The "Paying for College" Conversation

It's easy to get caught up in filling out FAFSA and loan applications, evaluating your 529 plan performance and planning a budget for college expenses, and forget one very important step of the paying for college process: having an open, honest conversation with your child about how you will handle the cost of college.

According to the College Savings Foundation 2013 Survey of Parents, 75 percent of parents expect their children to contribute to college costs. If you're among this number, do your children know that these are the expectations? It's important to have "the college conversation" well in advance of the first tuition bill so that there aren't any surprises or arguments over who will be paying when the time comes. These tips can help you manuever this tricky conversation with ease.

Before you talk

Do your calculations

As accurately as you can, estimate how much you would be able to contribute to each school that you child has received an aid offer from. This can help you calculate how much your child will be responsible for based on each school so that you have a hard number to present to him or her. These estimates shouldn't include your retirement funds—remember, there are loans and scholarships available for college, but not for retirement. Furthermore, if you sacrifice your retirement savings for your children now, you might end up depending on them to support you financially later in life.

Meet with a professional

Your financial advisor can help you estimate how much you can afford to spend per year on tuition and other college expenses. Remember that he or she may be able to spot areas of excess or shortfalls easier than you can, and this can drastically change the amount you are able to contribute.

Share the responsibility

Ask your children to help you fill out FAFSA and compare financial aid packages from various schools—it's important that they're involved in this process so that they know what's expected from both them and the family financially.

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Start early

Your financial contribution may affect where your child chooses to attend school, so you should have this conversation well before he or she needs to send in his or her decision letter.

Having the conversation

Make the time

Rather than springing the conversation on your child (and yourself) unexpectedly, set a date and time for when you'll discuss paying for college. This can give

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both of you some time to prepare what you want to say and can help the conversation progress logically rather than emotionally.

Pick a number

You should enter the conversation with a set number of how much you will be able to contribute to your child's education—and stick to it. Include any savings you have to contribute directly to college and any additional amount you are willing to borrow. Remember, this isn't a time to negotiate—if you know how much you can safely contribute, going beyond that number can only hurt you (and your child) financially down the line.

Under promise, over deliver

Even if you predict that you will be able to cover 100 percent of your child's costs, it may be wise to avoid doing so in case you have an unforeseen financial emergency later on. If you do end up with money to spare for college, you can always help your child pay off his or her loans in the future.

Ask the tough questions

Don't shy away from questions that your child might not want to hear—getting these answers is vital to knowing how much you can both afford. How long will it take your child to graduate? Will you offer any financial incentive for early graduation? Has your child researched what his or her postgrad salary might be? How will this set him or her up for repaying loans? Would he or she consider living at home and commuting to save on room and board? Will he or she work part-time before or during school to help defray costs? Getting a realistic idea of your child's stance on these issues is important to setting expectations for financial responsibility.

Give a reality check

Loans can seem like free money when students are receiving them to pay tuition, but they can get real quickly when the first repayment statement comes. Prepare your child for the reality of debt by helping him or her calculate what the monthly balance on his or her loans will be. This can help give students a reality check of what postgrad life might look like if they are set on borrowing a large amount, and can help you explain the importance of limiting debt. For example, if students took out the maximum federal loan amount of $31,000 with a fixed rate of 3.86 percent and paid off the loans for 10 years, they would have a monthly payment of over $300.

Set clear expectations

Each of you should leave the conversation knowing exactly what you will be responsible for. Will you contribute more if your child graduates early or works during school? If he or she has loans, will you contribute to repayment after graduation? What about living or entertainment expenses—who will cover these?

After the discussion

Give it time

Especially if you've just had to deliver the news that you can't pay for your child's dream school, the best thing to do right after this conversation might be nothing. Allow some of the dust to settle before you broach the subject again, allowing you both to gain some perspective.

Revisit the conversation

Financial situations can change, and if, for example, your child is planning to work during school or has gained an unexpected scholarship, this conversation might need to be revisited. Be open to discussing the topic again, but remember, unless your income increases drastically or you receive an unexpected windfall, you can only contribute what you can contribute—bankrupting yourself to send your child to college isn't financially sound for either one of you.

Fill out loan applications together

After deciding how much you or your child will need to borrow, involve your child in the loan process rather than just accepting federal loans on his or her behalf. If students aren't aware of their financial situation before entering college, it can be a shock to discover how much they'll have to repay once graduating. Making students aware of their loans can also give them the opportunity to pay down interest while they're still in school to avoid higher bills later on.

Above all, remember to stick to your guns and be honest with yourself and your children about how much you can afford to spend on their education.

You may think you're protecting your children by keeping them in the dark about your financial state, but saddling one of you with insurmountable debt after graduation isn't the answer. An uncomfortable conversation now is better than financial disaster down the road.

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