

PAYING FOR COLLEGE

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With the cost for one year of college now exceeding \$50,000 at some of the most competitive private colleges, what's a family to do? Starting early, very early, is a good beginning. As soon as a Social Security number has been obtained, you can start a 529 plan for a newborn for as little as \$25. And a regular monthly contribution for the next 20 years can make a big dent in the ultimate higher education cost. Grandparents can start plans as an alternative to baby gifts, which has the potential to pay big dividends over the long term.



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The recession has had a number of devastating impacts:

- ◆ College endowments have lost 25% or more of their value
- ◆ Investments set aside to pay for college may have lost significant value
- ◆ Home equity, a traditional source of funding, has declined, sometimes to the point that additional borrowing is not possible

So how can families adjust to this new reality? One thought is to begin at a lower cost two year community college, then transfer later to a traditional four year college. Colleges also will review need based aid if circumstances change in a meaningful way, e.g. a job loss. The attached chart illustrates the easing of aid qualifications emanating from The American Recovery and Reinvestment Act.

Colleges dispense aid based on myriad factors and it may be fair to generalize that they make aid available based on who they prioritize

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Considerable help in sorting through options is available on the internet. Some include:

www.fafsa4caster.ed.gov provides a nifty calculator for figuring the expected family contribution and other information on aid qualification.

www.savingforcollege.com offers data on various 529 plans. RegentAtlantic also evaluates and establishes these plans for clients, so speak to your wealth manager.

www.meritaid.com provides a comprehensive directory of merit scholarships and academic scholarships from colleges across the country.

Paying for college is perhaps the second largest investment we make, after the purchase of a home. Start early and study the payment alternatives, even before starting a family! And the better educated we become, the less the sticker shock will be when the time comes in August of some year to write those first checks!



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College Funding and Aid Worksheet

Program	Dollar Limits		Interest Rate		Qualifications	How to Access
LOANS	Stafford Loan (students)	issued on or after 7/1/08 and dependent undergrad	issued on or after 7/1/08 and independent undergrad	issued on or after 7/1/08 and graduate student		
	subsidized*	\$3,500 1st yr full-time \$4,500 if completed 1st yr \$5,500 if completed 2yrs	\$3,500 1st yr full-time \$4,500 if completed 1st yr \$5,500 if completed 2yrs	\$8,500 each year	All based on Financial Need	FAFSA www.fafsa.ed.gov www.finaid.org www.studentaid.ed.gov
	unsubsidized*	\$2,000 1st yr full-time \$2,000 if completed 1st yr \$2,000 if completed 2yrs	\$6,000 1st yr full-time \$6,000 if completed 1st yr \$7,000 if completed 2yrs	\$12,000 each year	credit check	PLUS application school's financial aid office
PLUS Loan (parents)	equal to cost of attendance less other aid				7.9% ³ 8.5% ⁴	through the school
Perkins Loan ⁷	\$5,500/yr (undergrad student) and \$8,000/yr (graduate student)				5%	
Pell Grant ⁸	\$4,731 (7/1/08 to 6/30/09) and \$5,350 (7/1/09 to 6/30/10)				NA	FAFSA www.fafsa.ed.gov
American Opportunity Credit (formerly hope credit)	for 2009 and 2010 only - up to \$2,500 ⁵ per student				NA	consult with your tax advisor
Lifetime Learning Credit	up to \$2,000 per tax return ⁶				NA	consult with your tax advisor
Coverdell Savings Account	\$2,000 per beneficiary (under age 18); money must be used by age 30 or earnings taxed at ordinary income plus 10% penalty				NA	approved entity or through advisor
529 Savings Plan	total contributions vary by state - some as much as \$300k; coordinate with gift tax rules; tax deferred/free growth	contributions count as gift of present interest to beneficiary; no gift tax if annual gift per beneficiary does not exceed \$13k; can change beneficiary	large up front deposits allowed; can elect to treat contribution as made over five year period (\$13k * 5yrs = \$65,000 per donor)		NA	direct from 529 plan manager or through advisor www.savingforcollege.com www.collegesavings.org

* Federal government pays interest on subsidized loans while student is in school, up to six months after graduation if eligible/ the student is responsible for the interest on an unsubsidized loan while in school/ you may receive less than these maximum amounts based on other aid

¹ for loans issued on or after 7/1/08 and before 7/1/09; then 5.6% for loans made on or after 7/1/09 and before 7/1/10; then 4.5% for loans made on or after 7/1/10 and before 7/1/11; then 3.4% on loans made on or after

² fixed rate if issued on or after 7/1/08

³ Direct PLUS loans issued on or after 7/1/06 (fixed); rates are variable for loans issued prior to 7/1/06 and reset every July (pay fee of up to 4% of loan)

⁴ FFEL PLUS loans issued on or after 7/1/06 (fixed); rates are variable for loans issued prior to 7/1/06 and reset every July (pay fee of up to 4% of loan)

⁵ new credit equals 100% of the first \$2,000 qualified

⁶ available for all years of post-secondary school and student does NOT need to be pursuing a degree

⁷ Perkins Loan - financial need determined by US Dept of Ed; FAFSA form completed

⁸ Pell Grant - not a loan so no repayment required. Financial need determined by US Dept of Ed; FAFSA form completed; cannot receive from more than one school at a time

