



Increasing Financial Stability of Individuals and Families

Student Loans

Long-Term Wealth Creation

A college degree can open up new and interesting career opportunities that increase annual income. According to the US Census Bureau, individuals who have a bachelor's degree earn an average of \$1 million more in their lifetime than people who have a high school diploma. As the cost of higher education continues to escalate, more and more individuals rely on student loans to help with college expenses. Some strategies that may help reduce tuition costs include:

- Attending a community college for two years, then transfer to a four-year college
- Take advantage of work-study programs or get a job on campus to earn money to pay as you go
- High School students can take Advanced Placement (AP) courses and receive college credit for scoring well on these tests

You must complete the **Free Application for Federal Student Aid (FAFSA)** to qualify for any federal student financial aid. Then the program determines how much they think an applicant can afford to pay, the estimated family contribution, and will send a Student Aid Report (SAR) with this detailed information. Federal student aid comes from the federal government, specifically, the US Department of Education. It is money to help students pay for education expenses at a post-secondary school (e.g., college, vocational school, graduate school). Federal student loans offer low, fixed interest rates; income-based repayment plans; loan forgiveness; and deferment option, including deferment of loan payments when a student returns to school. Student receiving federal loans do not need a credit history or a cosigner. Private loans from banks do not usually offer such benefits. So, if you need to borrow money to pay for college or trade school, start with federal student loans.

There are four federal student aid categories:

- Grant – This money does not usually have to be repaid. Most Department of Education grants are based on the student's financial need
- Scholarship – Department of Education scholarship money is awarded based on student academic achievement and does not have to be repaid
- Work-study – This money is earned by students through a job on or near campus while attending school and does not have to be repaid
- Loan – Loan money must be repaid with interests

For details about the federal student aid programs, including maximum annual amounts and loan interest rates, visit FederalStudentAid.ed.gov/guide.

There are also other federal funding sources. Visit students.gov to learn out about education funding available from other federal agencies, go to a college website or ask the college's financial aid office about money the school offers its students.



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Private loans are another source for education funds; however, credit scores are considered when applying for these loans. Private loans generally have higher interest rates, and variable interest rates instead of fixed interest rates. However, these loans may cost less than accumulating credit card debt to cover expenses.

College savings plans can help clients save for higher education for their children. The Arizona Family College Savings Program (529 Plan) is a Section 529 college savings plan sponsored by the State of Arizona through the Arizona Commission for Postsecondary Education. The 529 Plan is designed to help families meet the rising costs of a higher education. The program offers an easy, flexible, and tax-advantaged way to save for college.

Resources:

federalstudentaid.ed.gov

Maryland Cash Campaign, mdcash.org

finaid.org

az529.gov