



## Family Information Sheet Four: Paying for College!

### Dear Family Member,

During today's lesson your student learned about the resources available to help you and your family pay for college. Financial aid is available from the federal government, state governments, colleges and universities, and private organizations. There are many options available to help your student meet the financial commitment of attending college!

In this week's information sheet, you will find information about financial aid. Today's lesson only covered the basics. We've provided much more information for you to keep as a resource for the future. The most important thing to remember is that there is money available to help you pay for college.

We also suggest that you start a college **savings account** for your student. Even if you are only able to set aside a small amount each month, this money can add up over time. Your student still has several years until they begin college. Saving even the smallest amount can make a big difference in the future.

Become familiar with financial aid and the steps you must take to access it. Speak with your student's guidance counselor to find out if there are any financial aid information nights planned. Learning about financial aid now will make the process of applying for that aid easier when your student becomes a senior.

### Family Discussion Questions

As a family, discuss the following questions:

- Is college affordable?
- What are the four main types of federal aid that you can receive?
- Do many students receive financial aid?
- Think back to the people you identified during week one — friends or family members who went to college. Did any of them receive financial aid?

Thank you for helping your student as they work towards making the college dream a reality!

Sincerely,

**The Kids2College Team**

# Money for College



## Kids2College Family Information Sheet

**START SAVING NOW!** We encourage every family to start a college savings account for their student. Even if you just contribute a small amount to the account, those savings can add up over time and help your students reach their college goals. Financial aid is available to all students. Many scholarships are based on how students do in school, but other aid options have nothing to do with grades or test scores.

### Types of Financial Assistance

There are four major types of financial assistance: grants, scholarships, work-study, and loans.

#### Grants

**Grants are awards that do not have to be repaid.** They typically are need-based and depend on the student's enrollment status. Grants are available from some states and private organizations, but most come from the federal government. There are four types of federal grants:

- **Pell Grants** range from approximately \$400 to \$5,920 per year and are awarded solely on the basis of financial need.
- **Federal Supplemental Educational Opportunity Grants (FSEOG)** range from \$100 to \$4,000 per year and are awarded solely on the basis of financial need.
- **Academic Competitiveness Grants** provide up to \$750 for the first year of college and up to \$1,300 for the second year to full-time students who are eligible for a Pell Grant and who have successfully completed a rigorous high school program. Recipients must maintain a 3.0 undergraduate GPA. This grant is in addition to the Pell Grant.

- The National Science and Mathematics Access to Retain Talent, or **National SMART Grant**, provides up to \$4,000 for third- and fourth-year full-time students who are eligible for a Pell Grant. Students must have and maintain at least a 3.0 GPA and be pursuing a specific major. This grant is in addition to the Pell Grant.

#### Scholarships

**Scholarships, like grants, are awards that do not have to be repaid. Scholarships typically are given to students based on their achievements.** They may be awarded by religious groups, professional organizations, businesses, and schools, as well as some states. Amounts can vary from \$50 to the full cost of tuition. Not all scholarships are based on grades. Some are given for other achievements. It is important to research what is out there. Use the following resources to find scholarships:

- the Internet
- reference books
- colleges and universities
- state education organization

#### Scholarship Facts

- Each scholarship program has different requirements and its own application process. Some require an essay; others may require an exam.
- Some scholarships are one-time gifts, but others are given for all four years of a student's education. Scholarship recipients typically need to maintain a certain GPA or be involved in a specific activity each year in order to continue to receive money.
- Scholarships, like grants and loans, typically

are paid to the school and not the student. Any money left over after tuition and fees are paid will be returned to the student in the form of a check.

## Work-Study

Work-study is a need-based federal program that is administered on campus. If a student qualifies, they are given a job on campus or at a local organization. The money they earn from this job goes towards their education. Work-study jobs can be tailored to relate to a student's major. All work-study money is earned, so nothing needs to be repaid.

## Loans

Loans are awards which must be repaid. They are administered either by the federal government or by a private company. Students pay interest on loans; interest accrues as they are repaid. Some loans accrue interest while borrowers are still enrolled in school.

There are two categories of federal loans: subsidized and unsubsidized. Private loans also are available that are not administered by the government.

- **Subsidized loans** may be offered to students who have financial need. The interest that accrues while a student is in school is paid by the government until the repayment period begins. Unless the entire loan is paid off immediately, interest accrues on the balance remaining after each payment.
- **Unsubsidized loans** are offered to students who do not qualify for subsidized loans or who are in need of help beyond the maximum subsidized loan offered to them. Unsubsidized loans begin to accrue interest the moment they are accepted. Borrowers may pay off unsubsidized loans while they are in school, or may pay off the interest. They also may wait until graduation to do so.

- **Private loans** are similar to unsubsidized federal loans. They are given to students by private companies. Private loans tend to have higher interest rates and shorter repayment periods.

## Applying for Financial Aid

To get financial aid, students need to complete the **Free Application for Federal Student Aid (FAFSA)**. This form determines eligibility for financial assistance. Students who do not complete the FAFSA are not eligible for any federal aid. This means they cannot receive grants, work-study, or loans. Many states, private loan companies, and some private organizations also use the FAFSA to decide who to give financial aid to.

The **FAFSA is a free form** and should not cost any money to complete. Many organizations offer to complete the FAFSA for a fee. Before using these services, families first should try to complete the FAFSA on their own, using the FAFSA website and guidance counselors to help. The form may seem confusing, but students and families can complete the FAFSA without having to pay for assistance.



Some fee-for-service companies offer to find scholarships that students might qualify for. But many use the same

free resources that are available to students! Research these services carefully. The Federal Trade Commission provides tips for identifying scholarship scams: <http://www.ftc.gov/bcp/online/edcams/scholarship>.

## Start Saving for College Now!

While 9 out of 10 parents of middle school children expect their students to go to college, only 3 have started saving (Source: Institute of Higher Education Policy, 2007). And the benefits of a college education aren't just financial. Research has shown that the average college graduate:

- Is more likely to vote and volunteer.
- Has better access to health insurance.
- Has a lower risk of a heart disease.
- Lives longer.

### 2017–2018 Average Annual Tuition, Fees, Room and Board

Public Four-year College	\$20,770
Private Four-year College	\$35,260+

Source: The College Board: *Trends in College Pricing*, 2015

On average, college tuition increases by 8 percent each year. This trend suggests that the cost of college doubles every nine years.

The cost of college may be intimidating, but should not scare you away from providing this opportunity for your student. With the proper planning, it can be affordable. Most students and their families pay for college through a variety of sources and financial assistance that include:

- Savings
- Scholarships
- Grants
- Part-time work
- Loans

The more you can save, however, the less you'll need to depend on other sources. If you start saving today while your student is young, even small amounts of money can add up to big dollars by the time the first tuition bill arrives.

If you're like most families, you may not be able to save enough to cover the full cost of college. That's okay — what's important is that you get started today, saving as much as you can.

## Smart College Savings Strategies

**Study your spending.** Not sure where to find the money to start saving? Track every dollar your family spends for two months, and then review the results. You'll find lots of opportunities to cut back on spending. Choose a cheaper cable television package, make coffee at home instead of buying a cup at the local coffee shop, or get rid of the bells and whistles on your phone service.

**Put savings on autopilot.** The most successful savers are those who make savings automatic. How? By having money automatically transferred from their checking account to their investments every month. Do this and you'll never have a month when you forget to add to your student's college fund.

**Give your savings an annual raise and a bonus.** Each time you get a raise or a promotion, increase your automatic savings so a portion

### Example of College Savings Account Growth

Dollars Saved Each Month	After 4 Years	After 8 Years	After 12 Years
\$25	\$1,443	\$3,394	\$6,078
\$50	\$2,886	\$6,788	\$12,156
\$75	\$4,329	\$10,182	\$18,233
\$100	\$5,773	\$13,576	\$24,311

*Assumes 8 percent annual return and monthly compounding*

of your higher income is channeled toward this important goal. When you receive extra money — like tax refunds or employer bonuses — send some of that money into your college savings account too.

**Use tax breaks to your advantage.** Open a college savings account like a 529 college savings plan or a Coverdell Education Savings Account. They allow your money to grow tax-free when it is used for education expenses, which means every dollar you save can be spent on college — not on taxes.

**Suggest the gift of a brighter future.** When friends and relatives ask for birthday and holiday gift ideas for your child, suggest a college fund contribution — a gift that will truly keep giving for a lifetime.

**Understand account ownership.** When setting up certain college savings accounts, don't be too quick to put money in your children's names. Money in "custodial" accounts belongs to the minor, not the parent, and that has two potential drawbacks:

- Children can spend the money however they please as soon as they reach adulthood.
- Money held in a child's name can reduce their chances of receiving financial aid.

**Borrow from yourself.** Some retirement ac-

counts allow you to borrow or make a withdrawal from a 401(k) or IRA for higher education expenses. Be sure to check the rules of your account, investigate any tax consequences, and consider consulting with a financial adviser to weigh the impact on your retirement planning.

**Look for free money.** Check on the Internet for "college reward programs" where participating credit cards, stores, restaurants and even travel companies donate to your college account each time you buy their products or services. These rewards can then be transferred to a 529 college savings plan. These programs usually allow friends and family to contribute also — an easy way for them to help your family save for college.

