

Financial Strategies for Paying for College

And the Strategic Use of Student Loans

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Helping families successfully navigate college search for 16 years

Help students identify right fit schools – Academic, Social, Financial

Reduce the stress between parents and kids during this journey

Agenda

- Current realities and trends in costs
- Determining a Family Strategy
- Loan consideration and current rates
- Significant Changes – Case Study
- Leverage for your clients

More than 529's!

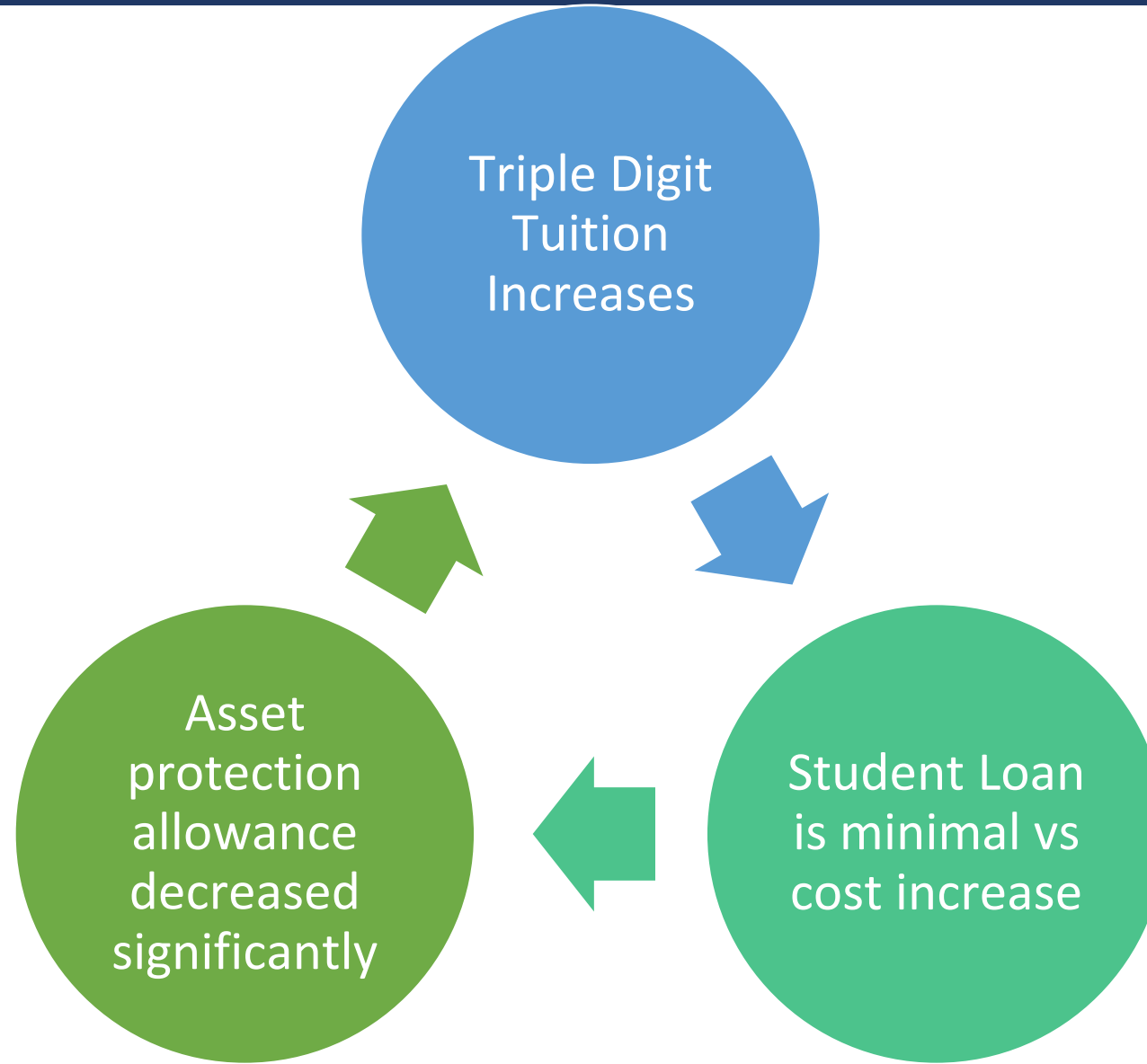


Late-stage college planning is a significant opportunity to provide value to your clients and build your business!

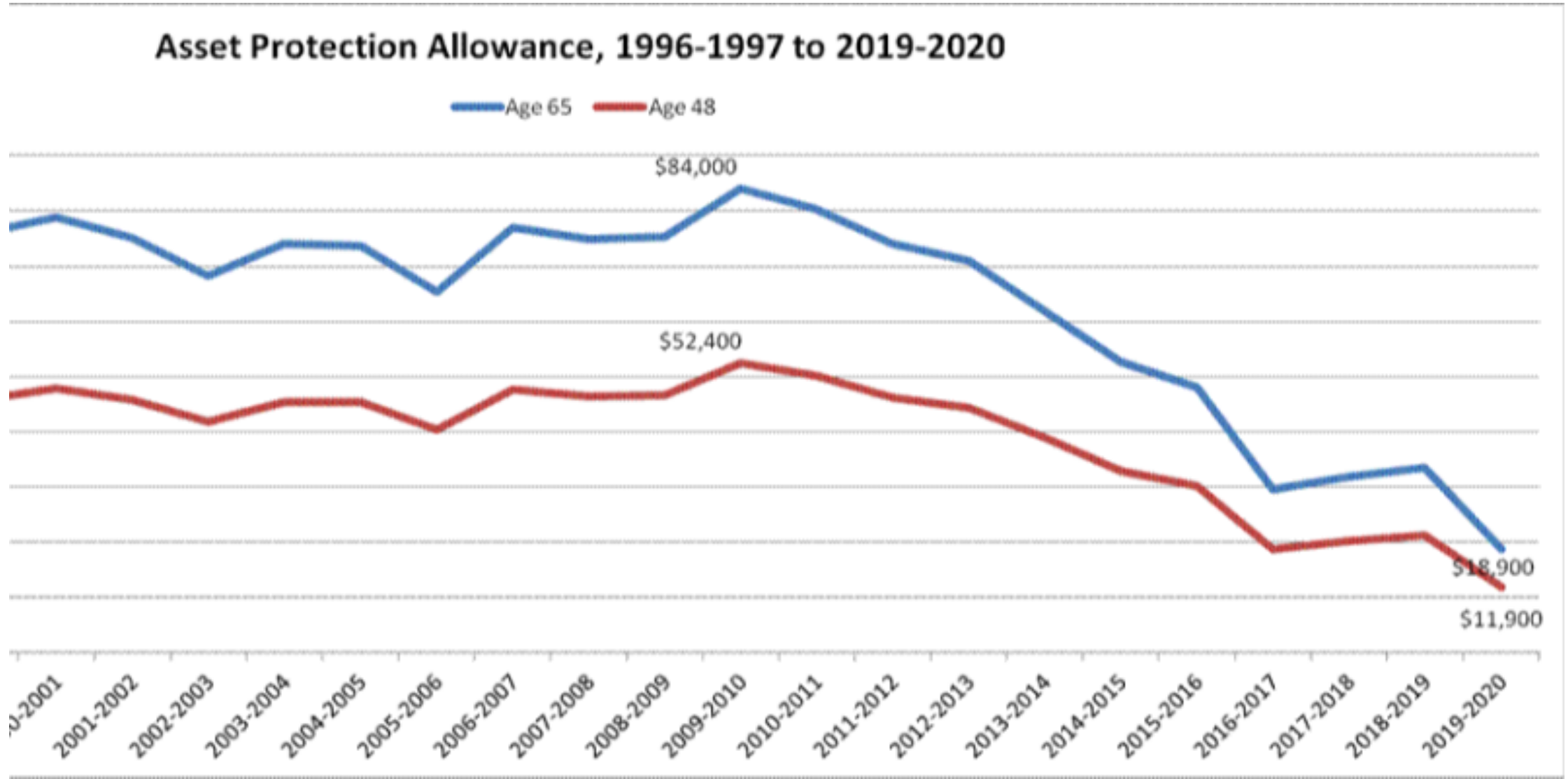
3 Key Factors For Success



Why is it harder for families to afford college?



10 years ago, a family could shelter \$52,400 in assets,
today that number is \$0





Quiz

What percent has tuition increased at public institutions nationwide since 1990?

- 73%
- 106%
- 180%
- 213%

Public Tuition increase
since '90



213%

Private Schools



415%

Notable Increases!

University of
Illinois 531%

University of
Notre Dame
501%

University of WI
1047%

University of
Iowa
460%

University of MI
1053%

School 2022-23	Total Cost
Northwestern	\$87,804
USC	\$84,524
NYU- general studies	\$83,250
Denver University	\$76,456
Gonzaga	\$69,707
UCLA	\$68,475
Clemson	\$55,802
CU- Boulder	\$31K-\$35K*
University of Washington	\$32,464*

*In-state tuition

Average Family Debt:



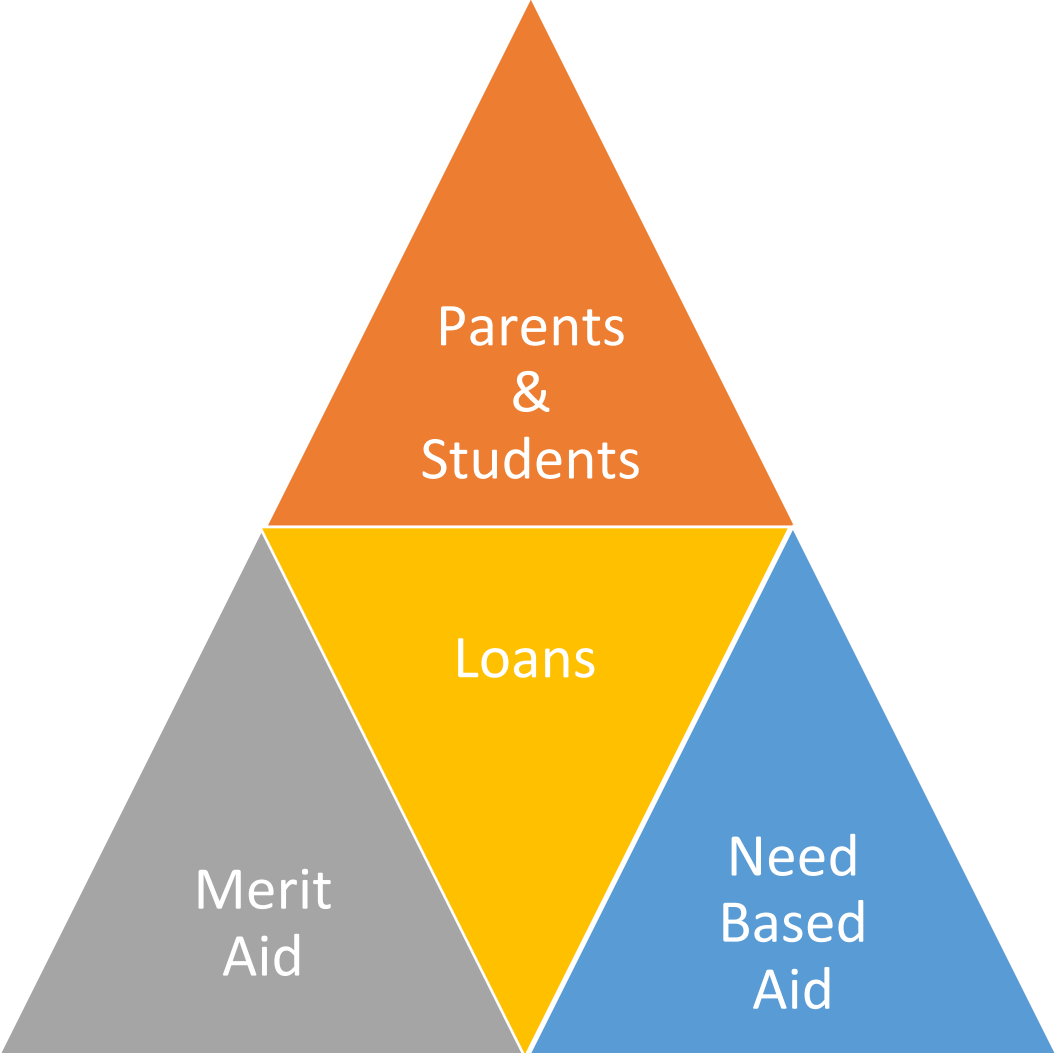
\$58K

Students	\$38,000*
Parents	\$20,000

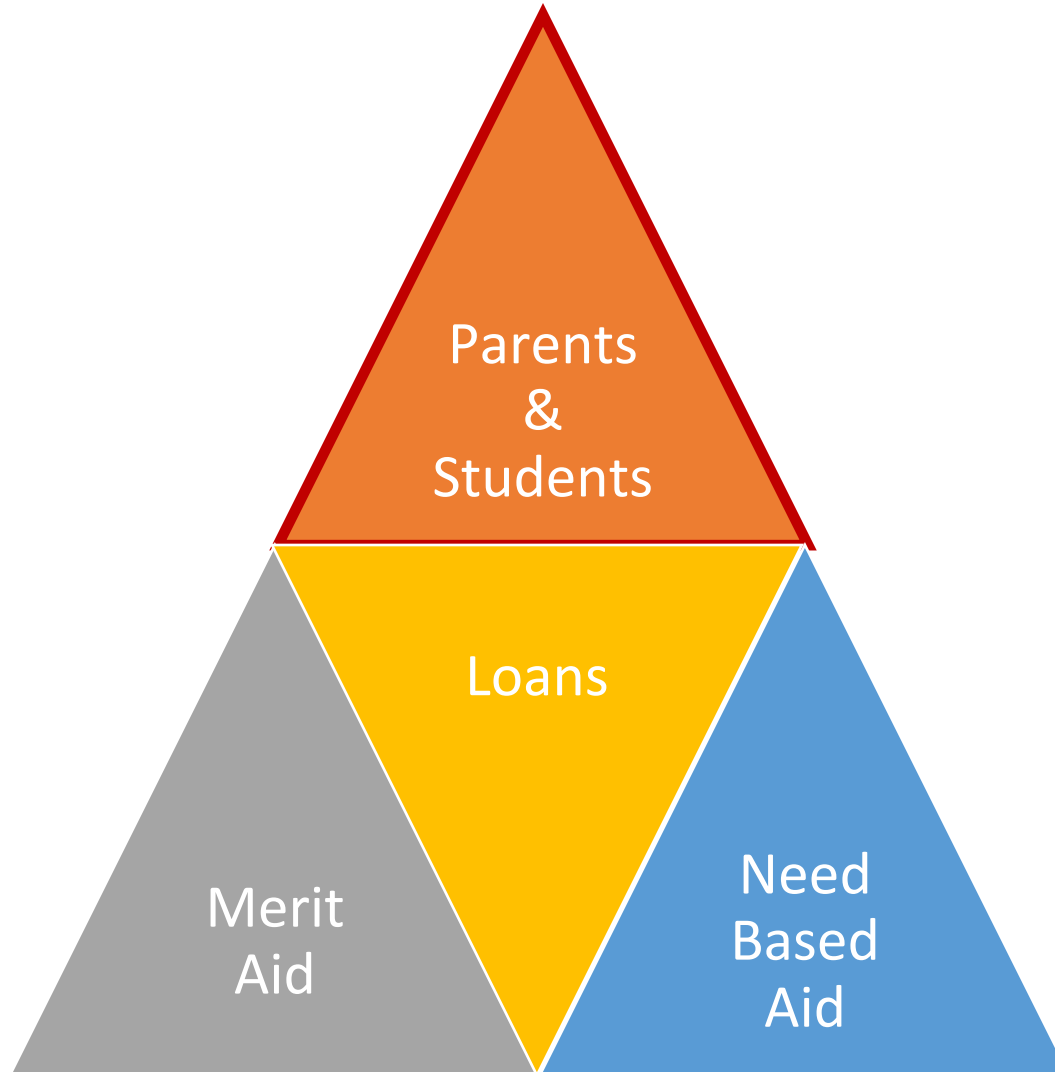
*Parents co-signed on \$11,000 of this amount

Determining A Family Strategy

There are multiple ways to pull a successful financial college experience together!



Parent and Kid contribution potential?

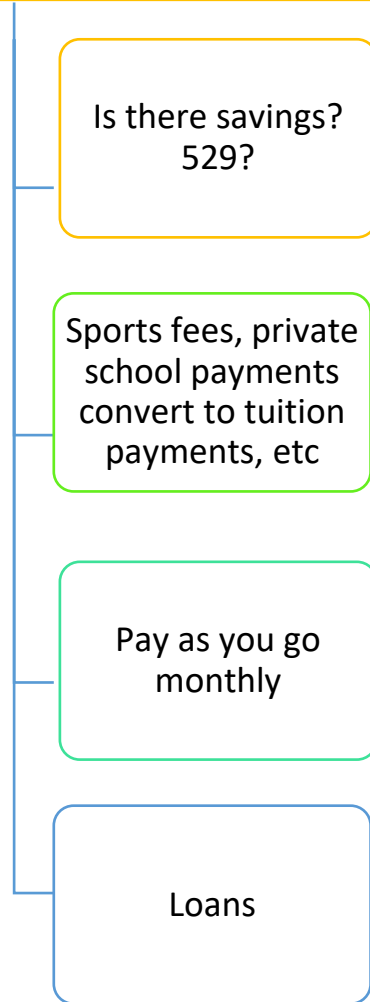


What is your Philosophy? Who has skin in the game?

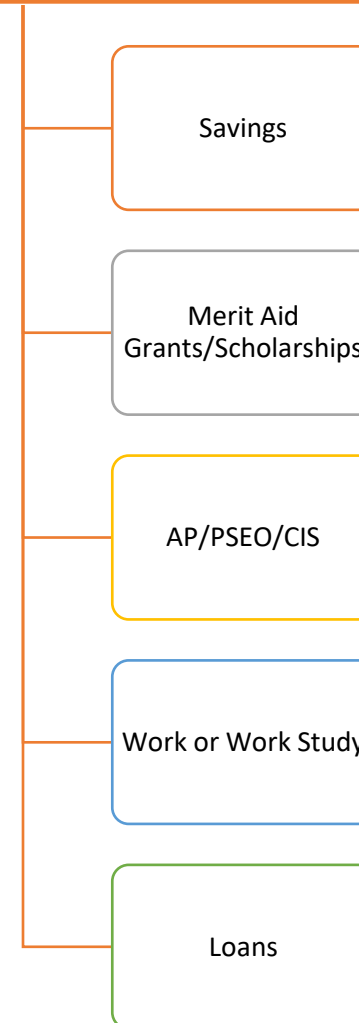
- Parents pay
- Saved money – anything beyond is on the student
- Saved money for undergrad & grad – we don't want to overpay
- Split percentages with the student
- Student pays

Break Down Where Money is Coming From!

Parents



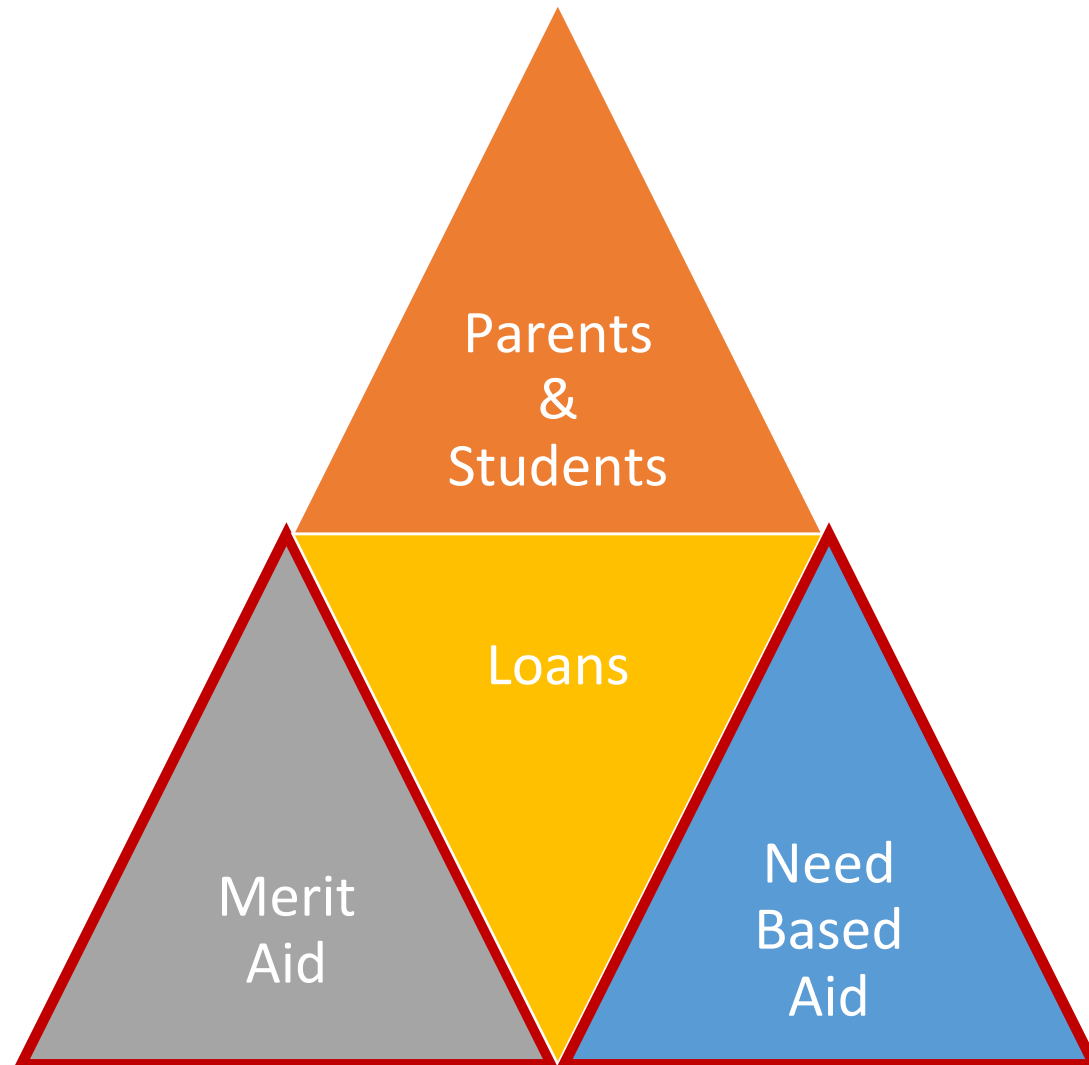
Student



4 Tips to take with you

- Have this talk with your student early in the college search
- Make financial considerations an equal part of this search along with academic and social fit
- Determine your strategy for who has skin in the game and determine what your “maximum” bottom line is
- Have an open discussion around loans and use real world examples to illustrate payback

How Does “Aid” Factor into the Discussion?



Need vs Merit – How do they compare

Need

Determined by FAFSA outcome and potentially the CSS profile

Grant or scholarship from the college

Re-evaluated every year

Nearly all schools address some level of need but the vast majority leave much of it uncovered

Merit

Based on aspects of the student the college deems most beneficial to them

Grant or scholarship from the college

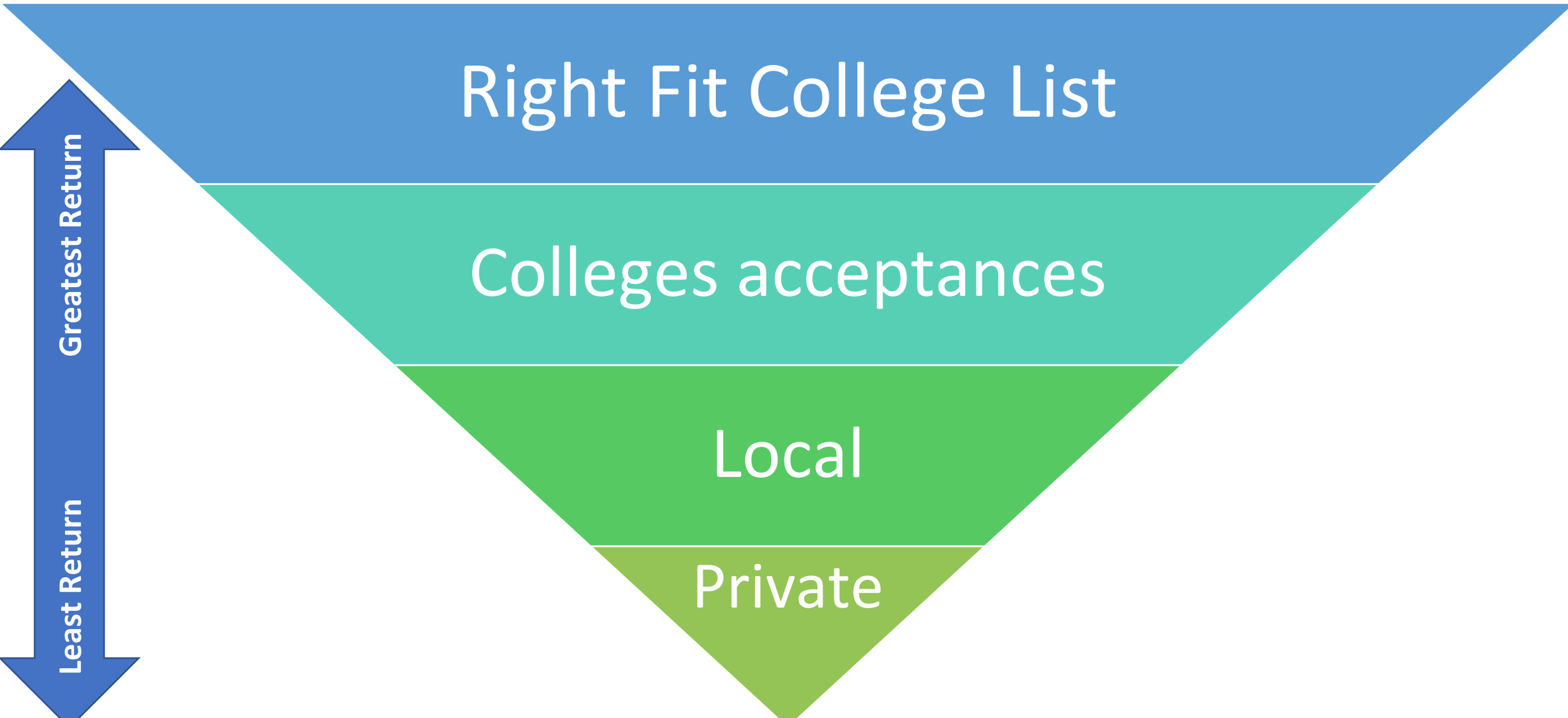
Typically last for the entire 4 years, ask if unclear

NOT ALL COLLEGES GIVE MERIT AID and it varies greatly school to school

And now a word about scholarships!!



How to direct student energies to reduce cost!



Right Fit College List

Colleges acceptances

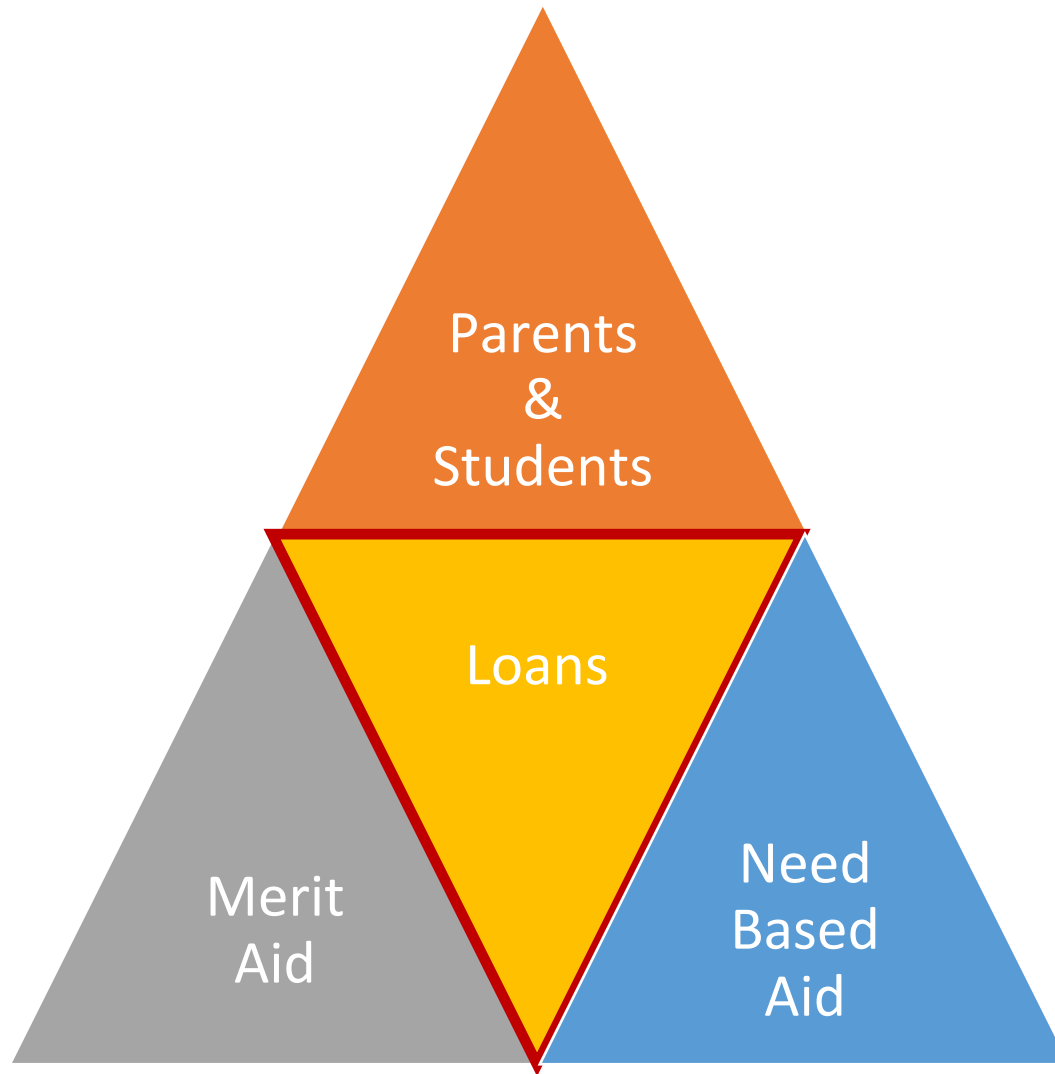
Local

Private

Greatest Return

Least Return

Loan Considerations!



Helping your families understand their "need"

Does the family make more than \$280K

Start with Income

Yes

No

Use FAFSA for loan

Focus on Merit

No significant need aid

FAFSA Forecast tool

Use Formula to estimate aid

May include Merit

Discussion about what they want to pay for school

Discussion about what they want to pay for school

- Subsidized- 4.99%
 - Interest does NOT accrue while in school
- Unsubsidized- 4.99%
 - Interest DOES accrue while in school
- Payment
 - Begins 6 months after graduation on both
- Loan Forgiveness available
 - Public service jobs (teacher, nonprofit, etc.)

Federal Direct (Stafford) *

- <http://www.gocollege.com/financial-aid/student-loans/states/>
- Vary by state significantly
- MN Self Loan – 6.35% fixed. Variable also available
 - Requires co-signature
 - Limited to \$20K total

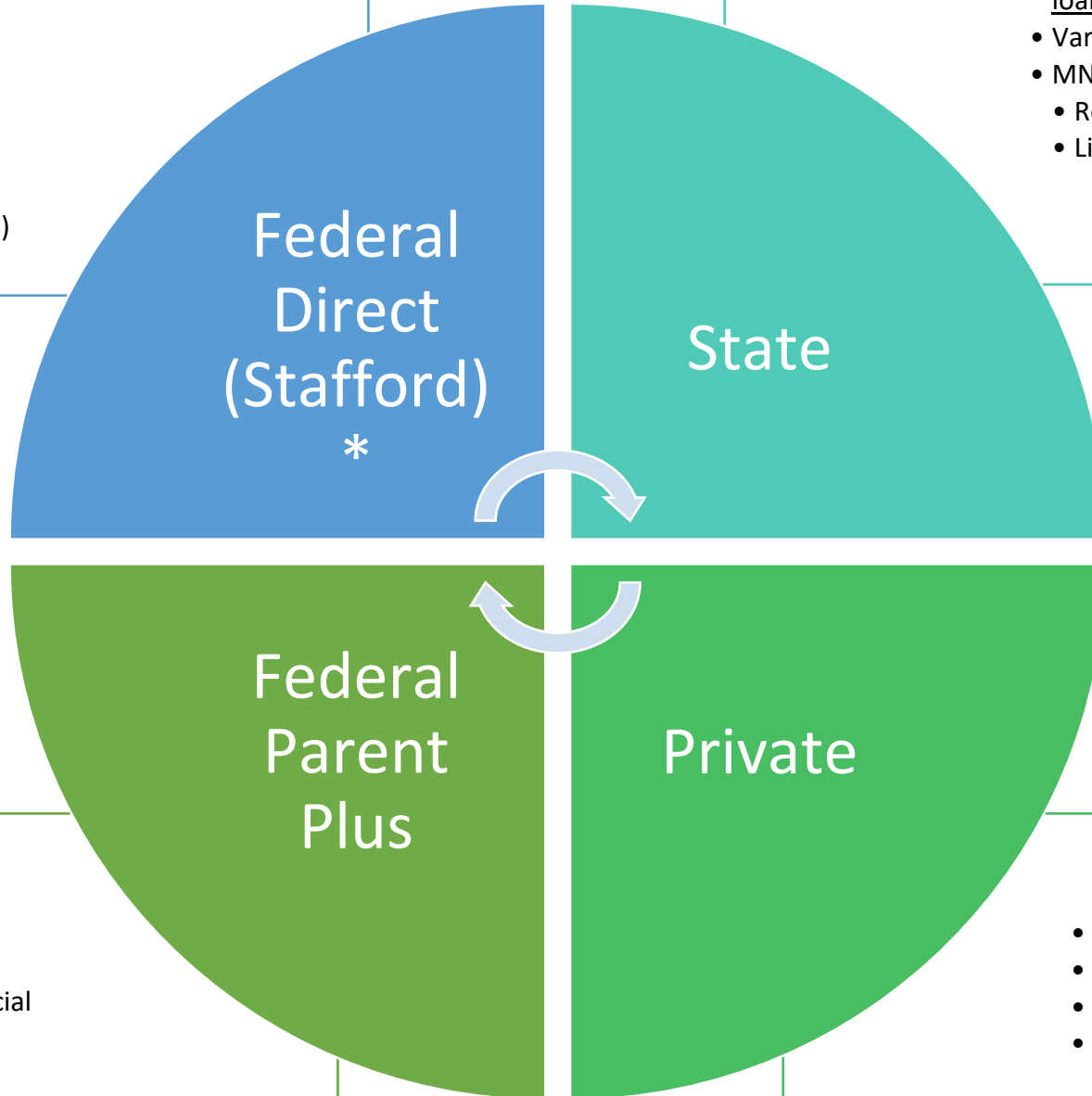
State

- Interest – 7.54% - Credit check required-4% origination
- Available for full amount minus other financial aid
- Can be used for all educational expenses
- Payments begin immediately
- Owned by the parent

Federal Parent Plus

- Can be parent or student owned
- Requires parent co-signature for the most part
- Rates vary widely are common
- <https://www.nerdwallet.com/best/loans/student-loans/private-student-loans>

Private





Be clear about the terms of both federal, state and private loans!

LOAN Limits

- Federal Student loan – maximal set amount
- Freshman - \$5500 – subsidized max \$3500
- Sophomore - \$6500 – subsidized max \$4500
- Junior - \$7500 – subsidized max \$5500
- Senior - \$7500 – subsidized max \$5500
- Full amount does not have to be taken
- ONLY loan the student owns alone
- Parent Plus vs HELOC

Guidelines for Debt

- Never take out more in loans than a first-year salary in your chosen field
- For every \$10,000 in loans, you take out, it will be roughly \$100/month loan payment
- Federal loans are only available for the year they are offered, so consider the entire 4 years before declining loans

529's

Use during college is limited to qualified expenses

- Tuition, Room & Board, Books, Fees, Computer, Disability equipment

Plan for all 4 years to maximize the value of the 529

- Consider whether using it now or later is their best option
- Consideration around Federal Student Loan/FAFSA
- Consider saving \$27K for use during grad school

New use to help pay down loans!

- \$10K lifetime limit to apply to student loan payment
- Potential use for grandparent 529

What we do!

Just like realtors understand the housing industry, College Inside Track helps families navigate the college search landscape and understand the “behind the scenes” things.

You can do it on your own, but you will often cost yourself money.

**We help navigate the
complicated process
and find the right fit**



**We ensure your
clients get the
best pricing for
their list of
schools**





**We are a
neutral
third-party
that
students
listen to**

Impactful ways to add value for your clients

- Start your clients in the right time! Identify families with a sophomore/junior, encourage late-stage college planning
- Recommend our family consultation
- Client education events as a value-add
- Grandparents want to help! Assuring 529s are being well utilized. Choices to generational wealth.



Questions?

Follow us on Facebook for the latest!

Share us with people you know – free consultations for anyone with questions around search.

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