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.

Unearned income is income received other than through a paycheck or wages.

- Examples include:
  - Interest
  - Gifts
  - Investments

PYF (Pay Yourself First)

- Always set aside money to save for emergencies and goals before spending

An **emergency fund** is money that is saved for unexpected emergencies.

- Unexpected emergencies may include:
  - Car repairs
  - 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 **budget surplus** is when you spend ***less*** than you estimated

A **budget deficit** is when you spend ***more*** than you estimated.

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

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

Grants 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)

Scholarships 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.

Work study 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.

Stafford loans are the most common form of federal student loans

- Stafford loans are awarded to students who complete the **Free Application for Federal Student Aid (FAFSA)** 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.

Principal 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 half-time and during grace periods.

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

Unsubsidized student loans are not based on the student's financial need.

- 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

Private student loans 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).
  - 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