showed that the average student carried a \$2,200 credit card balance in addition to their student loans!

(3) The rewards from credit cards are peanuts compared to what you are spending. Many only pay back an average of 1 or 2 percent. You'd have to spend \$1,000 just to get \$10 back!

(4) Credit cards are not the only way to build credit. It's only a small aspect of your overall credit score. If you pay bills regularly, own a cell phone, have a bank card, and pay for your residence, then you are already building credit.

Here's the best rule of thumb in your college years (and for life): "If you don't have the cash for it, you don't need it." Don't worry, you'll survive without a credit card. And, if you do get through college without an ounce of debt, you'll soon be light-years ahead of your classmates financially.

### **Cars Are Expensive – Do Without One!**

If you live near campus and own a bicycle, chances are that you really don't need a car. Sure, your 1979 Schwinn won't make you a chick magnet (as for you ladies, a guy doesn't care about your car, so stick with the Schwinn), but it will definitely cut your costs while in school. Let's take a look at some details.

#### Vehicle Expenses

- The initial cost of the car: \$3,000 (you found a cheap one from a friend of the family)
- Monthly maintenance: \$100 (oil changes, tires, unexpected issues)

- Gas expense per month: \$200 (you don't drive far, but it adds up)
- Monthly Insurance: \$170 (remember, you're young and irresponsible and will get charged through the nose for insurance)

### Bicycle Expenses

- Initial cost of the bike: \$60 (Craigslist find)
- Monthly maintenance: \$6 (you might need one tire a year; oh, and a bike pump)
- Gas expense per month: \$0
- Monthly Insurance: \$0

### Comparison Between the Car and the Bike

After year one, ***the car will cost you \$8,640*** (\$3,000 initial expense + \$1,200 in maintenance + \$2,400 in gas + 2,040 in insurance)!

After year one, ***the bicycle will cost you \$132*** (\$60 initial expense + \$72 in maintenance).

Once again, it's not a chick magnet, but if I were you, I'd much rather spend \$132 rather than \$8,640! Wouldn't you?

### You Have a Problem With a Bike?

Yes, I understand that sometimes a bike isn't always practical. I live in Michigan and the snow can get pretty deep sometimes. This is why it's important to live near enough to the college where

walking is always an option. But, if you can't find a place that's close enough, then start riding the bus, or start hitching a ride with your friends. They'll love it if you throw \$5 their way every now and then, and it sure beats paying for your own ride (if you forgot, take a look at the thousands of dollars that you'll be saving above).

### **Remember Not to Buy Love**

In my younger years, I can remember my friend telling me that he spends at least \$200 on a first date. After all, he had to make a good impression. I have to say that my eyes almost popped out of their sockets! Two hundred dollars?!? As a broke college student, if my date didn't want to spend time with me at Burger King, then she must not have been that into me.

You might think I'm joking about the whole Burger King thing, but I'm dead serious! Think about it. Let's say a girl is really into you and would love it if you took her on a date. What is it that she's looking forward to? Is she expecting a live band or a gourmet feast? No, she is looking forward to spending time with you!

Your first couple dates could be as simple as hanging out with friends in the apartment or going out for a walk in the city. If you're feeling rich, then head out for some caffeine at the local coffee shop! She'll love spending time with you and she'll really appreciate a debt-free marriage later in life.

### **Making Money in College**

So far, this entire chapter has been about keeping expenses down. While it is incredibly important, if you're not making any money, then you're still headed backwards financially.

## How Many Hours Can You Work While in School?

The simple answer to this question is, “As many hours as you want.” But, we all know that grades are important and you should only work more hours if it doesn’t affect your grades. For me, the magic number was 30 hours per week. I could work a couple of evenings during the week and then put in another 18 hours or so on the weekend (on Friday, Saturday, and Sunday).

If you plan your class schedule so that you only need to be at school on Tuesdays and Thursdays (or maybe Monday, Wednesday, Friday), then it becomes much easier to put in some extra time during the week when you don’t have class. This is a great way to make a couple extra bucks without killing yourself by working every evening after school.

## Job Ideas During the School Year

While you’re taking college classes, it’s probably best to find work that available at night with flexible hours. Here are some ideas to get you started:

- Waiter/Waitress
- Tutor
- Baby-sit
- Work at a hotel (bellboy or front desk)
- Clean houses
- Cashier for retail store
- Virtual Assistant (this is getting more popular, I could use one soon myself!)
- Become a work-study at the college
- Internship related to your degree

If you’d like some more ideas, I have written an eBook titled, “101 Ways to Make More Money” and offer it for free on my website,

[LifeAndMyFinances.com](#). All you have to do is subscribe (and that's free too)!

### Summer Jobs

Getting a full-time job during the summer is extremely important if you want to graduate debt-free. Think about it. You've got a solid three months where you have no other responsibilities other than eating and sleeping (both of which are funded by the parents while you're at home). It's a great time to save up some money for the next year of school!

One of my friends was a workaholic in the summer time, and now that I look back on it, I can certainly see why. He found a job in a factory where he could make \$14 an hour, and work 60 hours per week. Factoring in the over-time, he would clear \$735 a week after taxes. After 14 weeks, he'd have over \$10,000 in his account, ready for the expenses that awaited him in the new school year.

If you can find a solid summer job while you're in college, take full advantage of it! This might be a factory job like my friend's, or maybe you're able to get a paid internship related to your degree. Either way, if you can bank thousands of dollars each summer, you'll have a great chance to graduate college without one cent of debt.

### Start Your Own Business

If you're an entrepreneur at heart, another option is to start your own business. Now, I'm not talking about opening up a new brick-and-mortar business that's going to cost you \$300,000 to get started – remember, the point of this book is to get out of debt, not throw yourself into it. The idea here is to start a low-cost business that has the potential to make at least \$10,000 per year to cover those school expenses.

While I did work a few jobs while I was in college, I did not start my entrepreneurial projects until a few years later, which I still regret a little bit today. Imagine how much farther along I'd be if I would have started a business 4 years ago instead of just one year ago. If you are currently in college and have a passion for building an income from scratch, start that business today!

### My Small Business Income

Ever since I was a little kid, I enjoyed talking about money and figuring out how to make more of it. My parents did not provide an allowance, so I had to get creative! Selling used golf balls, finding pop bottles, building cabinets from scrap wood; these are a few of the things I did to make money as a kid.

Of course, this fascination with money (and how some can create millions from practically nothing) did not die away as I grew older, and my poor wife was constantly listening to my thoughts and ideas about budgeting, saving, and creating wealth. I think I finally drove her crazy because she suggested that I start a blog for all of my ideas (I'm pretty sure she just wanted me to talk to someone else about money and leave her alone)!

On August, 2010, my first blog ([Life And My Finances](#)) was born. It was fresh, it had typos, and quite frankly, it was ugly, but it served its purpose and it allowed me to express my ideas to the masses (which totaled about 6 people who actually knew that my blog existed). After 6 months or so of writing, I saw my readership pick up and advertisers started contacting me! They wanted to pay me to put an ad on my site about their company.

While I had heard that some blogs make a pretty good income, I had no idea what that meant. Of course, my

earnings started out slow, but today, I can easily average \$1,000 a month with that one site alone (and it's still a baby)! This initial blog has led to others, and now I'm finding myself writing this book!

There's no way of knowing if my blogs will “make it big”, but there certainly is potential. After all, there were a few blogs that are similar to mine that have recently been sold for more than \$1 million! That's right, these bloggers developed their site over the course of 4 or 5 years, and now they are millionaires. That would be a nice graduation gift, huh? It's definitely possible.

If you're interested in [starting your own blog](#), I do offer some help on my website to get you started. Who knows, maybe you could earn 7 figures with it someday!

### Other Online Businesses

Of course, there are other online ventures besides a blog, and you can have many of them up and running for less than \$100. If you have an idea for a site that solves a problem in our world today, then your success has pretty good odds. With the low initial start-up, don't be afraid to give it a shot! You never know, you could be the next internet sensation!

### Offline Business Ideas

While there are quite a few opportunities to make some extra bucks online, sometimes it's easier to start a business that's a little more tangible and concrete. Now, I still don't suggest taking on a loan to start your venture – there are plenty of options that won't cost you a ton to start. Here are some examples:



- Mowing Lawns
- Painting Houses (interior/exterior)
- Detailing Cars
- Organizing Closets and Homes

Once again, this is where summers are extremely important. If you work hard each day on your business, you could easily head back to school with \$10,000 in your pocket. Plus, you might actually create a career out of your business.

I've known quite a few people that are making such good money with their business after they graduate that they just continue working at it, rather than try to find a job. It's a great option to give yourself, not only for the added income option, but for the potential financial windfall that your business could create.

### **Can I Really Get Out of Debt While I'm Still In College?**

I imagine that there's quite a few of you that are asking yourself the question of whether getting out of debt is really possible while you're in college. I can tell you that it's not going to be a cake-walk, but it *is* possible!

$$\text{Net Income} = \text{Revenue} - \text{Expenses}$$

In order to get out of college without any debt, you need to understand the equation above. If you have a high revenue, but your expenses are also high, you'll basically have no money left at the end of each month. This will ultimately lead to college debt. The key is to increase your revenue, while decreasing your expenses. This strategy will yield

much higher net incomes, and will allow you to pay off those debts, even before you graduate from college!

### Diving into the Details

If you're anything like me, right now you're saying, "Prove it. Show me the numbers. I want to see exactly how this is possible. Well my friend, it's your lucky day. Let's get down to the nitty-gritty. :)

So let's say you've already racked up \$12,000 in debt your freshman year. By viewing these tables, you should realize that there is still hope!

	<b>Expenses (per semester)</b>	<b>Comments</b>
<b>Tuition</b>	<b>\$5,000</b>	In my area, college tuition is \$5,000 for 12-15 credits each semester.
<b>Textbooks Supplies</b>	<b>\$600</b>	This includes books, pens, paper, computer maintenance, etc.
<b>Housing</b>	<b>\$2,000</b>	Rent a room off-campus at \$500 per month for 4 months (1 semester)
<b>Food</b>	<b>\$800</b>	Monthly food expense is \$200. Four months brings the total to \$800
<b>Clothing</b>	<b>\$100</b>	Make friends with your local second-hand store
<b>Auto</b>	<b>\$10</b>	Ditch the car and get a bike. Maintenance is \$10 per semester.
<b>Fun</b>	<b>\$100</b>	You've got to have some fun in college. Here's \$100.
<b>Total</b>	<b>\$8,610</b>	Time to start working!!

After jotting down the typical school expenses, each semester could cost you \$8,610! Let's see if we can find a way to pay for that.

	Income (per semester)	Comments
<b>Scholarships</b>	\$4,000	There are plenty of scholarships out there. Earning \$4,000 per semester is entirely possible.
<b>Work Income</b>	\$3,400	20 hours per week at \$10/hr (after tax) for 17 weeks.
<b>Business Income</b>	\$1,000	A simple blog can earn \$250 a month (after tax)
<b>Total</b>	<b>\$8,400</b>	That scholarship money really helps – take note of that and start working your butt off to get them!

During school, you could be earning \$8,400! That doesn't quite cover the college expenses, but you've still got time to earn some bucks in the summer!

	Summer Income	Comments
<b>Work Income</b>	\$6,800	40 hours per week at \$10/hr (after tax) for 17 weeks
<b>Business Income</b>	\$1,000	Again, a simple blog can earn \$250 a month (after tax)

During the summer months, even if you only earn \$10 an hour (after tax), you could still come up with \$7,800. Take away \$2,000 for summer expenses and you're easily get ahead of your bills (and have a surplus)!

By following this plan, rather than having another deficit after your sophomore year, you'll be in the positive by \$5,380! If you continue to follow this plan through your

junior and senior year, you could pay off your entire debt-load of \$12,000, plus you'll still have \$4,140 in the bank after you graduate!

Yes, it is possible, and it will give you an amazing head-start in life. For the next 10 years, your friends will be paying off their debts and you'll already have an executive position with a paid-for house! Go ahead, pay off that student loan and live the life that you've always dreamed of.

## Bonus Chapter

\* \* \*

### How to Get Out of Debt After College

Do you know how many stories there are about college students graduating with 6-figure debt loads? I hear them all the time, and not all of these students are becoming doctors either! Some of them have earned a degree that will yield a \$30,000 a year job, and they now live under the bondage of huge debts, with little hope of escape!

Debt just has a way of sucking the life out of you, especially student loans. Rather than owning a hunk of property that could be sold in time of need, a degree has absolutely no resale value. You could earn your degree and be \$40,000 in debt, but guess what, there's no escape. There is nothing to sell or give to the bank. You simply have to earn more money and pay off the debt, even if it takes your whole life!

#### My Story

I wasn't going to let debt rule my life. I actually went through my first 3 years of college with absolutely no debt! .....And then I got lazy. I didn't earn as much during the summer and I decided to buy a car that was out of my price range. Then, after I changed my major, I found out that I needed to stay in school for an extra year. Suddenly my income was very small and my expenses were very large. I graduated from college with \$12,000 in loans. My wife was a little more frugal than I, and she accumulated only \$6,000 in

student loans. Together though, we had this \$18,000 price tag hanging over our heads.

We knew that we had to pay it, but how in the world were we going to do it? We were recently married, I had an entry-level salary, she was still looking for a job, and we lived in one of the most expensive areas in the state! In fact, when that first loan payment came due, we just couldn't afford it. We decided to defer the loans for a couple of months (which was a relief – but they didn't tell us that the interest would continue to grow against the current balance....), and hoped that my wife would find a job.

Thankfully my wife did find employment. It was just in time too. If we would have continued on that same path, we'd most likely be living in a box on a highway somewhere. We simply didn't have enough money to survive.

With that additional income, we felt compelled to get rid of this curse (called debt) as soon as possible. Never again did we want to fight about spending or worry about how that next bill would be paid. So, we took action and paid off that \$18,000 in only 14 months.

## **How Did We Do It?**

What we did to free ourselves from debt was really no secret method. We did not win the lottery, nor did we find a loop-hole in the government policies that would pay us money for our situation. We just made a plan and stuck with it! Below are the exact steps we took to become debt-free. They worked for us, and they can work for you too!

### **1) Sell All The Stuff You Can!**

While my wife and I first decided to aggressively pay down our debts, we knew that we needed to get our hands on some cash right

away to get the ball rolling. We didn't have any money in the bank, but when we looked around our apartment, we quickly realized that we owned quite a few things of value that we really didn't need. In that first month, I sold one of our TVs, our surround sound, a bicycle, and a dog kennel that we found sitting next to our community dumpster (for the record, I didn't dumpster dive... it was beside the dumpster). These items brought in \$260 and we put it straight toward the student loans.

## **2) Cut Expenses**

When my wife and I were digging our way out of debt, we canceled our cable and the Internet. If we felt the need for entertainment, we rented a movie for \$1, and if we needed the internet we headed to the library. It sounds like it would be a massive inconvenience (and perhaps a cruel and unusual punishment), but my wife and I actually enjoy living without cable today. I bet you could do without it too.

### Food

I think the most out of control expense in our nation today is the food bill. Not only do we go out to eat way too much (more than once a week is definitely too much), but when we head to the grocery store, we leave with a bunch of unnecessary goodies that we didn't need. Sometimes we head out of the store with a few magazines, a tin of cookies, or maybe even some trinkets that just clutter up the house.

Instead of going into the store and pulling random groceries off the shelf, head inside with a list in hand. Have your meals planned for the week and get only the ingredients that are necessary for those meals. You'll be amazed at the money you'll save each month.

## Entertainment

Instead of heading to the movies every Friday and spending \$40, why not save some money and get a little more creative? Come up with a list of things that you can do for under \$5. This could include heading to the beach, having a picnic in the park, walking downtown, or maybe even playing a couple games of tennis. Not only will this save you some dough, most of the time it's incredibly fun!

## Energy

People make a big deal out of energy saving products and practices, but saving money on energy doesn't really take that much thought. Make sure to turn off your lights when you leave the room and keep the air/heat to a reasonable temperature. If you have to wear a sweatshirt inside during the winter, it's not the end of the world, and you know that you're saving some money on that heating bill.

## Miscellaneous

Some of you enjoy finding a great deal. You see a pair of sneakers that were originally priced at \$120, but have recently been marked down to \$60! Plus, you have a 20% off coupon that brings the price down to \$48. Talk about a great deal, right? Wrong. You already have 12 pairs of sneakers in the closet that you don't wear. I say you just wasted \$48.

Don't nickel and dime yourself to death. Yes, there may be some great deals out there, but unless you were heading into the store with the intent to buy the product today, I'd tell you to do everything in your power to walk out of the store without it!



### **3) Put Every Cent Toward the Debts**

Occasionally, a windfall comes your way. This could be in the form of an inheritance, a tax refund, or maybe it's the 20 bucks that you found on the sidewalk. Whatever the case, make a decision to put all extra money toward the debt. This will not only speed up the process, but it'll make you feel great when the debt vanishes even faster than you planned.

While we were paying off our debts, I was able to land a job with more pay, better benefits, and it also came with a sizable moving/signing bonus of \$5,000. It would have been pretty easy to spend that money on the move (with a professional moving company), but instead, both my wife and I decided to put as much of it toward our debts as we could.

So, to avoid hiring a moving company (or even a large truck for that matter), we decided to sell all of our furniture and anything else that we hardly used. After it was all said and done, we made about \$2,000 from the sale and only needed to rent a trailer that we could pull behind our Jeep. The total moving costs (including gas) were about \$1,000. So, after you do the math, that move made us a quick \$6,000 that immediately went toward our debts.

### **4) Start That Budget and Stick to It**

In our house, I'm “the personal finance guy”, but I still don't enjoy budgeting, and I'm guessing that this is not your favorite thing to do either. But, guess what? It's 100% necessary if you want to free yourself from your debt-load.

Whatever you do, don't write up a budget in a day and expect all of your expenses to match it perfectly. There will be things that are easily forgotten - such as vehicle registration or that monthly bill that's on automatic payment – and that's ok! For most couples, it

takes 3 months or more to even get close to living within the means of their proposed budget.

Once you find the budget that works for you, seek out an accountability partner. If you're married, then perhaps your spousal encouragement is enough, but if you're single you might want to get in touch with someone that has their finances under control. Ask them if they'd be willing to call you once a week to check up on your financial goals. Once you have someone keeping you accountable, it'll be incredibly difficult to justify some of your spending habits.

## **5) Make More Money**

If you truly want to get out of debt, and get out of debt fast, skimping on your groceries won't cut it. You're going to need some additional income. Yes, you and your wife might already have full-time jobs, but if you can only afford to pay \$200 toward your \$80,000 student loan debt each month, you will most likely never pay off the debt! So, let's explore how you ramp up your income.

If you just want a quick fix to pay down the debt and then return back to your normal life afterwards, I would suggest working an extra part-time job. Sure, it might only pay \$10 an hour, but you know what? If you're able to work 15 hours a week, then you'll be looking at an extra \$500 a month after taxes! Suddenly, your \$200 payment has turned into a \$700 payment. It will take a few years of this to get rid of your debts, but it's better than the “work for life and get nowhere” plan!

The other option is to start a business on the side. Please do not set this book down and start a business that will cost you \$300,000 in start-up costs! That's not what I'm talking about here. Brainstorm some ideas of what you could do that would cost less than \$100 to start up, but could potentially bring in some large earnings in the future.

When my wife and I were dirt poor, I did some brainstorming myself. Here's where we stood: we had \$18,000 in student loans, my income could barely cover all of our expenses, and we had basically no money in our savings. I decided that we needed some more income, but I knew that I had to spend less than \$50 to get it rolling.

Since I enjoyed writing and heard that blogging could bring in earnings of \$1,000 per month, I decided to give it a shot. \$44 later, I had my very own website. Now, I didn't start earning big bucks right away. In fact, in the first month, I only made \$5.03! But, I stuck with it because I knew that the extra income was possible. This year, I plan to earn nearly \$30,000 (crossed fingers) with my online ventures. Not too shabby for a side income.

If you'd like some other ideas for making some additional dollars on the side, subscribe to my site at [Life And My Finances](#) to receive my free eBook – “101 Ways to Make More Money”.

## **6) Don't Burn Out – Make a Chart and Track Your Progress**

You know what happens to most people after the first few months? They just become drained from the constant focus of paying off their debts. While they have made significant progress, the debt-repayment seems like it's taking forever! It's a hopeless feeling when you realize how large your debt load really is, and from this point, people can head in one of two directions. They either throw their hands up and say, “I'll never be free from debt, and I'm okay with that.”, or they buckle down once again and keep heading toward that initial goal of debt freedom.

Obviously, I'd like for you work toward being debt free. But, what's the best way for you to avoid burn-out? It's simple really – keep your reason in front of you at all times.

When my wife and I began to struggle, we knew that we needed some additional motivation. So, we started putting pictures up around our house that portrayed our future dreams. We love to travel, so we'd put pictures up of beautiful places that we'd like to visit. I wanted a house, so I'd often pick up a free real estate magazine and paste some pictures on the wall of beach-front houses. It could be little things too, like going to the aquarium or to a Broadway show. Whatever it is that you love to do, make it a goal to become debt-free first, and then reward yourself with one of these dreams (within the budget of course)!

This helped us stay focused for a while, but we also needed a daily reminder that we were in fact getting closer to our goals. It's a lot more motivational to see your debt go down each day than to track it by the month. So, I decided to start writing our current debt-load on a piece of paper and put it up on the refrigerator. I knew that if we stuck to our budget, we could pay off \$1,500 a month. Take that amount and divide it by 30 (the number of days in the month), and you come up with \$50. Every day, I would wake up, and I would cross out the number from the previous day and reduce it by \$50. It doesn't seem like much, but it was a constant reminder that we were still doing a good job, and our debts would be paid off soon.