

Financial Planning for Higher Education



Whether your student plans to attend a two- or four-year college or university, or a trade, career or technical school, it is vital that you and your teen understand the costs and how to pay them. Together, review this guide, which explains the costs and the public and private options available for financing higher education, as well as tips for making it more affordable.

QuickTips

THE PARENT INSTITUTE

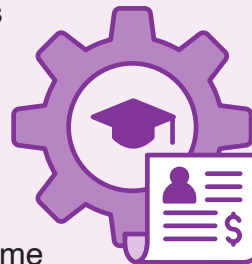
Federal financial aid

Federal aid

The U.S. Department of Education provides aid to students based on need. The first step in qualifying is to fill out the Free Application for Federal Student Aid (FAFSA) at studentaid.gov. All students should complete a FAFSA, regardless of family income. To apply, your family will need financial documents including tax returns.

Filing deadlines vary by state and school, but students who apply early may receive more aid.

Funds are limited, and some are awarded on a first-come-first-served basis. The main types of aid include:



- **Federal student loans**, which have lower interest rates than student loans from private lenders like banks. They are also more likely to offer fixed interest rates and monthly payments that vary depending upon the borrower's income. Federal student loans fall into two categories:

1. *Subsidized* loans are for students whose family income is below a certain level. The government pays the interest until six months after a student graduates.
2. *Unsubsidized* loans aren't income-dependent, but borrowers must pay all the interest.

- **Grants**, which include the Federal Pell Grant (for students demonstrating qualifying financial need) and the TEACH grant (for students who plan to become teachers in a high-need area). Unlike loans, grants don't have to be repaid if students successfully complete their program of study.
- **Work study**, which lets students earn money for tuition and related expenses by working part time under the Federal Work-Study Program. The amount students earn depends on several factors, including level of financial need.

Not all schools participate in the federal student aid program, so you and your teen should check with each school to learn about financial aid programs.

School-based financial aid

Many colleges offer financial aid directly to students. So, in addition to applying for federal aid, your teen should check the financial aid information on each school's website or contact their financial aid office. Aid from a college may be merit-based or need-based. There may be additional forms to file, and conditions like maintaining a certain grade-point average.

Cost of attendance (COA)

Tuition isn't the only cost to consider when choosing colleges. For example, two schools might charge about the same tuition, but one may be in an area where the cost of living is higher. It's important to look at the cost of attendance (COA, sometimes called the "sticker price") for each school when exploring higher education options.

The COA includes expenses such as tuition, housing, food, transportation, textbooks and a computer.



Where can I find a school's COA?

Schools are required to publish their cost of attendance. Encourage your teen to look up "cost of attendance" on the website of each school under consideration. Note that the cost of attendance will be reduced by the amount of any scholarships, loans and grants your teen is awarded. Many school websites also have a "net price calculator" that can provide an estimated COA that takes financial aid into account.

Scholarships

Scholarships are available from public and private sources and do not need to be repaid. They may be based on financial need, academic achievement, or even criteria like heritage or special talents or interests.

Most scholarship applications require students to write an essay, so students should plan ahead and set aside writing time.



- **Scholarship websites** including the U.S. Department of Labor (careeronestop.org/Toolkit/Training/find-scholarships.aspx) and College Board (bigfuture.collegeboard.org/scholarship-search) can help your student identify options.
- **College financial aid offices** and websites provide information on scholarships directly from the school. A completed FAFSA is required to qualify for need-based scholarships.
- **Businesses, nonprofit organizations,** and social and religious groups may also offer scholarships.

Read the fine print!

Your teen should not have to pay to apply for or receive a scholarship or grant. If your student receives a financial aid offer from an unexpected source, it's vital to check with your teen's school counselor to make sure it's a legitimate offer and not a scam.

Ways to save

There are many ways to make higher education more affordable. Consider these strategies with your teen:

- **Start with community college.** Tuition at these two-year schools is usually lower than at four-year universities (and in some states, it may be free). Completing the program successfully may qualify your student to transfer to certain universities.
- **Have your teen live at home** while attending college.
- **Choose an in-state public university.** In general, tuition is lower than at private or out-of-state schools.
- **Earn college credits in advance.** Have your student talk to the high school counselor about options including dual enrollment, the College Level Examination Program (CLEP), AP, etc.
- **Work for an employer** that will pay college tuition. Have your teen search online for a current list of companies that offer this benefit.
- **Join the military.** Recruits may receive tuition assistance.
- **Enroll in a 529 college savings account.** Ask your bank. Plans are tax free if the money is used for qualifying expenses.



One of a series of QuickTips® from The Parent Institute®
1-800-756-5525 • www.parent-institute.com

Stock No. 1189 (English) • Stock No. 2189 (Spanish)
Copyright © 2024 The Parent Institute®