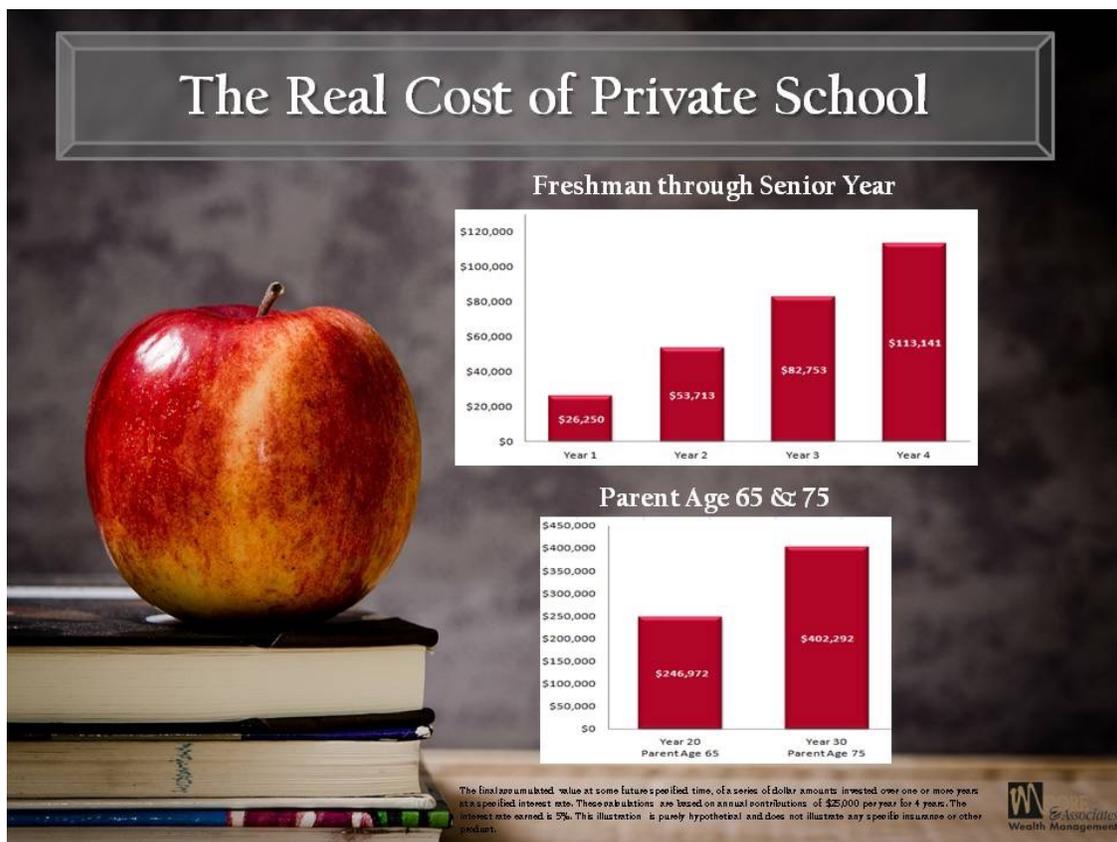


Private School and the Economic Cost/Benefit: An Uncomfortable Conversation



Given the raw emotion after the 2016 Presidential election and the current gap in socio-economic class, this latest article in my continued series around Money and Values may spark some debate. My writings are not intended to disparage one way of thinking or another. The goal is simply to inspire philosophical thought and give you pause to think, within the context of your current paradigm around money and how to spend or save it.

We live in a society that is economically divided. Therefore, it can be uncomfortable to talk about your personal values in terms of what you provide for your kids, e.g. how much money you spend on your kids for the holidays, what kind of car you buy them and the politically charged topic of why you send your kid to private school over public.

Confession time: It's easy for me to be an objective financial advisor on this, but ultimately, I sit in the crystal tower, since my child goes to a well-known private school in Atlanta. So yes, there is a degree of unconscious bias, but we each have to assess the pros and cons of this decision as it applies in our own family. The elements that come into play are intangibles like:

- How does my child learn best?
- Are the resources that my child needs available at a particular school?
- What are my transportation options?

- How much does it cost? (this author's personal wheelhouse)

Many of these same principles apply to college, as well. Individually, we have to evaluate these issues for each option and make a decision. However, I believe it is rare for a parent to conduct full due diligence on the true cost of private school - or college - as it relates to one's comprehensive financial plan, so that the cost/benefit analysis is complete. The typical perspective is myopic in nature and usually considers the costs as simply the four-year tuition of a private high school.

Instead of this limited view, I would encourage you to update your cost side and respectfully consider the below chart as you T-Chart the pros and cons of private vs. public school.

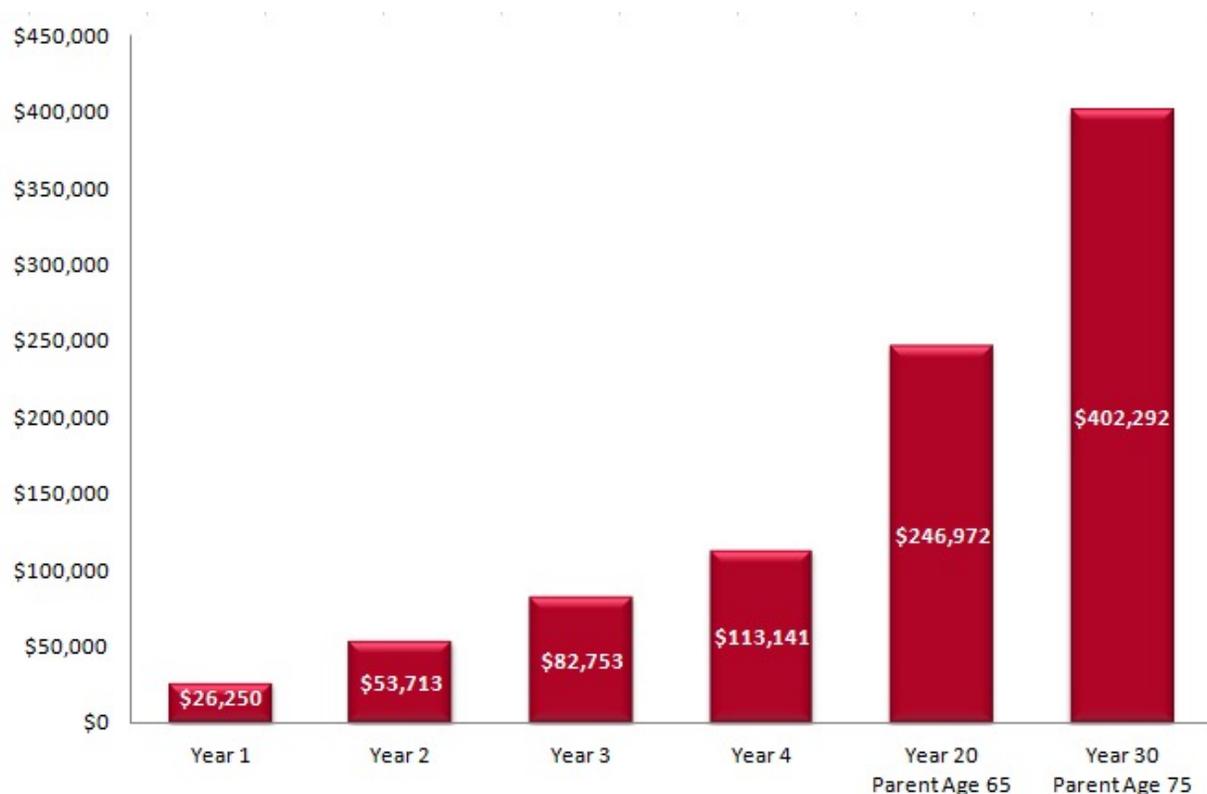
Assumption 1: Incredible Private School costs \$25,000 per year - includes transportation, extra fees, mandatory gifting, meals, any potential boarding, etc. etc.

Assumption 2: There are never any increases in this cost - an unreasonable assumption, but appropriate, since we are living in a vacuum in this article.

Assumption 3: Child goes only to private high school - four years only.

Assumption 4: Parents are both 45 years old.

Assumption 5: Your cost of money is 5% (what you would receive on the money in your best asset).



With this chart, you can see the true cost of private school by looking at what would happen if you were to invest that same money into an asset receiving 5% for 20 and 30 years. As you will observe, **paying \$25K for four years costs you \$402,000 + over a 30-year period.**

So scrap all of your pre-conceived ideology and paradigms that are emotionally based. Truly remove all cognitive biases and T-chart the pros and cons of this financial decision. And just as you would research any other major investment, explore whether there are other ways to achieve the learning environment that you seek - ways that have lower costs.

After a thorough and objective analysis, do the cons outweigh the pros? Conversely, do the 30-year benefits (the network, the college preparedness, etc.) outweigh the \$402K + costs?

My role is to help people understand the true costs of these decisions, and upon that understanding have the client decide as to whether the value proposition of a private school is worth it in the context of their customized personal financial plan and personal values. You owe it to yourself to fully explore the financial ramifications of this decision. Once you've examined the choice thoroughly and objectively, you can do what you believe is right for your family and be completely comfortable with your decision.

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