How Student Loans can put Families at Risk

Attending college is an expensive endeavor. Today, the average cost of tuition for a non-profit, private university is around $31,000. Tuition for public in-state universities is around $10,000. This again is just to get in the door, and does not include the expenses associated with food and housing. As a father to be, I have been made aware of the fact that tuition rates are outpacing Consumer Price Index. This means in 18 years the cost for an in-state school would be north of $160,000.

Families are forced to plan in advance as to how to fund higher education. Even with a good financial plan, there still can be gaps in

college funding. Some students may qualify for grants and scholarships, but many students and parents look to low interest loans to fill the gaps. The intention is that the loan is paid back with future earnings. This is where as a co-signer of the loan needs to protect their financial risk should something unfortunate happen to the student.

Term life insurance is an inexpensive option to transfer the financial risk. For a twenty-three year old male you can purchase $150,000 of life insurance for less then $10 per month. As a young adult and typically in good health, it could be to the student's advantage to have a policy term limit go longer than the length of the loan. Then as a co-signer, you could also transfer ownership of the policy to the insured/student once the loan has been paid in full.

It is never a pleasant thought to think of an untimely loss of a loved one, but it is always important to be prepared. When the risk can be transferred at so little cost, it is very important that you take the steps to protect yourself.

Please let me know your thoughts on this post at matt@vnyins.com