



Five Steps to Save, Plan and Pay for College

Undergraduate Students

Speaker: Thalassa Naylor

October 8, 2019

Five steps to save, plan and pay for college

We know that planning for college can be overwhelming... that's why we're here to help.

Five steps to save, plan, and pay for College:

1. Saving for higher education
2. Selecting your school
3. Determining cost
4. Calculating financial need
5. Paying for higher education



Step 1

Saving for higher education

Sallie Mae's 1-2-3 approach to saving for college

1. Open a savings account

- Set up and designate a savings account as your college fund
- Deposit gifts from friends and family
- Sign up for free services that let you earn cash back to save for college

2. Set a goal and regularly contribute money

- You may want to consider opening a savings account that helps you set and track your progress toward a goal, like college
- Automatic deposits make saving easy and help your college fund grow

3. Explore tax-advantaged options

- Such as 529 college savings plans and prepaid college tuition plans

Step 2

Selecting your college

Selecting your school

Picking the school that your student is most likely to attend for the entirety of their degree will help in the long run. By doing so, you can avoid the hassle and expense of transferring and possibly losing credits in the process.

Consider some of these critical elements when reviewing potential schools:

- Curriculum/degree/major
- Size (small rural campus or city life)
- Admission requirements
- Facilities
- Campus life, athletics
- Retention/graduation rates
- Cost



Selecting your school

You should not choose a school JUST because of its reputation and price tag. Make sure the right education is being offered for the right price. Cost of Attendance (COA) is a huge factor for many families and can also be the deciding factor once award letters are received.

- Don't assume that a more expensive school will have the highest cost of attendance.
- Financial aid awards must be factored into the college choice decision. Many state schools, which can appear to be less expensive than private schools, have limited funding to offer students.
- More expensive private schools often have private grants that can make cost of attendance equal to or perhaps even less expensive than a state institution.

Step 3

Determining Cost

Determining Cost

Average Annual Cost of College

Students attending:

- Four-year public colleges and universities in-state = \$21,370
- Four-year not-for-profit private colleges and universities = \$48,510

Source: *College Boards Trends in College Pricing 2018*

Determining Cost

There are two types of college costs: direct and indirect.

Direct costs are assessed by the school but can vary a bit from student to student.

Direct costs are paid to the institution.

- Tuition, Fees (health center, student activity, special campus fees, etc.), On-campus room and board

Indirect costs are those that you can influence based on choices you make. Indirect costs are paid outside the institution.

- Books and supplies, Equipment (art fees, athletics, computers, etc.), Transportation (travel to and from school), Personal living expenses (pizza, movies, etc.), Off-campus room and board

Determining Cost

Cost of Attendance (COA)

COA is the average cost to attend for one academic year (fall through spring). It includes tuition and fees, books and supplies, room and board, transportation, and personal expenses. Colleges adjust the COA yearly to reflect changes to these costs.

Examples:

American River College

UCLA

St Mary's College of California

Determining Cost

American River College 2018-19 Award Year COA

EXPENSE	LIVING WITH PARENTS	LIVING OFF-CAMPUS
Enrollment Fees (\$46 per unit, full-time)	\$1,242	\$1,242
Books/Supplies	\$1,918	\$1,918
Room/Board	\$5,418	\$13,778
Miscellaneous/Personal	\$3,258	\$2,996
Transportation	\$1,250	\$1,250
Total	\$13,086 per year	\$21,184 per year

Determining Cost

	UCLA Residence Halls	Off Campus Apartments	Living with Relatives
Tuition and Fees	\$13,239	\$13,239	\$13,239
Room and Meals	\$16,625	\$14,301	\$6,582
Books and Supplies	\$1,464	\$1,464	\$1,464
Transportation	\$441	\$888	\$1,512
Personal	\$1,506	\$1,719	\$1,647
Health Insurance ^[3]	\$2,516	\$2,516	\$2,516
Total – California Residents	\$35,791	\$34,127	\$26,960
Nonresident Supplemental Tuition	\$29,754	29,754	29,754
Total – Nonresidents	\$65,545	\$63,881	\$56,714

Determining Cost

Loyola Marymount University 19-20

Full-time	On Campus	Off Campus	With Parents or Relatives
Tuition and Fees	\$50,252	\$50,252	\$50,252
Average Room and Board	\$15,030	\$15,084	\$6,786
Direct Loan Fees	\$70	\$70	\$70
Parking and Transportation	\$864	\$1,278	\$1,134
Books and Supplies	\$1,971	\$1,971	\$1,971
Personal Expenses	\$2,853	\$3,996	\$3,564
Total Estimated Cost	\$71,040	\$72,651	\$63,777

Determining Cost

Expected Family Contribution (EFC)

The Expected Family Contribution (EFC) is a measure of your family's financial strength and is calculated according to a formula established by law.

The information from your Free Application for Federal Student Aid (FAFSA) is used to calculate your EFC. Schools use the EFC to figure out your federal student aid eligibility and financial aid award.

Note: Your EFC isn't the amount of money your family will have to pay for college and it isn't the amount of federal student aid you'll receive.

Determining Cost

COA and EFC work together in the financial aid process

The college subtracts your Expected Family Contribution from the COA to calculate how much federal aid (such as grants, loans and work study) a college estimates your student is eligible to receive. Your EFC does not vary by college, but the amount of aid your family is eligible to receive will vary by college, based on each school's evaluation

Determining Cost

COA and Net Price

Your bottom line to attend any college is not the COA - it's the net price and it helps families understand the true cost of a college based on a student's eligibility for federal aid as well as grants and scholarships awarded by the college. This is the total out-of-pocket cost that you will actually pay.

Total Cost of Attendance (COA)

- Family's EFC
- The student's estimated eligibility for grants/scholarships (Free money)
- = The student's estimated net price of the college

What's next....Visit collegecost.ed.gov to find a specific college's net price calculator and estimate your net price to attend any college!

Step 4

Calculating Financial Need

Calculating Financial Need

The main factor in determining your financial need is the Free Application for Federal Student Aid (FAFSA)

- The FAFSA is used to determine eligibility for all federal student financial aid programs. It is also the official form for applying for most state and school aid.
- The FAFSA application is available October 1 of each year. Much of the information required on the FAFSA comes from your tax return. Families completing the FAFSA for AY 19-20 can use their 2017 tax return.
- The FAFSA is comprehensive and may take an hour to complete. You can complete the form online at fafsa.gov or via the new mobile app, myStudentAid.
- Some aid is first-come, first-served—so apply as soon as you can. Deadlines vary by state. Make sure you know what yours is.

Calculating Financial Need

College Academic Year Fall 2020 | Spring 2021

- Submit your FAFSA beginning October 1, 2019 through June 30, 2020
- Use your income tax information from 2018

Calculating Financial Need

Tips for completing the FAFSA

To reduce the FAFSA completion time, you may want to gather information such as:

- Your driver's license and social security number
- Parent(s) social security numbers and birth dates
- Your family's latest federal income tax returns
- W-2 forms
- Bank statements
- Information on your family's investments

Calculating Financial Need

EFC factors - assets included on the FAFSA:

- Rental property, land and second or summer homes
- Trust funds
- Uniform Gifts for Minors Act (UGMA) custodial accounts
- Uniform Transfer to Minors Act (UTMA) custodial accounts
- Money Market Funds, Mutual Funds and CDs
- Stocks, stock options and bonds
- Other securities
- Installment and land sale contracts (including mortgages held)
- Commodities
- 529 plans
- Coverdell Education Savings Accounts

Calculating Financial Need

EFC factors - assets NOT included on the FAFSA:

- Principal place of residence/family farm
- Small business with 100 or < employees
- Value of Life Insurance
- Retirement plans (401K plans)
- Pension funds
- Annuities
- Non-education IRAs
- Keogh plans
- Personal possessions (car, furniture, clothes, etc.)
- Personal debts (credit card)

Calculating Financial Need

What happens after you apply?

- Within three to five days of submitting the FAFSA on the Web, the student will receive a Student Aid Report (SAR).
- The SAR will list your EFC. It's important to review the SAR carefully for errors. If you find an error, you can update and resubmit the SAR for processing.
- Once the SAR is finalized, any institutions listed on your FAFSA will receive copies of the SAR.

Calculating Financial Need

Evaluate award letters

- After receiving your EFC, colleges at which you have been accepted present you with a financial aid package or award letter. This could be a paper or an electronic letter.
- It will outline the total cost of attendance and any aid that the school is offering to the family.
- When award letters arrive, it helps to compare the offerings of each school of interest. Be sure to look at both the total amount of aid received and the types of aid offered. This could be very helpful when trying to choose between two schools.
- Try a spreadsheet. Give each school a column. Plug in COA, then subtract your financial aid, including any free money you don't have to pay back like scholarships and grants.

Calculating Financial Need

Sample 2018/2019 Award Notification (Freshman)				
		<u>Fall</u>	<u>Spring</u>	<u>TOTAL</u>
Estimated costs:	<ul style="list-style-type: none"> • Tuition & Fees: • On Campus Housing: • Meal Plan: • Books/Supplies: • Transportation: • Other Expenses: 	\$18,000 \$3,000 \$2,500 \$500 \$250 <u>\$750</u>	\$18,000 \$3,000 \$2,500 \$500 \$250 <u>\$750</u>	
	Total estimated costs:	\$25,000	\$25,000	
Grants and Scholarships:	<ul style="list-style-type: none"> • Dean's Scholarship • State Grant: • PELL Grant: • Federal (SEOG): Grant: 	\$2,000 \$2,500 \$2,500 <u>\$1,500</u>	\$2,000 \$2,500 \$2,500 <u>\$1,500</u>	
	Total Grants and Scholarships:	\$8,500	\$8,500	
Work Study:	<ul style="list-style-type: none"> • Federal Work Study Eligibility: 	\$1,250	\$1,250	
Federal Student Loans:	<ul style="list-style-type: none"> • Federal Direct Subsidized Loan: • Federal Direct Unsubsidized Loan: 	\$1,750 <u>\$1,000</u>	\$1,750 <u>\$1,000</u>	
	Total Federal Student Loans:	\$2,750	\$2,750	
Estimated Remaining Balance:		\$12,500	\$12,500	
To cover the remaining balance (Gap) you may apply for or receive other sources to finance your education, including: <ul style="list-style-type: none"> • Outside Scholarships • College or Other Savings Plans • Tuition Payment Plans • Non-federal Private Student Loan • Federal Parent PLUS Loan • Non-federal Private Parent Loan 				

Calculating Financial Need

EFC Information

- A family's EFC is the same at every institution. Being ineligible for need based aid at a low cost school does not necessarily mean you will be ineligible at a high cost institution. Examples to follow.
- A family's EFC is the same regardless of how many children are in college. So if the EFC is 50,000, with one child in college, that EFC will be applied just to the one student. If there are two students in college, that \$50,000 is split between the two students (\$25,000 each). And so forth.

Calculating Financial Need

UCLA Living On Campus

COA: \$35,791

- EFC: \$50,000

= Financial Need: \$0

Loyola Marymount University Living on Campus

COA: \$71,040

- EFC: \$50,000

= Financial Need: \$21,040

Step 5

Paying for College

Paying for college

Sallie Mae recommends students and families follow its 1-2-3 approach to paying for college:

1. Maximize money that does not need to be repaid, such as scholarships and grants
2. Explore federal student loans
3. Consider a responsible private student loan



Paying for college

Scholarships, are typically merit-based and awarded for a variety of reasons including:

- Academic achievement
- Financial need
- Community involvement
- Organizational membership
- Sports
- Talent or skill
- Leadership/school activities
- Ethnicity
- Religious affiliation
- Parent affiliation with work, club, or activity

Scholarships, are typically awarded on an annual basis. While the federal and state governments award some scholarships, the majority of funds are awarded by the institution in which students enroll and by private organizations.

Paying for college

There are many resources for scholarships:

- Local or community-based scholarships
- Federal and state agencies
- College-specific scholarships offered by the colleges your students are interested in attending
- Religious organizations
- Employers
- Libraries
- Private organizations or major companies

Paying for College

Online search engines that aggregate scholarship offerings and allow users to be matched to scholarships based on a personal profile

Sallie Mae® Scholarship Search provides free access to more than 5 million scholarships worth up to \$24 billion

- SallieMae.com/ScholarshipSearch

Fastweb features over 1.5 million scholarships worth up to \$3.4 billion

- Fastweb.com/college-scholarships

Big Future by the College Board offers scholarships, other financial aid and internships from more than 2,200 programs, totaling nearly \$6 billion

- bigfuture.collegeboard.org/scholarship-search

Paying for college

Grants, which do not require repayment, are typically awarded annually based on information provided on the FAFSA.

Grants are offered by numerous sources, such as federal and state governments, colleges, and independent organizations.

The remaining federal grant programs:

- Federal Pell Grant*
 - The Pell Grants are needbased.
 - Awards up to \$6,095 for 2018-19 and awarded to all who qualify.
- Federal Supplemental Educational Opportunity Grant (FSEOG)*
 - FSEOG are for students with exceptional financial need.
 - Awards from \$100-\$4,000 and on a first come, first served basis.

Paying for College

Cal Grants: Apply using the FAFSAA from October 1, 2019 to March 1, 2020

A Cal Grant is money for college you don't have to pay back. To qualify, you must apply for the Free Application for Federal Student Aid (FAFSA) or California Dream Act Application (CADAA) by the deadline and meet the eligibility and financial requirements as well as any minimum GPA requirements. Cal Grants can be used at any University of California, California State University or California Community College, as well as qualifying independent and career colleges or technical schools in California.

There are three kinds of Cal Grants — A, B and C — but you don't have to figure out which one to apply for. Your eligibility will be based on your FAFSA or CADAA responses, your verified Cal Grant GPA, the type of California colleges you list on your FAFSA and whether you're a recent high school graduate.

Paying for College

Federal work-study provides part-time jobs for students with financial need and is granted to students as part of their financial aid package.

Federal work-study program

- Jobs arranged through school participating in the Federal work-study program
- On or off campus
- Pays at least minimum wage
- Limited hours
- May be tied to academic interests or major

Often there are a wide variety of work-study jobs on each campus



Paying for college

Federal Loan programs for undergraduate students

Federal Direct Subsidized and Unsubsidized Loans are low-interest loans for students enrolled in college at least half time.

Direct subsidized loans

- available to eligible undergraduate students with demonstrated financial need
- interest is paid by the federal government while the student is in school at least half-time and during their six-month grace period

Direct unsubsidized loans

- available to undergraduate and graduate students
- students are not required to show financial need
- payments are not required while the student is in school and during their six-month grace period, but interest does accrue during this time

Paying for college

Here are some additional details regarding Federal Direct Subsidized and Unsubsidized Loans:

Borrowing limits are \$5,500 (first year), \$6,500 (second year) and up to \$7,500 (third and final years), with higher amounts for independent students.

Interest Rates and fees:

Direct Subsidized Loans (undergraduate students) 4.53%

Fees 1.059% (on or after Oct 1, 2019 and before Oct 1, 2020)

Direct Unsubsidized Loans (undergraduate students) 4.53%

Fees 1.059% (on or after Oct 1, 2019 and before Oct 1, 2020)

Paying for college

Federal Parent PLUS Loans allow parents of undergraduate students to borrow funds to cover the remainder of what a student owes after any other aid and federal loans are applied.

- Students must be enrolled at least half-time
- Generally be paid back over a 10-year period
- Maximum loan amount is the cost of attendance (determined by the school) minus any other financial aid received
- Federal Parent PLUS loans are not eligible for income-based repayment
- Check studentaid.ed.gov for interest rates
- Federal PLUS loan interest rate is 7.08% with fees of 4.236% loans first disbursed on or after 7/1/19 and before 7/1/20

Paying for college

Private student loans can help cover the remaining college costs. When using private loans we encourage borrowers to pay a little now to save a lot later. Making small payments while still in school can result in savings on a student's total loan cost. Securing a creditworthy cosigner may help a student qualify.

The following loan information for students may vary depending on the lender.

- Offer a variety of in-school repayment options that include
- Immediate Repayment (Pay Now),
- Deferred Repayment (Pay Later),
- Fixed Repayment (Pay Less options) and
- Interest Repayment (Pay More Now)
- Cosigners may help increase the chance of approval
- Cosigner release may be available
- Students can choose from fixed and variable rates

Paying for college

Private parent education loans can also help cover the remaining college costs. Unlike the federal PLUS loan where the parents or guardian of the dependent undergraduate can borrow, these loans are available to any qualified person that wants to borrow a loan to help a student go to college.

The following loan information may vary depending on the lender.

- Parents, legal guardians, family members, or other creditworthy individuals may borrow for undergraduate and graduate students who are enrolled, accepted for enrollment, or previously enrolled at an eligible institutions
- Typically available to U.S. citizens or permanent residents
- Repayment terms vary from 5 years up to 25 years
- Offer a variety of repayment options to choose from such as
- Immediate Repayment (Pay Now)
- Interest Repayment (Pay Less Now)
- Annual loan limits can be up to the cost of education less other aid or limited to a lower number
- May require school certification

Paying for college

Don't forget to consider many of the tax benefits that are offered to families with college students. Federal income tax law provides a number of tax benefits for the current tax year to qualifying taxpayers funding a higher education. To find out if you qualify, call the IRS Help Line at 800-829-1040 or review IRS Publication 970, Tax Benefits for Education at [irs.gov](https://www.irs.gov).



Let's make it happen