



Making Informed Financial Decisions about Paying for College

Many factors and decisions go into choosing and paying for college. In-state versus out-of-state? Public or private? Can I afford the school of my dreams? Is it wise to take on so much debt? While individuals' requirements and answers differ, one thing is constant. The cost of college is considerable and rising.

Completing a college education is frequently a family commitment and the price tag often represents the second largest investment that a family makes, next to buying a home. Prepare for this investment in your future by using skills developed throughout your academic career. Research and get the facts. Study what you find and discuss it. Draw conclusions and make informed decisions based on what's right for your circumstances. Armed with this information, you and your family will navigate this exciting time with minimal anxiety.

Where Do I Go for “Need to Know” Information?

Visit your high school guidance office.

Guidance counselors have a wealth of experience and knowledge of colleges, universities, academic summer programs and financial aid. Schedule a fact-finding appointment. Bring questions and if possible, a family member. **BigFuture.CollegeBoard.org** suggests 20 key questions. **Zinch.com**'s high school blog, **Morethanatestscore.com**, has five.

If the school doesn't have counselors, consider asking a trusted teacher or other faculty member to fill that role.

Check out the local library.

Knowledgeable staff willing to share their time and research skills, plus access to free computers can yield results. Ask questions. Collect ideas. Use the Get Smart About Credit **Resource Sites for Financing Higher Education** class handout as a guide to useful websites.

Talk to family and friends.

Discuss what you've learned. This network, especially those who've recently been through the process, can provide feedback and tips for follow up. Verify any information shared to ensure it applies to your individual and family situation.

NOTE

Some 83 percent of students and parents strongly agree that higher education is an investment in the future and that college is needed now more than ever (70 percent), and the path to earning more money (69 percent), according to a 2012 national study by Sallie Mae and Ipsos.



How Much Will College Cost?

Costs vary widely. It's not just tuition and fees. You must combine these with housing and meals, books and school supplies and personal and transportation expenses to gauge a college's total cost per year—also called the “net” cost. According to the College Board, a “moderate” college budget for 2012–2013 averaged \$22,261 at an in-state public college and \$43,289 at a private college.

If your choice of schools is wide open, these average numbers provide a starting point for calculators such as of college cost projector on **FinAid.org** and the budget calculator at StudentAid.gov. As school choices narrow, specific information can be used to determine likely first-year costs. Detailed information on thousands of specific schools is available at the nces.ed.gov College Navigator.

NOTE

According to the Project on Student Debt, 69 percent of graduating college seniors in 2013 had student loans—with an average amount owed of \$28,400. The figure was up two percent from 2012.

What Financial Aid Is Available and What Can I Do to Get Some?

Start at StudentAid.gov. This division of the U.S. Department of Education is the largest supplier of student financial aid in the nation. It provides grants, loans and work-study funds for college or career school.

There are four basic types of financial aid available for college: **Grants** (free money), **Scholarships** (free money), **Federal Work-Study** employment opportunities (money you earn and can use to help pay college costs) and **Loans** (money you have to pay back—with interest). Federal funding includes Pell Grants, Stafford loans (subsidized and unsubsidized) and Parent PLUS loans. Each option requires a completed FAFSA.

Completing the Free Application for Federal Student Aid, or FAFSA for short, is the first step toward receiving federal student financial aid. It's also the basis for state and school financial aid. Available after January 1 at fafsa.ed.gov, FAFSA must be filled out for every school year.

NOTE

Students received a total of \$112 billion in scholarships and grants in 2011–12. About 44 percent of this free money comes from the federal government.

What's Next?

Once your FAFSA is submitted, StudentAid will send you a Student Aid Report (SAR), which lists the answers provided to FAFSA. The report also includes some basic information about your eligibility for federal student aid. This information can be requested by the college or colleges of your choice to assess need for school-based resources. In most circumstances, providing a valid email ensures online access to the form via **StudentAid.ed.gov/fafsa** within two weeks.



After exhausting all options for federally funded financial aid, additional money may be needed. As with other family finance decisions, speak with your banker about available options. One might include a private loan.

Make an appointment and talk with your college's financial aid counselor to clarify the details of your award or if you need further assistance with the financial aid process. Suggested questions for the college are on **CollegeFinanceCenter.org**. Finally, be sure to meet your school's deadline for any additional information required.

Don't Overlook the Scholarship Options.

Investigate sources of information using the U.S. Department of Labor's free scholarship search tool at **careerinfonet.org**. Click on "Scholarship Search" under "Career Tools." State grant agencies are another good source at **ed.gov/sgt**. Look under "Paying for College" on the nonprofit **bigfuture.collegeboard.org**. There's also a scholarship search app called Scholly (Scholar Dollars) for both Apple and Android, or check out **myscholly.com**. Beware of scams such as organizations requesting money before they help you search.

Student Loan Debt Won't Disappear.

The payment schedule for multiyear loans typically lasts 10 or more years. And three in 10 young adults who leave college without a diploma have student loans to repay too, according to Public Agenda. As long as student loan debts are paid on time, they are a record of responsible debt management. However, default or mismanaged debt is likely to have a severe impact on your credit scores. Student loan is currently not dischargeable through bankruptcy.

The cost of college definitely affects the decision-making process, according to the majority of students and families in the Sallie Mae study. Sixty-nine percent eliminated college choices because of cost. Reflecting on education financing choices, 60 percent of individuals admitting to at least some regret in a poll from the 360 Financial Literacy project sponsored by the American Institute of Certified Public Accountants (AICPA). Further, 75 percent of post-college individuals reported making a personal or financial sacrifice because of their monthly student loan payment.

So deliberate, do the math and establish your family's comfort level. You will find the school of your dreams and the school you can afford. It takes desire, determination and decisions.