



## Consumer Tip May 2017: How to Pay for College



A college education is more important than ever in today's competitive workforce. Along with a four-year degree comes increased salary potential, job satisfaction and advancement opportunities. However, the cost of college rises every year. Figuring out how to pay for it is daunting—and seems downright unrealistic—for many families.

For the 2016-2017 academic year, The College Board reports that the cost of in-state public college averaged \$24,610 while a private college averaged \$49,320. These estimates include tuition, fees, housing and meals, books and supplies, and transportation. Keep in mind that in-state tuition at a public university is generally half the cost of out-of-state tuition at a public university. If you don't have that kind of money lying around, all hope is not lost. Here are several different options that can help fund a college education.

### Savings

If you have some time before your child attends college, consider a 529 college savings plan. A 529 plan is an education savings plan operated by a state or educational institution designed to help families set aside funds for future college costs. It is named after Section 529 of the Internal Revenue Code under which it was created. In 34 states and the District of Columbia, parents with a 529 plan qualify for an income tax deduction or credit on contributions.

### Grants

Offered by state and federal governments, as well as private organizations and universities, grants are typically need based and do not require repayment. They can be directed toward educational expenses, specific types of students or general purpose. The federal government is the largest source of this need-based gift aid, primarily in the form of the Pell Grant. The first step when considering a grant is for the student and parents to fill out a Free Application for Federal Student Aid (FAFSA) after January 1 of the student's senior year in high school and again every year in college. Completing the FAFSA allows a student to qualify for federal student aid, such as grants and federal student loans. Countless types of grants exist, including award-for-service grants that are applied to students with definite career goals that fill critical shortages in certain professional fields.

### Scholarships

Scholarships also don't require repayment and can be either need or merit based. They are based on a variety of qualifications such as academics, athletics, cultural and community experiences, background, location or desired major, to name a few. Scholarships given by colleges are the most common type. A high school counselor or college financial aid office are good places to start the scholarship search.

### Student Loans

With much lower interest rates and more flexible repayment options, students with financial need should exhaust their federal loan options before looking at private loans. The U.S. Department of Education runs two federal student loan programs—the Direct Loan Program in which the U.S. Department of Education is the lender and the Perkins Loan Program in which the school is the lender. Private student loans are given by banks or other private sources, and are more expensive than low-cost federal loans. The typical family uses loans to cover 20 percent of the cost of college.

### Work-Study Programs

Student employment through their university is an ideal way to help fund college expenses. The Federal Work-Study program is based on financial need and offers job opportunities to full-time and part-time students at thousands of schools across the country to help finance their education. The jobs may also fall within a student's area of study, giving them extra experience. Students need to check the box that indicates they're interested in student employment when filling out the FAFSA.

Additionally, students can earn college credit while still in high school by taking Advanced Placement classes and testing out of college coursework. Or some high schools allow seniors to take college classes at a local junior college. Another way students can drastically cut down on the cost of college is to start at a two-year community college, which are generally a lot less expensive, then transfer to a state or other four-year school where they graduate. Many college students and their families rely on several of the options above to help pay the hefty, yet well worth it, price tag that comes with a college degree.

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