

Mom? Dad? I'm Home!

Why are so many grads returning to live with their parents? \$40 billion in loans. **BY LAUREN YOUNG**

KEEP AN EYE OUT FOR more boomerang kids, the ones who move back in with mom and dad. In fact, the most recent crop of college graduates will be home a lot longer than their parents expect because of burdensome student loans.

A soon-to-be released study commissioned by AllianceBernstein Investments attempts to document just how much and how long the burden of college debt weighs down grads. The survey of some 1,500 21- to 35-year-old college grads, sometimes referred to as Generation Broke, found this cohort owes an average

42% with student loans say working during college affected their grades

of \$30,000 in student loans. What's more, they are delaying marriage, kids, even medical procedures, to pay off their educational loans. "Clearly, the scope of this issue is much broader and more far-reaching than just college planning," says Michael Conrath, senior product manager for 529 college savings plans at AllianceBernstein Investments.

The bottom line? Parents with debt-laden grads may want to dig into their pockets to help their kids gain some financial footing, says Jennifer DeLong, AllianceBernstein's director of college savings plans. And, more than ever, parents with young kids need to start socking money away for college as soon as possible. "Unless parents today do something about it and begin to save, we are not going to break the cycle," DeLong says.

Grads say parents should take some of the blame for this mess. Forty-four percent with debt would give their parents or guardian a "D" or "F" in their

financial preparations for college.

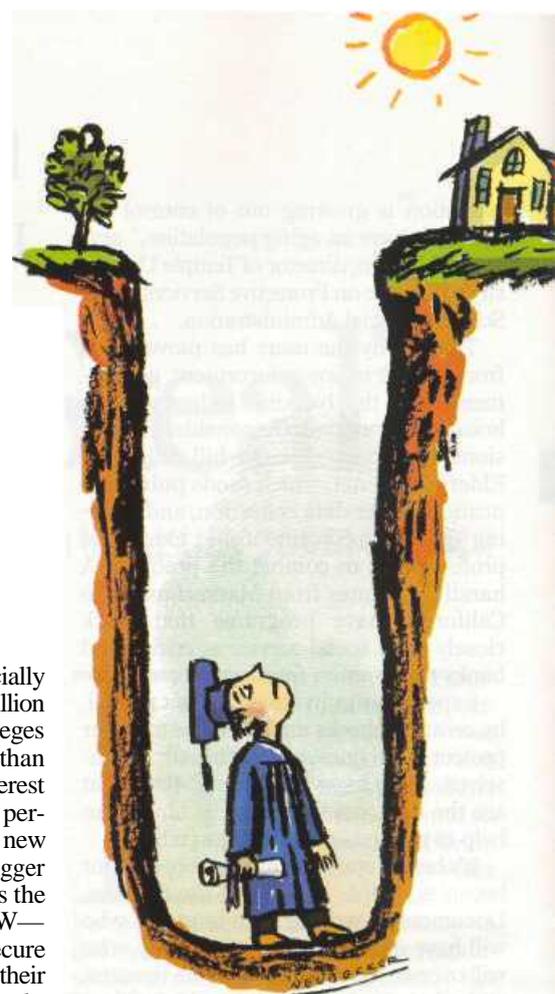
The Class of 2006 faces an especially frightening financial picture. The 3 million students graduating from U.S. colleges and universities this year carry more than \$40 billion in student loans, and interest rates on federal loans are jumping two percentage points in July. That means new grads are going to feel an even bigger pinch than their predecessors, such as the people profiled in "Thirty & Broke" (BW—Nov. 14). They do have a window to secure the lower rates if they consolidate their loans with one lender by June 30 ("Locking in low rates," BW—May 22).

The first step for new grads is to tackle credit-card debt, since interest rates tend to be in the double digits. Those who want to play the balance-transfer game—the survey found a \$3,000 average balance—can find a list of credit cards with low introductory interest rates at bankrate.com.

Living with mom and dad, while not ideal, will cut costs. Nearly a third of the respondents to the AllianceBernstein study say they had been "forced to move back in with parents or guardians or lived with them longer than they expected" because of education-related debt. Over a third of respondents with debt had sold personal possessions to make ends meet, vs. 17% of respondents with no debt. More than a quarter said they had delayed a medical or dental procedure.

That's a predicament Kelly Reid, 27, knows all too well. After she finished graduate school at the London School of Economics & Political Science, Reid sold her car to pay off loans, and she moved back in with her mother in Harrisburg, Pa., for eight months. She avoided going

43% of graduates with college debt used a credit card to pay tuition



37% of those polled say education-related debt contributed to depression

to the dentist for three years because she couldn't afford it.

Her advice: Suck it up and live with your parents for as long as it takes to get your financial house in order. "You are not pathetic," says Reid, now a program manager at a human rights group in San Diego. "I take comfort in the fact that all my friends moved back home, too."

Advisers say planning ahead for college is key for parents, yet three-quarters of those polled who have kids say they haven't started saving for their own children's college education. "By the time my kids go to college, I'll still be paying off my debt, plus taking on theirs," says Maddy Stephens, 25, a publicist in Los Angeles who graduated from Trinity College and University of Southern California, with more than \$70,000 in student loans.

Even if they make sacrifices to trim costs, few respondents expect to pay off their college debt anytime soon. Indeed, 31% of those paying off college debt say Madonna will become a grandmother before they are debt-free. Like the Material Girl, they are living in a material world. •