

Parents Are Too Optimistic About Scholarships

By Kim Clark

Parents are irrationally optimistic about their kids' chances for getting scholarships, a new survey by AllianceBernstein Investments shows. As a result, students often have little choice but to borrow to pay tuition bills, burdening themselves with debt levels that college financial aid officers say they would consider too high for their own children.

Fully 72 percent of surveyed parents thought their kids had special talents that would win them scholarships. Yet fewer than 20 percent of all college students actually get grants based solely on merit, federal statistics show. Only about half of all college students get any kind of grant, whether based on merit or financial need. Those who do get grants get only about \$4,000 a year

on average. That covers just about a quarter of the \$16,000 sticker price of tuition, fees, room, board, books, and extras at a typical public university this year.

The survey also found that 68 percent of parents think colleges will provide enough financial aid to allow them to reasonably afford sending their children to college.

Financial aid officers surveyed by AllianceBernstein had sobering news for parents. Two thirds of the officers say the current system—a patchwork of federal, state, and college grants and loans—fails to meet families' true needs. Schools and governments look at each family's finances to calculate what is known as the Expected Family Contribution, an estimate of how much the family can afford to pay for college. But the 200 college aid officials surveyed unanimously agreed that at least 10 percent of the families they worked with

couldn't actually afford to meet the calculated EFC.

As a result, the aid officers said, more and more students are taking on too much debt to pay their college bills. Some 57 percent of aid officers said they would not want their own children to borrow as much as the average student has borrowed at their own school.

"Parents are in for a rude awakening," says Michael Conrath, vice president of college savings at AllianceBernstein. The rising mismatch between families' ability to pay and college costs could easily become a vicious cycle, he adds. Many parents say they haven't been able to save for their children's education because they are still pressed to pay off their own student loans. As educational debts get bigger, today's students may be even less prepared when it comes time to pay their own children's tuition bills.

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