

Financial Literacy Money Trek

MODULE 4A- FINANCIAL AID & STUDENT LOANS

PREPARED BY: FINANCIAL LITERACY COMMITTEE, AAUW CALIFORNIA

Objectives of this Module

- Describe the financial return on a college education
- Explain the true current cost of getting a Bachelor's degree
- Describe the typical way that students and their families pay for college
- Explain the various components in financial aid

Paying For College

- Is college worth it?
- What does college cost?
- How does America pay for college?



Is college worth it?

Median weekly earnings (in dollars) and unemployment rate (in percent) by educational attainment, 2017

Educational attainment	Median usual weekly earnings	Unemployment rate
Doctoral degree	\$1,743	1.5%
Professional degree	1,836	1.5
Master's degree	1,401	2.2
Bachelor's degree	1,173	2.5
Associate degree	836	3.4
Some college, no degree	774	4.0
High school diploma, no college	712	4.6
Less than a high school diploma	520	6.5
Total	907	3.6

What Does College Cost?

- 2018-19 the official cost of attendance of a year at a University of California (UC) is approximately \$35,000
- A year at a California State University (CSU) is about \$26,000 ,
- A year at a community college is about \$13,000
- A year at a private college varies quite widely, but is considerably higher.



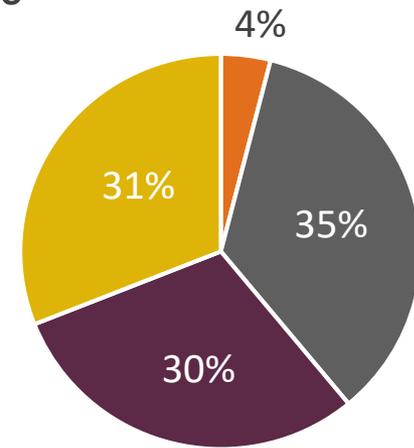
What Does College Cost?

- Cost of attendance includes tuition, books, travel, spending money and room and board, either on campus or at home.
- The amount a student and her family will have to pay themselves is greatly dependent on the financial aid the student receives.

How Does America Pay for College?

“According to recent information from Sallie Mae;”

- Parents’ income, savings & borrowing ~ 31%
- Student income, savings & borrowing ~ 30%
- College grants & scholarships ~ 35%
- Gifts from family & friends ~ 4%



Saving for College

- 529 Savings Plans (Parent Savings)
- Cloverdell Education Savings Account (Parent Savings)
- Regular Savings



College Grants & Scholarships

- Federal Grants
- Pell Grants
 - Federal Supplemental Educational Opportunity Grant (FSEOG is only available at certain schools.)
 - TEACH Grant Program
- State Grants & Private Grants
- Scholarships
 - Offered by colleges
 - Offered by organizations (e.g. AAUW)

Federal Student Loans

Direct Stafford Loans

- Subsidized
- Unsubsidized

Direct PLUS Loans

- Parent borrowers
- Graduate school borrowers



Private Student Loans

- Students will need a co-signer to get a private loan in virtually every case
- The lenders themselves recommend exhausting federal student loan options before applying for a private student loan
- Offered by banks and education loan companies
- Terms vary considerably based on the lender and the borrower's credit history.
- Remember every student loan has to be repaid

Tax Credits & Deductions Offset the Cost of College

Tax Credits

- American Opportunity Tax Credit
- Lifetime Learning Credit

Tax Deductions

- Student Loan Interest Deduction



Four common misconceptions about paying for College

- Misconception # 1: Schools with the high official cost of attendance are the most expensive for low income families so low income students should not even apply.
- Reality: The schools with the highest cost usually give the best financial aid, so a student might actually pay less to go to such a school

Common Misconceptions about paying for College

- Misconception # 2: Going to a community college first is the cheapest way to go to college.
- Reality: Since very few students can graduate from college in four years if they start in a community college, the students may actually pay more over their college years because they will have to attend college for many years to get a degree.

Common Misconceptions about paying for College

- Misconception # 3: A student can “work her way through college.”
- Reality: College costs are now too high for students to earn enough while they are going to school to pay for a year at a university. They would have to go part time and, since that takes years, it is not the cheapest option.

Common Misconceptions about paying for College

- Misconception # 4: All student loans should be avoided at all cost.
- Reality: Borrowing federal loans will help a student have a better chance of graduating in four/five years. The student will end up paying less since she will graduate sooner and get to her career earlier.

Summary

- Prepare
 - Adults: Save for college-bound students
 - Students: Work hard in school to qualify for scholarships & grants
- Seek advice – it's complicated & constantly changing
 - Guidance & financial aid counselors
 - Online resources
- Research & apply for grants & scholarships
- Take advantage of federal loans first, then seek private loans
- Don't get in over your head
 - Know your approximate salary upon graduation and borrow accordingly

