

Paying For College - Transcript

Tom Mullooly: In episode 64 we're going back to school or at least, we're going to find out how to pay for it.

Welcome to the Mullooly Asset Show. I'm your host Tom Mullooly, and this is the second take on episode 64. We get questions all the time from our clients, from our listeners, from our viewers, to our podcast and our videos. If you've got a question, you're probably not the only one who's asking it. Get in touch with us. You may wind up seeing your question featured in a podcast or on a video. So Tim, what are we going to be talking about today?

Tim: **How do I get some help in paying for college?**

Tom Mullooly: This is probably one of the top five questions that we're asked all the time, paying for college. The corollary to that is, I'm probably not going to get any aid so why should I bother filling out the FAFSA? Okay, a couple of things I want to share with you. When my guys were going to school, one of the things that I learned that I had never read anywhere before was that, while tuition may be a squishy number, that number can change depending on the packages that schools out together for you, room and board will probably never change.

Now, going back seven, eight, nine years ago, the number that I had heard was room and board is always going to cost between \$10,000 and \$12,000 per year. Now, I'm sure that number's higher now because enough time has gone by and there's certainly exceptions to that case where numbers will be higher or maybe a few that are lower. But as a general rule of thumb, \$10,000 to \$12,000 for room and board is a pretty good estimation. That number really won't change much from school to school.

You won't get any kind of discounts or free passes on things like room and board, so just know that going in. The question about filling out the FAFSA ... I have to tell you, when people tell me that they didn't bother filling out the FAFSA, dumb, dumb, and dumb. Please, take a few minutes and that's all it takes. Takes a few minutes to fill out that FAFSA, but do it. Please do it.

There's a few reasons why. First of all, you may be surprised at what kind of package your student, your son or daughter is going to get when they get accepted to the school of their choice. The other things that's in there is, if your son or daughter has any plans on doing work-study and from my personal suggestion, you may want to consider doing

that, if they want a shot at doing work-study they have to check off that box on the FAFSA. It's very hard to get on the list for work-study if you did not do that. Take a few minutes, do the FAFSA, you'll find out that renewing the numbers in the second, third, fourth year for FAFSA are even easier than it is for the first.

So, what kind of packages do these schools put together for the students? You need to know that there's a couple of different things that make up a financial aid package. The first are scholarships. Now, scholarships sometimes come with strings. The string is, the student needs to maintain a 3.0 average or higher to get a certain amount of money. So, scholarships can sometimes come with strings. If you don't keep up your grade point average, you may not get the scholarship in the second year or the third year or the fourth year.

Then there are grants. Grants are free money because they don't have to be paid back and they don't come with any strings. Then there are loans that the student can get or the parent can get. This was an eye opener for a lot of people. Of course you can pay out of pocket. Schools will put together payment plans where you can pay the tuition over usually nine months during the school year and be done with that.

But if you're looking for grants and scholarships, know that there are Pell Grants. Pell Grants are usually based on income. It's a gift pretty much from the Federal Government based on financial need. Only undergrads with no prior bachelor degree are going to be illegible for something like that. Then there's the Perkins Loan Program. \$5,500 a year for undergrads. Up to \$8,000 a year for grad students.

There's also the work-study which I mentioned before. A student can get 10 to 15 hours a week in work-study. It's good pocket money. It's not something that's really going to help with paying down the loans, but it's a great way to keep money in your pocket when you're a student. Then there's Stafford Loans. Stafford Loans are graduated, meaning that in the first year of college, a student will get a number like \$4,500 and then the second year they get a little more and then their third and fourth year they get even more.

The thing with Stafford Loans is that they're subsidized or they're unsubsidized. A subsidized loan means that you don't have to make payments. You don't have interest charges until six months after graduation from college or six months after you leave school. So if you drop out of school and you don't graduate, guess what, six months later you need to start paying your loan. Those are subsidized loans, where everything is pushed off until after you're finished with school.

An unsubsidized loan means you're going to start paying, the interest will compound, and you may need to start making payments on that Stafford Loan sooner than school ends. The other thing that I want to talk about are PLUS loans. There's a lot of people that still don't understand these.

PLUS loans are parent loans. That's where they got the plus from. PLUS loans don't have ... They're not based on financial need. The only real thing that you have to qualify for is, you have to be able to sign. It's like getting a car, no money down. You have to be able to sign your name and you can't have a prior bankruptcy or some kind of unsatisfactory credit history. But there's no income verification.

The payments are made over a 10 year period of time so 120 months to pay it. The interest rates are ... They're not credit card level, they're 6%, 7%, 8%, they're really not that bad. If you're in a jam, parent loans are really something you ought to take a look at. A whole lot more that we can talk about in this video, but this one's getting long already.

If you've got questions about paying for school, talk with your financial planner or talk with us. Our phone number is 732-223-9000. Thanks for watching episode 64. We'll see you on the next one.