



## GO FORWARD INSIGHTS

By Mary T. Go, Founder, Go Forward Insights, November 11, 2018

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You've taught them about sex. You've warned them about the dangers of alcohol and drugs. But if you haven't actively coached your college-aged child about money, you may be setting yourself up for a post-graduate boomerang.

Money matters still appear to be the last taboo. We feel guilt if we've over-provided for our children. We worry if our children want what we can't afford. During the college years, if a student is given only these emotionally mixed-messages, their financial skills will likely not develop. The result is a college graduate who remains financially dependent, with little understanding of how to avoid debt, stay within a budget, or work to provide for themselves.

Luckily, this is GREAT time for the right conversations and active coaching, while your student is semi-independent. You can start your college student NOW to build financial skills and be on the road to financial independence by graduation with these five actions:

### **1. Develop financial boundaries.**

Discuss with your student the type of support they can count on. Be sure to align the parental partners to this support.

If you are able to pay for a portion of tuition, state how much this is, and for how long the support is planned. Explain exactly how much in student loans have been required and how much will be the student's responsibility after graduation. This might be a difficult conversation, but one that is absolutely vital, as the child should know the "big picture" when considering internships, job prospects, or even majors. Without this information, students may conclude the educational experience is exclusively for their enrichment, with no financial cost or responsibility.

If you intend to pay the entire tuition, state what that amount is, and how any scholarships the student has earned has helped the financial picture. Even if you are paying a sizable amount annually, it is not inappropriate to tell the student this figure. This, again, helps them to understand their responsibility and your expectation for this investment. I recommend setting the minimum expectation that the student is to complete undergraduate studies in four years or less. Every added semester has a cost – in this case, for the parents – and the child should be reminded of this expectation BEFORE they let grades slide, decide too late to choose a major, extend indefinitely for a second major, or simply conclude they'll tack on an additional semester of "free" fun.

### **2. Collaboratively set a budget.**

Discuss the many costs over and above tuition, and develop a plan to address these costs. You may decide all "spending money" for costs over tuition will be required from the student's summer job savings. If the student does not have meaningful savings, do not give up. Collaboratively budget a set monthly amount to cover various expenses. Without a monthly budget, the student is likely to simply ask when they need more money. That "drip, drip," not only threatens the parents' budget, it does not teach the child about planning, budgeting, and tradeoffs, which are all vital skills post-graduation.

### **3. Create feedback and consequences.**

Set a monthly call to talk exclusively about money matters. Ask questions that are specific to your expectations. Are the grades sufficient for the graduation agreement you've made? Are there a few pennies left in the monthly budget at the end of the month? If the answers are Yes, praise and explain why these skills about accountability and budget are helping the child work towards independence. If the answers are No, or "not sure," the child is accountable for developing remedial action they must share on the next call.

### **4. Check your own biases.**

Are both parents able to hold accountability on these issues? If you find yourself sneaking more money to the child, especially without the consent of the other parent, something has gone wrong. Is it a fear your child will miss out on a key college experience? Is it competition you feel with the wealthier children's parents – who seem to afford everything from the sorority dances to Spring Break in Aruba? Reasonable budgeting can help this situation – by asking the child or even the college to estimate all costs ahead of time - but more likely, this is an opportunity to learn the risks of "keeping up with the Joneses." If the parents are unphased by that pressure, the student is less likely to be caught up in that financial trap. Without learning that important lesson, there is a likelihood of a costly and financially insecure future ahead.

### **5. Expand the scope.**

After a few months of success, consider increasing the budget's line items. If you have decided on a \$100 monthly budget for laundry, snacks, and a little spending money, consider expanding the budget to include the many other incidentals the parents are covering, like cell phone. At minimum, PLEASE have a very direct conversation about money before the child believes a car is a necessity at college! Your student should understand cars (and insurance and gas and speeding tickets) are expensive, and they should know they'll be asked for a financial contribution before they hit the road.

*Mary T. Go is the owner and founder of Go Forward Insights, LLC. Mary's ethos is "no one watches your money better than you" and she seeks, as a coach, ways to simplify and demystify personal finance for her clients. In addition to a career that spanned over 20 years in corporate finance, Mary holds a BA degree in economics from the University of Rochester and an MBA from the University of Chicago's Booth School of Business.*

*Mary's financial coaching clients have included mid-career individuals working to get into better financial shape, individuals looking to re-gain their financial confidence during life transitions, and parents looking to guide college-age children in financial skills. She can be counted on for encouragement and confidential guidance with a strong dose of action-orientation and accountability. Visit her at [www.goforwardinsights.com](http://www.goforwardinsights.com).*