

Paying for College

SAVING vs BORROWING vs CURRENT INCOME

If you need \$10,000 per year for four years of college expenses (\$40,000 total), the monthly expense is as follows:

	<u>Save</u>	<u>Borrow</u>	<u>Current Income</u>
Interest	5% (earned)	8% (paid)	NA
Number of Years	12	12	4
Monthly Payments	\$203	\$485	\$833
Total Payments	\$29,232	\$58,237	\$40,000

Obviously, if you started saving for college essentially when the student began kindergarten, you would have a lower monthly payment and the interest you EARN helps make up the difference.

However, that is not the reality for most families. Neither is paying the entire amount out of current income.

But, the other end of the spectrum – borrowing – is less appealing. You would be paying more than double the savings amount, because you are paying almost HALF again of your loan amount in INTEREST!

Your best bet is a combination of items – save what you can ahead of time, use what you can out of current income, and apply for all grants/scholarships available **before** borrowing. Then borrow only what you need.

Tips On Paying For College

1. Secure Grants/Scholarships first:
 - Eligibility through the Free Application for Federal Student Aid (FAFSA)
 - BRCC Educational Foundation Scholarships
 - Outside Scholarships (e.g. church, civic organization, employer, etc.)
2. See if you qualify for WIOA, Job Training or other 3rd party payee funds
3. Pay each semester out of pocket
4. Utilize a payment plan option (allows you to pay over time for a nominal fee)
5. Credit Card or Personal/Private Education Loan
 - Either of these require repayment PLUS interest
 - Be sure not over-extend yourself for payments you will not be able to make