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High college debt can last a lifetime

More seeking advisors' help

By Rachel Bernstein, Editorial Intern

People saddled with college debt, often years after graduation, are increasingly turning to financial services professionals for help.

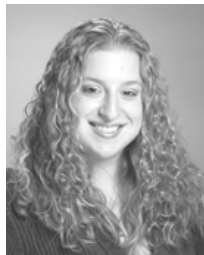
Devon Gartenhaus-Cohen, an investment advisor representative at Gartenhaus Financial in Rockville, which does business in the Maryland, Washington, D.C., and Northern Virginia areas, says that asking about debt, including college debt, is a standard part of finding out about clients.

"I have people asking me all the time, what can they do about college debt," Gartenhaus-Cohen said.

Nearly half of graduates with college debt described themselves as currently living paycheck to paycheck, a new survey from AllianceBernstein Investments found. More than a third of those with college debt reported having sold personal possessions to make ends meet, and close to 30% of graduates delayed getting medical or dental procedures in order to save.

Graduates find it hard to make financial progress, particularly with increasing interest rates, according to the survey.

Over the past decade total charges at a private four-year university have risen at an average annual rate of 5.3% and total costs now average over \$29,000 per year; at four-year public colleges the average annual increase has been 6.0% and total charges now average



Devon
Gartenhaus-Cohen

\$12,127 per year, according to the College Board.

The survey revealed that financial service professionals helped a family better realize the necessity to save for college and to start saving earlier.

With the average debt of the graduates at over \$29,000, the rise in interest rates worsens their situation, the survey said. More than half (53%) of the respondents said a continued rise in interest rates would have a "major impact" on their ability to pay off education debt.

Gartenhaus-Cohen characterized the findings as "a little low," noting that the numbers might be higher in the Capitol region because of the higher income levels and the need for people to earn degrees to be competitive in the local job market.

Her clients are mostly between 20 and 40 years old, and the debt from college they carry is between \$20,000 and \$100,000 typically, with about \$40,000 being the average.

It varies greatly how a graduate deals with debt, especially if someone has credit card debt, hasn't consolidated his or her college loans, or has already low interest rates on the college loans, Gartenhaus-Cohen said.

Forty-three percent of respondents with college debt had used a credit card to pay tuition and other college expenses. Of those, almost one-third carried that debt for more than five years.

As far as saving for college is concerned, households that relied on the advice of a financial advisor felt more positively about their ability to save enough for their children's college education--and are more likely to have already started saving.