

Introduction to Financial Aid

Everyone knows that college is a great investment. According to the College Board, adults with a college degree earn about one million dollars more over their lifetimes than those with *only* a high school diploma.

A college degree maximizes your chances of being successful. It gives you choices you wouldn't have without an education. And it opens up doors to career you may have never even known about.

But college is expensive, and that leaves many to wonder whether they'll be able to afford it.

Paying for College

Many families don't have the money to pay for all college costs from savings or their monthly income. And with good reason - today, the cost of simply obtaining a college degree is *significantly* higher than a generation ago. Private colleges and universities can cost \$50,000 or more per year. Public colleges may cost \$20,000 or more. Even attending the local community college with a full-time course load may cost \$10,000 or more.

However, the important question is not how much it costs to go to college but how much you'll actually be paying out of your own pocket. Keep in mind that three-quarters of students attending college receive some financial aid. And no, not all financial aid is loan. Billions of dollars are outright grants. In fact, more grant aid is disbursed each year than student loan aid. Of course, that doesn't mean that you'll get more grant aid than loan aid, but the cost of attending college is almost always less than the published tuition price for most students.

So three out of four students are not paying the whole cost by themselves. Nor are their families. How is this possible? Well, there are three parts of the financial aid puzzle: the cost of attending a particular college, how much each family is expected to pay, and how to find the best aid programs for your personal situation.

The first thing to understand is the actual cost to attend college. We all know there is tuition, fees, housing, and books, etc. But there are a lot of extras as well, including travel costs, food, and even having a little fun when not in class. In the financial aid world, all of these expenses are called the "Cost of Attendance," and it's a number that varies depending on the school.

Next, there are government formulas that determine how much each family is expected to contribute to this Cost of Attendance. This need analysis is based on factors including income, how many students are in school at one time, and other factors depending on each family's situation. How much a family is expected to pay is called the "Expected Family Contribution" and it is that same for all colleges. That's right - whether you go to the most expensive college in the country or to the least expensive, and you qualify for need-based aid, you will likely pay the same amount out of pocket because the school will provide more financial aid. That gives you the choice to attend whatever college you feel best suits you.

Finally, the last step of solving the financial aid puzzle is understanding and applying for the different programs that help you meet the difference between a school's Cost of Attendance and your Expected Family Contribution. In the student aid world, this difference is known as "Financial Need." Yes, many students get loans to help cover the need. Others get scholarships and grants. And many students get a combination of loans and grants.

Minimizing the amount of money you borrow and choosing the right loans based on a sound strategy are important topics. Borrowing a significant amount of money to pay for school might be a smart thing to do for some; maybe not as smart for others. For everyone, there are long-term ramifications of borrowing that need to be understood *before* accepting any loan.

There are many myths surrounding the financial aid process. When you know the facts, you'll see that college can be a reality regardless of your family's financial situation.