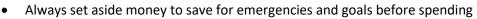
A **spending plan** (aka budget) is a paper or electronic document used to record planned and actual income through expenditures over a period of time

**Earned income** is income earned through a paycheck or labor provided.

**<u>Unearned income</u>** is income received other than through a paycheck or wages.

- Examples include:
  - o Interest
  - o Gifts
  - o Investments

**<u>PYF</u>** (Pay Yourself First)



An <u>emergency fund</u> is money that is saved for unexpected emergencies.

- Unexpected emergencies may include:
  - Car repairs
  - o Job loss
  - Health problems

Always save at least *8 months of living expenses* at all times for emergencies.

**Fixed expenses** are monthly expenses which do not change in price.

**Flexible expenses** are monthly expenses which change in price each month.

A **<u>budget surplus</u>** is when you spend *less* than you estimated

A **<u>budget deficit</u>** is when you spend *more* than you estimated.

Four-year public colleges and **Two-year community** Four-year private colleges universities and technical colleges and universities (in state) Tuition and fees \$3,542 \$10,798 \$36,000 **Living costs** (housing, food, \$5,140 \$14,140 \$14,900 books, transport, personal expenses) TOTAL \$8,682 \$24,938 \$50,000

http://www.northbiz.weebly.com

Your tuition costs per year SHOULD NOT be more than what you expect to earn at your first year on the job.

Common tools to pay for college:

- Savings (529 Savings Plan)
- Grants
- Scholarships
- Work Study
- Loans



<u>Grants</u> are a form of financial aid that don't need to be repaid. Grants can come from the state or federal government or from the college's funds. (Not as common as scholarships)

<u>Scholarships</u> are called merit-based aid because the student usually must do something to "earn" the scholarship. Scholarships can be awarded for academic ability or other talent. Some scholarships can be renewed each year; others for only one year.

You can begin applying for scholarships and grants as early as your JUNIOR year of high school.

<u>Work study</u> is a form of financial aid that allows a student to work and go to school at the same time. Often, a work study job is related to the student's major.

**Loans** are a form of financial aid that must be repaid. There are subsidized and unsubsidized student loans.

Be cautious before applying for any *private student loan* as interest rates can often change throughout the life of the loan. Private student loans cannot be discharged during bankruptcy.

<u>Stafford loans</u> are the most common form of federal student loans

- Stafford loans are awarded to students who complete the <u>Free Application for Federal</u> <u>Student Aid (FAFSA)</u> form.
- Stafford loan eligibility is not affected by your credit score.

**Interest** is a fee an individual pays for the use of borrowed funds that must be paid with principal.

**<u>Principal</u>** is the amount of funds originally borrowed that must be repaid with interest.

## Subsidized student loans are based on financial need.

- Current interest rates are 3.76% (was 4.29% prior to July 1, 2016)
- Don't need to be repaid until after the student graduates or leaves school.
- A student may borrow up to \$8,500 per year based upon eligibility.
- Those enrolled in a four year program are only eligible to receive up to six years of subsidized loans
- Interest is paid by the government while the student is enrolled in school at least halftime and during grace periods.

- Only available to undergraduate students
- No credit check or co-signer are required

<u>Unsubsidized student loans</u> are not based on the student's financial need.

- need. Student Loans
- Interest begins to accrue immediately even while in school
- Current interest rates are 3.76% (was 4.29% prior to July 1, 2016)
- A student may borrow up to \$12,000 per year based on eligibility.
- The students is responsible for paying all interest
- No credit check or co-signer are require

<u>Private student loans</u> are not funded by the government and are instead provided by banks and credit unions.

- Interest rates are variable. They can change at any time without warning.
- Not dischargeable in bankruptcy
- In most cases require:
  - Credit background check
  - Co-signer
- The cosigner will be responsible for the full amount of the loan if the student is unable to or stops making payments
- In most cases you cannot suspend payment on the loan for financial or health reasons
- Loan amounts cannot be forgiven
- Interest is not tax deductible in most cases
- The bank or credit union sets interest rates, loan limits, terms, and conditions

How to apply for financial aid:

- Determine your eligibility.
  - You will need to complete the Free Application for Federal Student Aid (FAFSA).
  - o www.fafsa.ed.gov
  - FAFSA requires detailed financial information from your family.
  - FAFSA should be completed as soon as possible after October 1 of your senior year. (You may use tax return information from the previous year)

The primary factor in determining the amount of aid you receive is **your financial need**. The following formula shows how financial need is calculated:

## Cost of Attendance - Expected Family Contribution = Financial Need

Family income is one of the biggest factors to determine your financial aid package amount.

A **grace period** is a length of time which you are not expected to make payments on your student loans after leaving school or dropping below half-time status.

- A grace period usually lasts about 6-8 months
- You are expected to obtain employment within the grace period to be able to pay back your student loans once it expires.

To default on a student loan is not making payments when required to; fees will be applied

- Can damage your credit score
- Wages can be garnished
- Prevent you from qualifying for future loans

**Deferment** is a postponement of payment on a loan

- Interest does not accrue if the loan is subsidized
- Interest does still accrue if the loan is unsubsidized
- Deferment usually only occurs if you are going back to school or become unemployed

**Forbearance** allows you to stop making payments or reduce your monthly payment for up to 12 months.

• Interest will continue to accrue on your subsidized and unsubsidized loans

**Consolidate** is merging several loan payments into one single payment

Promissory note lists IMPORTANT rules for repayment on a loan

- Promissory note includes:
  - Amount borrowed and amount to be repaid
  - Interest rate
  - Fees if you ever default
  - Due dates
- This information should be kept in a safe place for the life of the loan

A **Parent PLUS Loan** is a student loan offered to parents of students enrolled at least half time

- Used for undergraduate students
- Used for the remaining amount not covered by other financial aid (no loan limit)
- A credit score check is performed for eligibility
- The parent is fully responsible for making payments
- Students can help make payments
- Fixed interest is 6.31% (was 6.84% prior to July 1, 2016)
- Must be repaid within 10 years

