

## **Five ways to pay less for College**

We live in a highly complex technological society. Higher education is a requirement for most people wishing to thrive in the America of the 21st Century. The critical thinking skills and the credentials obtained in College have great value. College graduates earn about 60% more than non-graduates. This premium is much higher for prestigious schools and specific majors.

Yet, the cost of going to College appears to be getting out of control. Over the past 20 years, the general inflation rate was 2% per year. The College Cost inflation over the same period was 5% per year. The total cost of attendance of the most prestigious colleges is around \$80,000 per year. For a four-year degree, the price is about \$320,000. The typical home value in the United States, according to Zillow, \$269,039!

As the sticker price of College skyrocketed, more and more schools started to offer generous scholarships financial aid packages to attract their desired students. In effect, many students pay more to subsidize the education of the most chosen students. The American obsession with rankings fueled this process. Colleges across the nation tweak their admissions, and financial aid offers to boost their U.S. News & World Report ranking.

Most students do not pay the full sticker price. About 90% of college students receive some form of financial aid. Yet, many students are left behind, and a large number of Americans have large student loan debts. According to the U.S. Federal Reserve, Americans currently owe over \$1.71 trillion in student loan debt, spread out among about 44.7 million borrowers. The degree of price differentiation is enormous. It pays to pay attention to the process. The cost of attending is different for each student. It is different even for students of the same class of the same school. It is like an airplane cabin!

So, what can families do to pay less to obtain a college education? Here are my five favorite strategies:

### **1 – Choose a local State College and commute there**

When you pay in-state tuition, the cost of attendance is significantly lower. Also, any private scholarship directly reduces that cost. If the student remains at home and does not pay for room and board, the savings become pronounced. It makes sense for the student to complete foundational classes at a local community college in some cases.

### **2 – Join the Military**

If students enlist with the U.S. Armed Forces, they become eligible for many educational benefits. They include tuition assistance, the Montgomery GI Bill, and the Post 911, GI Bill. Besides enlisting, students may join the Reserve Officer Training Corps (ROTC) as part of their college curriculum. The ROTC has reliable scholarship programs. Finally, the student may attend a Service Academy, like the U.S. Naval Academy in Annapolis, MD. The Federal Government covers the full cost of attendance, and the student receives a small cash allowance.

### **3 - Attend College Abroad**

Going to College abroad has become more and more popular with American Students. In many countries, College is low cost or free for international students. The quality of the education is comparable to the typical American College. France and Germany are my favorites. You earn a degree and learn a new culture and language for a relatively low cost. Check out the following resources:

<https://www.usa.campusfrance.org>

<https://www.studying-in-germany.org/college-in-germany-for-american-students/>

### **4 - Obtain Grants and Scholarships**

There is a vast number of grants and scholarships available to help students and families fund College. Local and National non-profits provide college grants and scholarships. It is vital to learn how to find, select and apply. Pay attention to deadlines! Ensure you proofread your essays and thank any teacher, coach, or mentor who writes a recommendation letter. Many opportunities are community and thematic. Some will apply to your student. Applications need to show evidence of academic and leadership potential. Check out the following resources:

<https://www.amazon.com/Ultimate-Scholarship-Book-2021-Scholarships/dp/1617601543>

[www.fastweb.com](http://www.fastweb.com)

### **5 - Strategically prepare for FAFSA, the CSS Profile, and 529 Plans**

There are two primary sources of need-based financial aid: Federal Government and Educational Institutions. The assistance can be in the form of grants or loans. For Federal Aid, the family always needs to complete the FAFSA; for institutional aid, the CSS Profile is typically required. 529 College Savings Plans balances impact the amount of need-based aid available.

#### **FAFSA**

The Free Application for Federal Financial Aid. It is available in early October and required for Pell Grants, Federal Student Loans, and most aid institutions. Only the custodial parent matters. Income and Assets in the name of the students have a negative impact. There will be significant changes to the FAFSA this year. The biggest one is that families with more than one child attending College at the same time will no longer benefit. Here is a resource to estimate the expected family contribution – EFC:

<https://studentaid.gov/complete-aid-process/how-calculated#efc>

<https://www.road2college.com/learn-how-your-efc-is-really-calculated/>

#### **CSS Profile**

It stands for College Scholarship Service Profile, and the College Board manages it.

It is not always needed. For example, Univ of Maryland does not require it, but Univ of Virginia does. It is also available in early October. It is used in addition to FAFSA by the most prestigious

and highly endowed private non-profit educational institutions. It is more detailed than FAFSA. The non-custodial parent needs to report income and assets; small business assets are counted, home equity is counted. Retirement accounts must be reported but are not counted. The Net Price Calculator is a tool produced by the College Board. It makes it easier for prospective students and families estimated the real cost of attendance for many schools. Here is a link to the Net Price Calculator:

<https://bigfuture.collegeboard.org/pay-for-college/paying-your-share/focus-on-net-price-not-sticker-price>

## **529 College Savings Plans**

529 College Savings Plans allow Families to Save for College and gain tax benefits. At the Federal level, the growth in the account is tax-free if used for education. Many states also offer State Income tax a deduction in the year of contribution. 529 plans count as an asset in the FAFSA and the CSS Profile. There are significant tax penalties if the funds are not used for education. Funds can be used for graduate school, K-12 schools, and student loans. The value of investments inside a 529 Plan fluctuates, and losses may occur. Here is a link to learn more about 529 Plans:

<https://www.investopedia.com/terms/1/529plan.asp>

## **Strategies to reduce the EFC**

These strategies may apply to your situation or not. They should not be considered a specific recommendation. They are simply ideas to be considered:

- Remove assets from the name of the child.
- Contribute as much as you can to your IRAs and 401(k).
- Delay getting married or accelerate the divorce process.
- Pay down credit cards and other consumer debt.
- Take a sabbatical two years before your student freshman year in College
- Start a business two years before your student freshman year in College
- Contribute the 529 during the College years.

Maybe some of these strategies apply to you! If so, we can put together a plan and assist you in making it happen. We at Toler Financial Group offer Free Initial Consultations. You can clarify your questions and get to know us better. Here is how you can book it:

### *529 Plan Disclosure*

*Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses, summary prospectuses and 529 Product Program Description, which can be obtained from a financial professional and should be read carefully before investing.*

*Depending on your state of residence, there may be an in-state plan that offers tax and other benefits which may include financial aid, scholarship funds, and protection from creditors. Before investing in any state's 529 plan, investors should consult a tax professional. If withdrawals from 529 plans are used for purposes other than qualified education, the earnings will be subject to a 10% federal tax penalty in addition to federal and, if applicable, state income tax.*