



Steps for Smart College Financial Planning

1. **Use Net Price Calculators to estimate, and college Award Letters to confirm, your net price – be sure to use the net price when you compare the cost of colleges. The net price never includes loans!**

Net price is the true cost of college, it equals Cost of Attendance minus gift aid

Cost of Attendance is:

- Tuition and Fees
- Room and Board
- Books and Supplies
- Other (Transportation and Other)

Gift aid is aid you don't have to pay back – make sure it's renewable each year

- Grants (usually based on financial need)
- Scholarships (usually based on academic history)

2. **Multiply the one-year net price by the number of years for your degree.**

Four years for a Bachelor Degree (BA or BS)

Two years for an Associate Degree (AA or AS)

3. **Subtract savings and amount you and/or your parents can pay from income earned during the college years – the result is how much you'll need to borrow.**

4. **Estimate how much your annual payments will be on the amount you borrow.**

\$127 per year per thousand dollars borrowed for Federal Student Loans (typical maximum for 4 years of college is \$27,000, therefore: $\$127 \times 27 = \$3,429$ per year repayment on \$27,000 debt)

\$143 per year per thousand dollars borrowed for Federal Parent Loans

Based on interest rates in effect as of July 2022 paid off over standard term of 10 years.

Your actual interest rates could be higher or lower. If you need to borrow more than the maximum \$27,000 in Federal Student Loans, be sure to shop for the best loan terms.

5. **Estimate how much you need to earn to be able to make the annual debt payments.**

Rule of thumb: Education debt payments should not be more than 10 to 15% of gross income – It's preferable to keep payments to 10% or less, but if you stretch you should not exceed 15%.

Estimate the income you need to earn to keep debt payments within 10% of income by multiplying the payment amount (from step 4) by 10. If you think your expected pay after college will be higher, then the college debt is likely to be affordable. (On average new college graduates earn \$40,000 to \$50,000 per year.) Parents need to consider additional obligations: existing debt repayments, other children who may attend college, and retirement.



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Helpful Links

Net Price Calculators provide a personalized estimate of college costs early in the search. NPCs with more questions are usually more accurate than those with just a few. Search on a college's financial aid page, sometimes on admissions or home pages, or use their search feature. Get quick access to most NPCs here: <https://collegecost.ed.gov/net-price> (search college website if links are out of date).

<https://studentaid.gov/h/apply-for-aid/fafsa> - The official federal site for filling in the FAFSA, which is required for most financial aid

<https://cssprofile.collegeboard.org/> - The CSS Profile is required in addition to the FAFSA at about 150 selective US colleges

<http://nces.ed.gov/collegenavigator/> - College Navigator is a great source of statistical information on college cost, financial aid, admissions information, and more

<http://collegecost.ed.gov/>
Department of Education's cost transparency center

<http://www.consumerfinance.gov/paying-for-college/>
Consumer Finance Protection Bureau's college section

EFC calculator – Calculates both FAFSA EFC (called FM) and Profile EFC (called IM)
Knowing the EFC by itself won't give you an estimate of how much you'll pay at a given college – for that you need to use a Net Price Calculator. But knowing the EFC can tell you if you'll qualify for a federal Pell grant or a state need-based grant. It can also tell you if you don't qualify for need-based aid – if your EFC is higher than the college's published cost of attendance (the sticker price).

<https://bigfuture.collegeboard.org/pay-for-college/calculate-your-cost/expected-family-contribution>

Scholarship search sites (for scholarships not awarded by colleges, called "outside" scholarships). The overwhelming majority of grants and scholarships are awarded by college financial aid offices. Outside scholarships rarely exceed about \$500 to \$2,000. They probably won't solve your college affordability problem, but they may help with some of the miscellaneous costs of college. They often require contact information for marketing purposes.

Fastweb: <https://www.fastweb.com/>

Going Merry: <https://www.goingmerry.com/>

Hot links to the sites above, and additional sites, are available at www.ScholarFits.com

Resources Page: <http://www.scholarfits.com/resources/>

Net Price Calculators Page: <http://www.scholarfits.com/resources/net-price-calculators/>

What you need to know about financial aid: <http://www.scholarfits.com/resources/college-cost/>