

# PAYING FOR COLLEGE

# POP QUIZ

Students aren't the only ones who need to sharpen their pencils when it comes to paying for higher education. Both parents and young people need to understand all they can about reducing out-of-pocket expenses, student-loan debt, and more. This can help moms and dads pay for college without jeopardizing their retirement savings. It can also help kids be smart about minimizing debt so they can save sooner for their retirement, post-graduation.

SMART  FACT:

# 85%

*of full-time students receive some type of **financial aid***

### Test your knowledge.

Count your correct answers and see if you graduate with honors.

**1. All colleges provide scholarships based solely on financial need, academic merit, or athletic ability.**

**False.** Certain colleges only award scholarships based on financial need, while others also provide scholarships based on talents such as academic achievement, athletics, music or creative writing.

**2. Schools typically employ one of two different methods to calculate if a student qualifies for financial aid, and one might award more aid than the other.**

**True.** Most commonly, schools use either the Federal Methodology or the Institutional Methodology. Depending on individual circumstances, a student may qualify for significantly more financial aid under one type of methodology versus the other.

**3. Often, colleges will offer financial aid packages that are less than the family's "demonstrated financial need."**

**True.** When researching schools, it's smart to use each college's online Net Price Calculator. This helps compare the possible financial aid packages between schools to see what each institution's projected cost to the family may be. With financial aid, a higher-priced school may actually cost a family less.

**4. Children of divorced parents might be treated considerably differently in terms of financial aid, based on the schools to which they apply.**

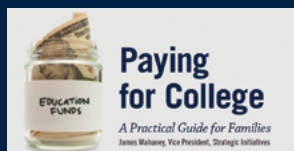
**True.** When parents are divorced, certain colleges consider only one parent's income and assets when assessing need, which may make it easier for students to initially qualify for financial aid.

**5. The government gives out tax credits for educational expenses, but not everyone qualifies.**

**True.** The federal government offers various tax credits and deductions to help middle- and low-income families manage college costs.

**6. Financial aid could be affected by who owns the assets in a 529 plan.**

**True.** Student-owned 529 plans are considered assets of the parents and count in the Federal Methodology of calculating aid, while grandparent-owned 529 plans do not. However, a withdrawal from a grandparent-owned 529 may reduce aid in the following year.



DOWNLOAD *PAYING FOR COLLEGE – A PRACTICAL GUIDE FOR FAMILIES* AT [PRUDENTIAL.COM/PAYINGFORCOLLEGE](http://PRUDENTIAL.COM/PAYINGFORCOLLEGE)



**Prudential**  
Bring Your Challenges®

**7. The timing of a second marriage may impact a financial aid award.**

**True.** The new spouse's income would be included if a marriage takes place in a year being considered; however, if the marriage takes place the following year, the additional income wouldn't be included.

**8. The federal government sponsors several programs to help students repay loans.**

**True.** Repayment programs include the Federal Student Loan Repayment Program that helps graduates who choose to work for certain government agencies, and the Public Service Loan Forgiveness Program that's designed to help individuals who work full-time in public service jobs.

**9. A 50-year-old who earns \$100k annually and foregoes contributing 4% to her retirement plan for five years while she pays for college for a child will not see a great impact on her retirement wealth.**

**False.** If she has a dollar-for-dollar company match that she missed out on, and if she missed out on a hypothetical 6% annual return on her investments, her diverted \$20,000 could mean \$85,000 less in retirement assets by age 67.

**WHAT'S YOUR GRADE?**

**8 – 9 = Excellent**

*You understand a lot about paying for college. Read our paper to make sure you ace paying for college and don't risk your retirement wealth.*

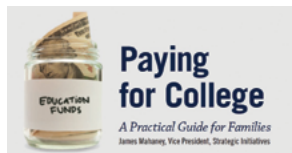
**6 – 7 = Good Job**

*Not quite a gold star, so download our paper to get the full story.*

**0 – 5 = Ouch**

*Looks like you may have some homework to do. Our paper is a great place to get the basics, so download it today.*

Learn about paying for college so you can stay on track for retirement.



**DOWNLOAD PAYING FOR COLLEGE –  
A PRACTICAL GUIDE FOR FAMILIES AT  
[PRUDENTIAL.COM/PAYINGFORCOLLEGE](http://PRUDENTIAL.COM/PAYINGFORCOLLEGE)**

Explore original research and insights: [research.prudential.com](http://research.prudential.com)  
Join our mailing list: [thoughtleadership@prudential.com](mailto:thoughtleadership@prudential.com)



Since individual circumstances may vary, you should consult with your own legal, tax and accounting advisors regarding your personal circumstances and if you have questions on the tax treatment and scenarios described.