Paying for College

There's no getting around the fact that college is expensive. Tuition for in-state residents at four-year public schools averaged $7,020 a year in 2009-2010, while their private counterparts charged an average of $26,273.[1]

Fortunately, there are a variety of ways to help pay for college. Consider which of the following options best suits your needs and financial situation.

Claim education tax credits
You may be eligible for one of two credits, depending on your income and the amount that you pay in "qualified education expenses:" the Hope, or American Opportunity, credit (up to $2,500); or the Lifetime Learning credit (generally up to $2,000).

Take advantage of financial aid
Aid can be either merit-based (awarded on your child's academic, athletic, musical or artistic talent) or need-based (awarded on your family's financial circumstances). For both types of aid, it's critical to accurately represent your family's financial situation on the Free Application for Student Aid (FAFSA). Your advisor can help you run the numbers.

Look for ways to reduce costs
Perhaps your child can graduate in three years, saving you a year of tuition and expenses. He or she might enroll in an inexpensive community college for a couple of years before transferring to a four-year institution. Or your child might be able to work part-time to defray some costs. The Student Budget calculator at waddell.com can help you get a handle on his or her college income and expenses.

[1]Collegeboard.com.