



## **Funding A Private School Education (K-12<sup>th</sup>)**

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Our Western North Carolina public schools rank well among our state-wide public school system and have a long history of providing a great education to children. In fact, according to the Buncombe County Schools website, the Buncombe County public school district ranks among the top five in North Carolina in average SAT scores. Buncombe County's total mean score (1066) is 56 points higher than the state average (1010) and 38 points higher than the national average (1028). All six Buncombe County public high schools posted total mean scores exceeding the state average, which includes figures from all 115 North Carolina school districts. Five of the six Buncombe County public high schools have average scores higher than students across the nation. Results like these can make us all proud of the public school systems in our area.

However, many families in our area have decided to partner with local private schools to educate their children. In fact, there are over 5,400 Kindergarten thru 12<sup>th</sup> Grade students enrolled in area private schools throughout Western North Carolina. Parents and their children decide to partner with a private school in educating their children for various reasons. Many want their children to attend Christian schools, where a biblical view is incorporated into the child's education, or to attend a school that has a tradition of exceptional academic success and college preparation. In many of these schools, both of these goals can be achieved. For example, at Asheville Christian Academy, the largest Christian school in Western North Carolina, students receive an education distinguished by a Biblical perspective and last year's group of graduating seniors scored an average SAT score of 1200. Whatever parents personal values, beliefs, goals and objectives are in educating their children, they have several schools in Western North Carolina to choose from.

Most parents will embrace an educational philosophy that supports and teaches to their common values and beliefs, and nearly all will appreciate high levels of academic achievement. For many however, the challenge lies in paying for the education their children are receiving. While the sacrifices of choosing a private school education are substantial for most families, the rewards are substantial as well. The following steps may help parents expand their choice of education to include private schools in addition to our above average public schools.

**Start a Coverdell Educational Savings Account (ESA).** The Coverdell ESA, formerly known as the Educational IRA, works similarly to a Roth IRA, except it is geared toward education. Parents can contribute a total of \$2,000 per child per year to this type of account. Like a 529 plan, distributions are tax-free as long as they are used for qualified education expenses, such as tuition, books, fees, etc., at an eligible educational institution. 529 plans and Coverdell ESA's differ in that 529 plan distributions can only be used for post-secondary education (college); Coverdell ESA distributions can be used to fund any public, private or religious school that provides elementary, secondary (high school) or post-secondary education (college).

For an example, let's assume that a newborn's parents begin to contribute \$2,000 each year to a Coverdell ESA in the year of the child's birth, and the account earns a modest average annual rate of return of 8.00%. If the parents continue the annual contribution of \$2,000, when the child reaches the 6<sup>th</sup> grade the parents will have made total contributions of \$26,000 and the account will be worth an estimated \$46,430. Let's further assume that beginning the following year, when the child is in the 7<sup>th</sup> grade, the parents stop making the annual contributions and start taking an annual distribution of \$10,000 to pay for each remaining year's tuition. By the end of 12<sup>th</sup> grade, the parents will have thus depleted the account balance. Over this period of time, the parents would have contributed \$26,000 (newborn thru 6<sup>th</sup> grade, \$2,000 per year), taken distributions of \$60,000 (7<sup>th</sup> grade thru 12<sup>th</sup> grade, \$10,000 per year) and had tax-free earnings of \$34,000. At a total tax rate of 35%, this results in tax savings of nearly \$12,000!

For more information on Coverdell ESA's, please see IRS Publication 970, Tax Benefits for Higher Education. Download the publication from [www.irs.gov](http://www.irs.gov) or order it by calling toll free 1-800-TAX-FORM (1-800-829-3676).



**Review your monthly spending.** Financial Planning is defined as the allocation of limited resources to unlimited alternatives. This means that we have only so much money and unlimited choices to spend it on. After a review of your family's priorities, you may decide that it would be more important to fund this education than it would be to eat out as frequently, keep the monthly cable service, or take expensive family vacations. By numbering your monthly and annual expenses in order based on your values and priorities, then starting at the top and allocating your income as you go down the list, you ensure that you cover the most important areas first and skip out on the less important areas. Will this be challenging for most families? Most definitely! However, you will never regret having used your resources to meet your top values-based priorities.

**View it as an investment.** Each year, millions of dollars are given out in the form of scholarships. Your child will ultimately be more successful and have a greater likelihood of receiving their share of the scholarship pie if they are educated in an environment that they can thrive in. This may be best achieved in a public, private or Christian school setting, depending on the child. Most college-preparatory private high schools employ a guidance/school counselor to help students explore college scholarship opportunities. With smaller graduating classes, these counselors have the privilege of knowing each of their students personally and have more time to individually guide them in their scholarship search. Ultimately, if the value of the education you are paying for makes your child more likely to obtain scholarship aid, then the expense of the education can be viewed as an investment because you may pay more for the education now yet pay less for a college education in the future, due to the scholarship aid received.

**Inquire about Financial Aid.** Some local private schools offer tuition assistance to families who have a financial need. At Asheville Christian Academy, 33% of school families receive financial assistance. The standard procedure requires filling out a confidential financial aid application. It is to the parents' advantage to inquire with the school's admission office early because the aid process usually requires meeting certain deadlines for both re-enrolling and new students.

Educating our children is unquestionably one of our primary objectives as parents. This education doesn't begin or end at school; *it begins and ends at home*. The schools, including both teachers and fellow students, who spend so much time with our children will however have a huge impact on their development. Parental involvement and selecting an educational partner that shares your values and beliefs, as well as a commitment to outstanding educational achievement, are critical factors in guiding your children to their full potential. By implementing the above steps, you can open up a whole new set of options in schools that may help you carry out your goals in educating your children.

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