



Paying for College: Five Keys to Success



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Introduction

Paying for college can be a daunting task for families and students, but with the right strategies, planning, and information, you can make it more manageable.

Here are five keys to success for anyone planning to pay for college.

Key 1: Know the Cost in Advance

Understanding the true cost of college is the first step in financial planning primarily because it can help you create a realistic financial plan. With this information in hand, you should be able to more accurately estimate how much you need to save, borrow, or earn to cover tuition, fees, room and board, books, and other expenses. Creating a realistic financial plan is essential for preventing last-minute financial surprises and helps you allocate your resources effectively.

Most colleges provide net price calculators on their websites, like [this one](#) from Stanford University, which can help you and your student estimate the actual cost of attending after accounting for financial aid. In order to understand your family's expected contributions, it's important to determine your son or daughter's estimated federal student aid. This free [Student Aid Index \(SAI\)](#) calculator provides insights into your student's eligibility for need-based aid across various institutions.

By using these calculators, you and your student can lessen the likelihood of surprises and plan your finances more effectively.

Key 2: Prioritize Saving Now over Borrowing Later

Starting to save during high school can significantly reduce the need for student loans later on. Establishing a 529 savings plan is particularly advantageous. The funds in a 529 savings plan grow tax-free and can be used not only for college expenses but also to pay down student loans and even cover the costs of apprenticeships. The amount you can expect to save with a 529 savings plan depends on several factors, including how much you contribute, the rate of return on your investments, and the length of time your money is invested. Here are some key points to consider:

Contribution Amount

- **Initial Contribution:** Starting with a larger initial contribution can significantly increase your savings over time.
- **Regular Contributions:** Consistent monthly or annual contributions will help your savings grow steadily. Even small but regular contributions can accumulate significantly over time.

Investment Growth

- **Rate of Return:** The rate of return on your 529 plan investments will vary based on the specific investments you choose and market performance. Historically, a balanced portfolio might earn an average annual return of around 5% to 7%, although this can fluctuate.
- **Compounding Interest:** The power of compounding interest means that your earnings generate their own earnings over time, leading to exponential growth.

Time Horizon

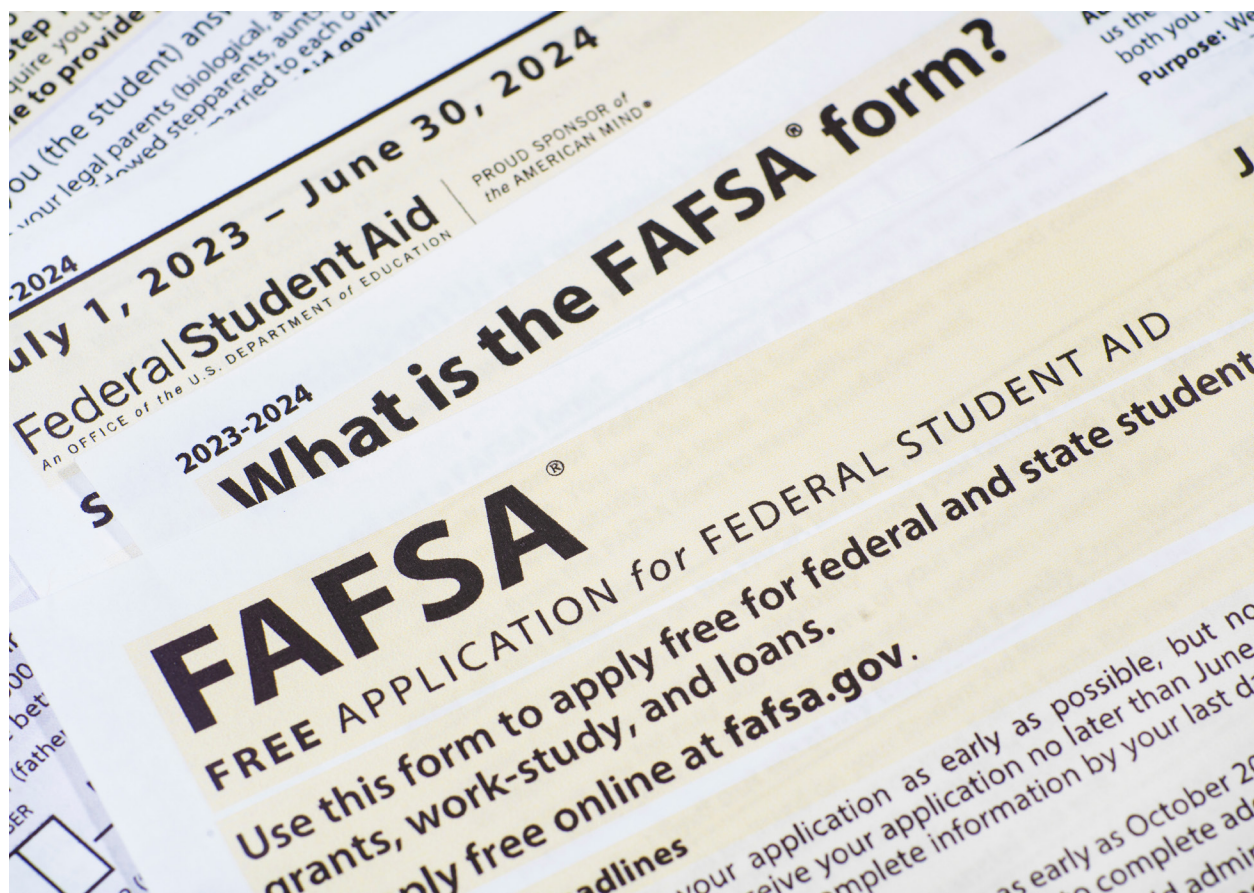
- **Start Early:** The earlier you start saving, the more time your investments have to grow. Starting when your child is young can make a significant difference.
- **Investment Duration:** The length of time your money is invested affects the total amount you save. Longer investment periods typically result in higher savings due to compounding interest.
- A 529 college savings plan can be a powerful tool to help you save for college expenses and reduce the need for student loans. By prioritizing savings, you can lessen the financial burden on your student and your family, making college more affordable.



Key 3: Minimize Student Loans

While student loans can be a useful resource, they should not be your primary method of paying for college. Scholarships and grants are the most desirable forms of financial aid because they do not need to be repaid and are often awarded based on academic merit, financial need, or other criteria. Federal financial aid, accessible through the Free Application for Federal Student Aid (FAFSA), can provide grants (such as the Pell Grant), work-study opportunities, and federal student loans with favorable terms and flexible repayment options. State governments and individual colleges also offer grants and scholarships, which can significantly offset tuition costs. Additionally, private scholarships from organizations, businesses, and community groups are available and plentiful.

By combining these resources, students can create a comprehensive financial aid package that minimizes out-of-pocket expenses and reliance on loans. Loans may be necessary for some students, of course; however, before considering them, exhaust all other financial aid options. If your student does end up needing to take out loans, be sure to shop around for the best private loan rates and terms, and try to avoid PLUS loans, which can be more costly and less flexible.





Key 4: Find Scholarships

Scholarships are an excellent way to reduce the cost of college and, as mentioned above, are among the most desirable forms of financial aid. They do not need to be repaid and can come from various sources, including colleges, private organizations, and community groups. In the United States alone, billions of dollars in scholarship funds are awarded annually. According to estimates, over \$6 billion in scholarships are distributed each year, with a significant amount also going untapped every year. This substantial pool of funds highlights the importance of researching and applying for scholarships as part of a comprehensive strategy to finance higher education.

This free comprehensive scholarship **search tool** can assist you in finding the scholarship opportunities that match your profile. By dedicating time to apply for scholarships, you and your student can decrease your reliance on loans and savings.



Key 5: Use Current Income to Reduce Loans

Tuition payment plans are an often-overlooked option that can help you and your student manage college costs without taking on additional debt. These plans allow you to pay tuition in smaller, more manageable installments over the course of the academic year. By using your current income to cover part of the tuition, you can reduce the amount your student needs to borrow, ultimately lowering his or her total debt burden after graduation. Payment plans vary by institution, but common options include:

- **Monthly Payments:** Spread your tuition costs over several months (e.g., 4 to 12 months) within a semester or academic year.
- **Quarterly Payments:** Divide payments into smaller quarterly installments.
- **Semester Payments:** Make payments at the beginning of each semester rather than one large up-front payment.

The total tuition amount is divided into equal payments based on the plan you choose. Each installment is due on specific dates throughout the semester or year. Many payment plans offer the convenience of automatic withdrawals from your bank account or credit card, ensuring that payments are made on time without manual intervention. In some cases, payment plans can be used in conjunction with financial aid. For instance, your financial aid award may be applied to the payment plan, reducing the amount you need to pay out-of-pocket. Note that some tuition payment plans may include a small enrollment fee or service charge.

Overall, tuition payment plans are a valuable tool for making college costs more manageable, helping you to budget effectively and avoid accumulating debt.



The Last Word

By following these five keys to success, you and your student can create a more strategic and effective plan when considering how to pay the college bill. Starting early, saving early, exploring all financial aid options, and making informed decisions will help your family manage costs and minimize debt, setting your student on a path to financial stability.

For more information about planning and saving for college, please click on the resources below:

[Learn About Student Lending for Christians](#)

[Learn Why Where You Bank Matters](#)



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