Jane Walstedt: Now, I’d like to ask Kelly Jenkins-Pultz, a Program Analyst with the Women’s Bureau Regional Office in San Francisco, to introduce our first speaker.

Kelly--

Kelly Jenkins-Pultz: Thanks, Jane.

Pam Krueger is Executive Producer, Co-Anchor and Creator of the National Public Television MoneyTrack series. She has a passion for economics and the stock market and a talent for communicating complicated financial topics into language that the average woman, teenager or TV channel surfer can easily understand.

Pam was a stockbroker for nine years before moving into the media industry. She’s been a reporter, anchor, segment producer and producer for several Emmy award-winning programs, including “Marketplace” in San Francisco and on KGO-TV’s newscasts.

Her other credits include co-anchoring and producing TechTV’s “The Money Machine” during the technology boom of the late 1990s and reporting for the Emmy award-winning PBS series “Money Moves.”

Before Pam created MoneyTrack, she conceived and produced NETworth, a one-hour special about how to use the Internet to manage and invest, and that aired nationally.
At the same time, she produced IPO: Investing Pays Off, a series of very short television segments that introduced teenagers to the world of investing, saving, philanthropy, the stock market, becoming an entrepreneur, and other essential life skills.

This children’s series earned a CINE Award and was nominated for an Emmy in 2004.

Pam makes learning about finances so easy that even her dog, Chloe, has become an educated and wise investor. Chloe joins Pam and her co-host on the MoneyTrack program each week, and Chloe even has her own corner on the MoneyTrack.org Web site. Check that out for a really good laugh and some really good advice.

We’re so delighted that Pam could join us today, and it’s my great pleasure to introduce Pam Krueger to you today.

Pam--

Pam Krueger: Thank you so much for the introduction, both of you.

And by the way, Chloe, the Labradoodle, is on the program to remind everybody, including our crew, to keep it very real and keep it very down to earth. All she has to do is throw us a certain look and we all realize that we need to be not speaking in jargon, just plain simple language.

You know, the topic today is so big that the only thing that I can ever think of around it is how do you eat an elephant? And it’s one bite at a time. It’s a series of good news and bad news, all the way through the entire process, whether you’re looking ahead to fund your child’s education or whether you’re looking ahead at your own education and you’re 40 and you’re saying,
“It’s time for me to go back and finish my degree” or “It’s time for me to go and get that MBA that I need.”

So, it’s a big huge process that is filled with good news and bad news. And as Jane pointed out, absolutely, we all hear the scary statistics. You know, when you look at...just call it $20,000 a year on average, whether it be that you’re thinking private or you’re thinking community college. Obviously, community college is going to cost much, much less and private Ivy League schools are going to cost much, much more.

But when you’re taking into consideration tuition, books, entertainment, real life, real expenses for your kids, for yourself, it looks as daunting as when you go look at a house and you say, “That house is $300,000. I don’t have $300,000 to pay out of pocket.” Of course you don’t. But does that mean you’re not going to become a homeowner? Of course it doesn’t.

The good news is that even though students are taking on more debt--and they are borrowing more, so they’re shouldering more of the burden and less is coming from financial aid versus from the government--the loans are getting to be pretty competitive. We’ll talk about and touch on that. And the process is becoming a lot more manageable thanks in part to the Internet, which offers some great resources, which I’ll explain at the end of my portion of this.

So basically, what I want to talk to you about is the approach, because the approach you take, just like buying a home is the... is just all important. It’s everything, and you need to look at it--in my view--in life stages.

So, basically, getting back to this one bite at a time, let’s say that Stage 1 is that your child is an infant or, you know, just a toddler. You have time, and time equals money in the truest sense, because even just saving $100 a month--you’re a couple, you’re a single mom, whatever--that’s going to generate a
fund for college that’s worth about $50,000 by the time your child reaches his or her 18th birthday.

So, there are plans that are out there specifically in place and designed for parents who want to do this--who want to set aside that $100 or $50 or $200 a month--you have more than one child, et cetera, et cetera. Whatever your means will allow you to save. These are very specialized programs that have very significant tax breaks and they are designed to [offer an incentive for] you to pay--to help fund--your child’s education.

Now, after I am done, you’re going to hear from Maureen in detail about the most popular type of this investment account designed to fund your child’s education.

So Stage 1, if you’re looking at funding a child or children and they’re very, very young, please just keep in mind, time really does equal money. Small amounts of money over those, you know, 16, 17 years invested will work magic for you.

Stage 2, though, and say that you’ve got two kids, or three kids, you’ve got a house payment, you’ve got two car payments and you’ve got two retirements to fund as well, or one.

Now, say that those kids are already hitting high school. They’re [in] junior high or in high school, and you haven’t managed to save or invest at all for that purpose. You want to be the best parents on the planet that you can be to your kids, but you have to find a way to balance all these, and it feels like everything is happening at the last minute now, and you’re not ready for it.

Well David, after Maureen, is going to talk to us about options available to help you help your kids when you’re at that stage. But the essential
ingredients of managing this part of the process is basically sitting back and saying, okay, take a deep breath, there is financial aid. Financial aid is available to middle-income families.

Middle-income families qualify. It’s just a fact. That’s true financial aid based on need. You’re not going to get 100% of the college tuition funded by financial aid unless you qualify for that, meaning that your income qualifies you, and your other assets, but most people patchwork together financial aid and scholarships, perhaps. We’ll touch on that--private loans and other types of brand new loans out there.

This all comes under the category of borrowing, but there even are these really wonderful loans out there now called GATE loans. They are specifically designed for, you know, parents who want to help their kids be able to pay the bill, and they’re not eligible to get all of the financial aid that they need. This is how people are funding college, whether it’s for themselves or whether it’s for their kids--the combination of borrowing, aid, possibly some scholarships.

So, basically, the key to managing the process of finding the money to pay for all of this is to understand that each step along the way during these life stages, you’re going to be presented with choices and options, and every single one of these options has its own upside and downside. So, the whole process is like managing a series of tradeoffs more than anything else.

Okay. Let’s say, for example, I qualify for more aid, and I won’t have…then I won’t have to borrow as much. That’s the good news. You know, obviously, the bad news is you’re not earning enough money to really be able to pull it all off. People who are making $50,000 or $60,000 a year, you’re going to qualify for some aid, but you are going to end up borrowing or your child is going to end up borrowing, I should say, in that case.
And of course, the experts aren’t worried about the payback later for the med students--med school students--or the law school students because they’re going to take on…really honestly, I know kids who are borrowing $160,000 to $200,000--just like a mortgage--that comes due over time when they graduate, but experts aren’t worried about those kids even though those payments sounds horrendous, because they’re going to earn the money to make these huge mega payments back.

It’s the kids who are going to school—it’s we who are going to school to become teachers—who are going to get out of school and make $40,000 and $50,000 a year and still have like this enormous debt and still want to buy a house…. And the good news on that end is--on the other side of all of this--there are opportunities available that you need to research and know about that can help you (a), consolidate those loans, (b), lower the payments or (d) - I mean, (c)--even right now Congress…I believe that the House has already passed the bill, and it…you know, obviously hasn’t become law, but very well may. That would reduce the amount of money that you have to pay back over time. [Note: Pam was referring to a bill that would boost student aid, cut the interest rate on some Federal loans in half, set a limit on the percentage of a person’s discretionary income that they would have to spend to repay Federally-backed student loans, forgive the loans after about two decades, and provide more generous loan-forgiveness options for public servants such as teachers and police officers.]

So, these are all things that are out there, and the whole point of it is to sit down at the beginning of the process and look at your life stages and look at what you’re really trying to fund, organize every possible opportunity available to you, and then figure out the roadmap that will get you there and get you out of debt by a certain time in life. But by no means should you ever want to look at this process and think that it’s too big to handle, because it
isn’t, and when I’m done, I’m going to give you a couple of great Web sites that are extremely useful, unbiased, and the information is free.

But first, let me just touch on a couple of things that I mentioned that may not come up in this call otherwise. People are worried about where to go to borrow for a loan, and there are private loans out there. My advice is [to] stick with the private loans and the companies or banks or financial institutions that specialize in that area and be very, very wary of loans that are offered that don’t come from a reputable institution that you really have heard of.

Bank of America - I’m not touting Bank of America, I’m just telling you the truth - they’ve got one of the best programs, and for private loans Sallie Mae obviously has huge resources where you can find out about a lot more, diving into each and every area of private loans.

But the upside to a private loan is that a lot of them don’t require the same types of terms as a normal loan, or even a mortgage. They can vary considerably in interest rates and terms based on your family’s credit and, you know, your credit score. There’s even a loan out there right now where it’s called the GATE loan that doesn’t even require a credit check, and the payback terms are extremely favorable.

So, most experts out there and most lenders out there consider student loan or higher education debt to be in the category of what we call “good debt,” not “bad debt.” “Bad debt” is when you go to dinner and you buy a big expensive dinner, you put it on your Visa card, and you don’t pay it off for six months. That’s “bad debt.” “Good debt” is anything that’s going to go up in value in the future or help you earn more money in the future.
So, “good debt” is usually accompanied by good terms because when you buy a house—that’s why there are so many great options for anybody who is looking to buy a home—they want to help you buy a home, so they make it [the loan terms] very favorable. Same with education loans.

So really, it’s about sticking with the reputable companies out there when it comes to considering a private loan [and] looking at what you can qualify for in financial aid. And then don’t ignore the possibility that you or your child could qualify for a scholarship. I know it sounds stupid, but there are scholarships out there that - okay, they might be $1000, $2000--but that really [could] help -- if your child is left-handed.

The point is there’s $3 billion a year available in scholarship money, which means money that doesn’t have to be paid back. It’s not a loan. You get it and you don’t have to pay it back ever.

That’s money in the form of a grant. Every single year about 10% of that never even gets awarded, not because people didn’t qualify or that students didn’t make it based on because they didn’t play football and get straight As. These scholarships are for everybody, and there’s something out there for everybody. It’s that they didn’t apply. And that’s why the money gets turned back, because they just get discouraged. They think they’re not going to get it.

And one of the biggest tips I can give you on even getting a scholarship of any value is to find the ones--and I’ll give you the resources right after this with the Web sites to go do that, to do the search,--and it’s actually a fun search to do. You’ll find what you’re qualified for or what you’re most likely to qualify for, you apply, [when] you get turned down, keep applying to the very same organization that turned you down the first time.
Even though it’s counterintuitive, keep going back, because that’s how…I know personally students who were from…someone from the Philippines, for example, who…she just kept applying for the same scholarship over and over again, so she finally got it [for] nursing school. She was getting a…gosh, I think, $5000 a year in scholarships alone.

So, those things altogether, financial aid, private loans, possibly looking at other ways to creatively tap into your home equity or even your 401(k)--which may or may not be a good idea for you--scholarships and, you know, resources like grandparents, et cetera who can provide gift [money].

All of these things are what most of us have to cobble together in order to pay for this higher education.

Jane Walstedt: Pam, let me just give you a time check here, maybe you can give us the resources and…

Pam Krueger: You’ve got it.

Jane Walstedt: Okay.

Pam Krueger: Okay.

The resources I want to give you right now are - the one for financial aid is FinAid.org, so it’s www.finaid.org. To search for a scholarship, those are grants, go to www.FastWeb.com - F-A-S-T-W-E-B - .com and then finally www.FederalStudentAid.ed.gov, and we can repeat those again later if you want to, but those are great gateways to approach the process.

Jane Walstedt: Thank you so much, Pam. I like your approach--going by life stages--and also you’re suggesting, you know, to keep reapplying with the same lenders.