Tuscaloosa VA FEDERAL CREDIT UNION

A Community Chartered Credit Union

COLLEGE & CAREER PREP



# Next Chapter

Making College Add Up

A TUSCALOOSA VA FEDERAL CREDIT UNION WORKBOOK

MY NAME _____

# College is a money decision, too

Choosing a school is also choosing a price, a loan, and a budget you will live on for years. The students who come out ahead are not the ones with the most money. They are the ones who knew which questions to ask. This book walks you through them, from the first cost estimate to the first loan payment.

WHAT IS INSIDE

## Seven lessons


1. What College Really Costs — p. 3
2. Free Money First — p. 6
3. Student Loans, Explained — p. 8
4. A Budget for the Semester — p. 10
5. Banking and Credit on Campus — p. 12
6. After Graduation — p. 14
7. Start Investing Now — p. 16


**For teachers and counselors:** Lessons 1 to 3 fit the year students apply to schools and file the FAFSA. Lessons 4 to 7 work well for first-year students or a summer bridge program. Every lesson applies to community college and trade school, too. Dollar amounts and rates are examples for practice, not current figures.

# What College Really Costs

Every school publishes a **sticker price**, its full cost of attendance. Very few students pay it. What matters is the **net price**: what is left after grants and scholarships, the money you never pay back.

KNOW THE WORDS

### The parts of a school's cost

| | |
|---|---|
| **Cost of attendance** | The school's estimate of everything a year will cost. It includes costs on the school's bill and costs that are not on it. |
| **Direct costs** | Costs on the school's bill: tuition, fees, and campus housing and meals if you live there. |
| **Indirect costs** | Real costs that are not on the bill: books, supplies, travel, a phone, and everyday spending. |
| **Net price** | Cost of attendance minus grants and scholarships. |

DO THE MATH

### Jordan's state university, one year

| COST | AMOUNT |
|---|---|
| Tuition & fees | $11,000 |
| Housing & food | $12,000 |
| Books & supplies | $1,200 |
| Transportation | $1,500 |
| Personal expenses | $2,300 |
| **Cost of attendance** (add the five lines) | $ |
| − Grants and scholarships | $5,000 |
| **= Net price** | $ |

Jordan lives on campus. Sort the five costs: direct (on the school's bill) or indirect.

Direct: _____

Indirect: _____

**Try it:** Colleges that offer federal aid must post a **net price calculator**. It estimates what *you* would pay, before you apply.

# Compare Two Offers

Each school that accepts you sends a **financial aid offer**. Offers mix free money with money you borrow or earn, and they are not laid out the same way. Sort it before you compare it.

WORKSHEET

### Jordan got into two schools

| ONE YEAR | SCHOOL A: STATE UNIVERSITY | SCHOOL B: PRIVATE COLLEGE |
|---|---|---|
| Cost of attendance | $28,000 | $52,000 |
| Grants | $4,000 | $30,000 |
| Scholarships | $1,000 | $6,000 |
| Federal student loan | $5,000 | $5,000 |
| Work-study | $2,000 | $2,500 |

| STEP | SCHOOL A | SCHOOL B |
|---|---|---|
| 1. Free money: grants + scholarships | $ | $ |
| 2. Net price: cost of attendance − line 1 | $ | $ |
| 3. Still to pay after the loan and work-study: line 2 − loan − work-study | $ | $ |

THINK ABOUT IT

1. Which school has the lower sticker price? Which has the lower net price?

2. Why should the loan and work-study not count as a discount?

3. Name one question you would ask each school before deciding.

# More Than One Path

A four-year university is one path. Starting at a community college, or training for a skilled trade, can lead to the same career or a great one of its own, often for far less money.

DO THE MATH

### The 2 + 2 plan

Jordan could spend four years at School A, or spend two years at a community college and then transfer to School A for the last two. Use these net prices per year.

| PLAN | YEARS 1 AND 2 | YEARS 3 AND 4 | TOTAL NET PRICE |
|---|---|---|---|
| Four years at School A | $23,000 × 2 | $23,000 × 2 | $ |
| Community college, then School A | $6,000 × 2 | $23,000 × 2 | $ |

How much does the 2 + 2 plan save? $ _____

Before you start, ask the four-year school which community college credits it accepts, so none are wasted.

TRADE SCHOOL

### Questions to ask any training program

Check each one you would ask before you sign up.

- [ ] Is it accredited, and can I use federal financial aid there?
- [ ] How many students finish the program?
- [ ] How many graduates get a job in the field?
- [ ] What is the total cost, including tools, uniforms and licensing exams?
- [ ] Is there an apprenticeship that pays me while I learn?

YOUR TURN

### Which path fits you, and why?

# Free Money First

The cheapest dollar for school is one you never pay back. Always use up free money first, then earn, and borrow last.

FOUR KINDS OF AID

### Where the money comes from

| | |
|---|---|
| **Grant** | Free money, usually based on financial need. From the federal government, your state or the school. Never repaid. |
| **Scholarship** | Free money for grades, talent, service, background or a career goal. From schools, businesses, clubs and community groups. |
| **Work-study** | A part-time job, often on campus, paid through financial aid. You earn it as a paycheck, so it is not taken off your bill. |
| **Loan** | Borrowed money. You pay it all back, plus interest. |

SORT IT

### Write grant, scholarship, work-study or loan

1. $3,000 from the government based on your family's finances: _____
2. $1,000 from a local business for the best essay: _____
3. A library job paid through your financial aid: _____
4. $5,000 you repay with interest after school: _____

THE KEY

### The FAFSA

The **FAFSA** (Free Application for Federal Student Aid) is the form that unlocks most grants, work-study and federal loans. Many states and schools use it for their own aid, too.

- It is free, at studentaid.gov. Never pay anyone to file it.
- File every year you are in school, as early as you can, even if you think you will not qualify.
- Check each school's and your state's deadline. They are often earlier than you expect.

# Hunting for Scholarships

Scholarships reward effort. Local ones, from businesses, clubs and community groups near you, get fewer applicants than national ones, so your odds are better.

IS IT WORTH IT?

### Your time, in dollars

A $500 scholarship takes about 4 hours to apply for.

If you win, you earned $500 ÷ 4 hours = $ _____ an hour.

At a $15-an-hour job, how many hours would it take to earn the same $500? Round to the nearest hour. _____ hours

TRACKER

### Find three you could apply for

Ask your school counselor, search your library, and check with local groups.

| SCHOLARSHIP | AMOUNT | DEADLINE | WHAT IT ASKS FOR |
|---|---|---|---|
| | $ | | |
| | $ | | |
| | $ | | |

SPOT THE SCAM

### Real or scam?

| OFFER | CIRCLE ONE |
|---|---|
| “Congratulations! You won a scholarship you never applied for.” | Real / Scam |
| “Pay a $25 processing fee to receive your award.” | Real / Scam |
| A local business scholarship listed by your counseling office | Real / Scam |
| “Scholarships guaranteed, or your money back.” | Real / Scam |
| “Send your bank account number so we can deposit your award.” | Real / Scam |

If you have to pay to get free money, it is not free money.

# Student Loans, Explained

A student loan can be a smart tool for a degree or credential that raises what you earn. It is still a loan. Know exactly what you are signing before you sign it.

**WORD BANK**

principal · interest · subsidized · unsubsidized · grace period · cosigner

## DEFINITIONS

### Write the term next to its meaning

1. The amount you borrowed: _____
2. What the lender charges you for borrowing: _____
3. A loan where the government pays the interest while you are in school: _____
4. A loan that builds interest from the day you get it: _____
5. Time after you leave school before payments start: _____
6. A person who promises to repay if you cannot: _____

## COMPARE

### Federal vs. private student loans

| | FEDERAL LOANS | PRIVATE LOANS |
|---|---|---|
| **From** | The U.S. Department of Education, through the FAFSA | Credit unions, banks and other lenders |
| **Rate** | Fixed, and the same for every undergraduate that year | Based on your credit, often needs a cosigner |
| **If money gets tight** | Options to lower or pause payments | Fewer options; depends on the lender |

The usual order: free money, then federal loans, and only then a private loan for any gap left. If you need one, compare lenders, including credit unions.

# What a Loan Really Costs

On an unsubsidized loan, interest builds while you are in class. These examples use a sample 6% rate.

WORKED EXAMPLE

### Interest while you are in school

Change the rate to a decimal (6% = 0.06), then multiply: **interest per year = amount borrowed × rate**

$5,000 unsubsidized × 0.06 = **$300 a year**

4 years of school plus a 6-month grace period: $300 × 4.5 = $ _____ before your first payment.

The same $5,000 as a *subsidized* loan would build $ _____ in interest while you are in school.

THE PAYMENT

### About $111 a month per $10,000 (6%, 10 years)

| TOTAL BORROWED | MONTHLY PAYMENT |
|---|---|
| $20,000 | $ |
| $30,000 | $ |
| $40,000 | $ |

REALITY CHECK

### Does the payment fit the paycheck?

A common guideline: borrow no more **in total** than you expect to earn in your **first year** of work.

| STEP | YOUR NUMBERS |
|---|---|
| 1. Yearly starting salary in a career you want | $ |
| 2. Take-home per month: line 1 × 0.8 (what is left after taxes) ÷ 12 | $ |
| 3. Total you expect to borrow (not sure? use $30,000) | $ |
| 4. Its monthly payment: $111 × line 3 ÷ $10,000 | $ |
| **5. Line 4 ÷ line 2 × 100, to the nearest whole percent.** Under 10% is comfortable; over 20% squeezes everything else. | % |

# A Budget for the Semester

College money arrives in lumps. After aid pays the school bill, any aid left over comes back to you as a **refund**, often once a semester. It has to last for months, and if it came from a loan, it is borrowed money.

WORKSHEET

### Riley's 16-week semester

| MONEY IN | AMOUNT |
|---|---|
| Aid refund, after the school bill | $2,400 |
| Part-time job: $150 a week × 16 weeks | $ |
| Help from family | $400 |
| **Total money in** | $ |

| MONEY OUT, FOR THE WHOLE SEMESTER | AMOUNT |
|---|---|
| Rent, Riley's share: $700 × 4 months | $2,800 |
| Utilities & internet | $320 |
| Groceries | $640 |
| Books & supplies | $450 |
| Phone | $240 |
| Transportation | $200 |
| **Total money out** | $ |

DO THE MATH

1. Money in − money out = $ _____ left over
2. Riley keeps $300 of that as an emergency cushion. How much is left for fun and eating out? $ _____
3. Spread over 16 weeks, that is about $ _____ a week. (Round to the nearest dollar.)

# Stretching It to May

Small choices add up fast when the money has to last a whole semester. Two of the biggest are books and food.

COMPARE

### Five ways to get the same textbook

A new copy costs $180. For each cheaper option, subtract its cost from $180 to find how much you save. The first one is done for you.

| OPTION | COST | YOU SAVE |
|---|---|---|
| Buy new | $180 | Nothing saved |
| Buy used | $110 | $180 − $110 = $70 |
| Digital copy | $70 | $ |
| Rent for the semester | $45 | $ |
| Library reserve copy | $0 | $ |

You take five classes, each with a book like this. How much could renting every book save over buying new? $ _____

DO THE MATH

### What does a meal really cost?

Kai's meal plan costs $2,240 for a 16-week semester and covers 14 meals a week.

Meals in the plan: 16 × 14 = _____

Cost per meal: $2,240 ÷ meals in the plan = $ _____

Kai sleeps through breakfast and only eats 8 plan meals a week. Meals eaten: 16 × 8 = _____

Cost per meal eaten: $2,240 ÷ meals eaten = $ _____

**Good to know:** If part of your refund came from a loan and you do not need it, you can usually give it back and owe less. Ask your financial aid office how.

# Banking and Credit on Campus

College is often the first time you choose a bank account, manage a card and pay bills on your own. Where you keep your money is your choice, and it matters more than most students realize.

COMPARE

## Bank vs. credit union

| | BANK | CREDIT UNION |
|---|---|---|
| **Who owns it** | Investors who buy its stock | Its members, the people who save and borrow there |
| **Who it works for** | Its shareholders, who expect a profit | Its members. It is not-for-profit |
| **Where profit goes** | Paid out to shareholders | Back to members, often as better rates and lower fees |
| **Who runs the board** | Directors chosen by shareholders | Volunteers elected by members, one member, one vote |
| **Deposits insured by** | The FDIC, up to $250,000 | The NCUA, up to $250,000 |

Who can join TVACU: Anyone who lives, works, worships, or attends school in Tuscaloosa and Sumter Counties, Alabama, plus their family, can join.

CHECKLIST

## What to look for in a college account

Check each one your account has. No account yet? Check the ones you will look for.

- [ ] No monthly fee, or an easy way to avoid it
- [ ] Free ATMs near campus. Many credit unions share branches and ATMs across the country
- [ ] Overdraft coverage you can say no to, so a purchase you cannot cover is declined instead of charged a fee
- [ ] An app with mobile deposit, low-balance alerts and direct deposit

Why overdraft matters: you have $2, buy a $4 coffee, and pay a $30 overdraft fee. That coffee cost $ _____

Offered an account tied to your student ID? You can usually send your refund to your own account instead. Compare fees first.

# Your First Credit Card

A credit card used well builds the credit history you will need to rent an apartment or finance a car. Used carelessly, it follows you for years. The difference is a few habits.

WORKED EXAMPLE

### You owe $1,000 on a card with a 24% APR

The **APR** is the interest rate for a whole year. To find one month's interest:

1. Interest for a year: $1,000 × 0.24 = $240
2. Interest for a month: $240 ÷ 12 = **$20**

The card's minimum payment is $25. The first $20 of it pays the interest. How much lowers what you owe? $ _____

**Paying off that same $1,000:**

| PAY EACH MONTH | TIME TO PAY IT OFF | TOTAL INTEREST |
|---|---|---|
| $25, the minimum | 82 months, almost 7 years | $1,032 |
| $50 | 26 months | $290 |
| $100 | 12 months | $127 |

Interest saved by paying $100 a month instead of $25: $ _____

**Habits that build credit:** pay the full balance every month on autopay, keep the balance under 30% of the limit, and check each statement for charges you did not make.

SPOT THE SCAM

### "Your financial aid is on hold"

You get a text: *"Your financial aid is on hold. Log in here within 24 hours to keep it."* Write two things you would do instead of tapping the link.

_____

_____

# After Graduation

Most federal loans give you a **grace period**, usually six months, after you leave school before payments start. Use it to find every loan you have and pick a plan, so the first bill is not a surprise.

KNOW YOUR LOANS

### Your loan list

Federal loans are listed in your account at studentaid.gov. A **loan servicer** is the company that sends your bill. Private loans are on your credit report. No loans yet? Practice with these: federal $5,500 at 6%, federal $3,500 at 6%, private $4,000 at 9%. Under Servicer, write “look up at studentaid.gov” for federal loans and “the lender” for the private one.

| LOAN | FEDERAL OR PRIVATE | BALANCE | RATE | SERVICER |
|---|---|---|---|---|
| 1 | | $ | % | |
| 2 | | $ | % | |
| 3 | | $ | % | |

COMPARE

### Same loan, two lengths

How long you take to repay depends on how much you owe and the repayment plan you choose, and the plans change over time. A lower monthly payment usually means paying for longer. Here is $30,000 at 6%, over a shorter and a longer term. Interest paid = total paid − $30,000. (Payments are rounded, so totals differ slightly from payment × months.)

| TERM | MONTHLY PAYMENT | TOTAL PAID | INTEREST PAID |
|---|---|---|---|
| Shorter: 10 years | $333 | $39,967 | $ |
| Longer: 20 years | $215 | $51,583 | $ |

How much more does the longer term cost in total? $ _____

Give one good reason someone might still choose the lower payment.

_____

# Paying It Down

You are allowed to pay more than the bill. Every extra dollar goes to the balance, and a smaller balance builds less interest next month.

DO THE MATH

### Add $50 a month

| $30,000 AT 6% | MONTHLY PAYMENT | MONTHS TO PAY OFF | INTEREST PAID |
|---|---|---|---|
| 10-year term | $333 | 120 | $9,967 |
| 10-year term + $50 extra | $383 | 100 | $8,163 |

1. How many months sooner is the loan paid off? _____
2. How much interest does the extra $50 save? $ _____

Tell your servicer to put extra payments toward the balance, not toward next month's bill.

IF MONEY GETS TIGHT

### Do this, not that

| DO | DON'T |
|---|---|
| Call your servicer before you miss a payment | Ignore the bills and hope they stop |
| Ask about lowering or pausing federal payments | Pay a company to do what your servicer does for free |
| Keep paying something, even if it is small | Let the loan go unpaid, which hurts your credit for years |

YOUR PLAN

### Your first year after school: three money goals

Write one goal per line, with a dollar amount or a date.

_____

_____

_____

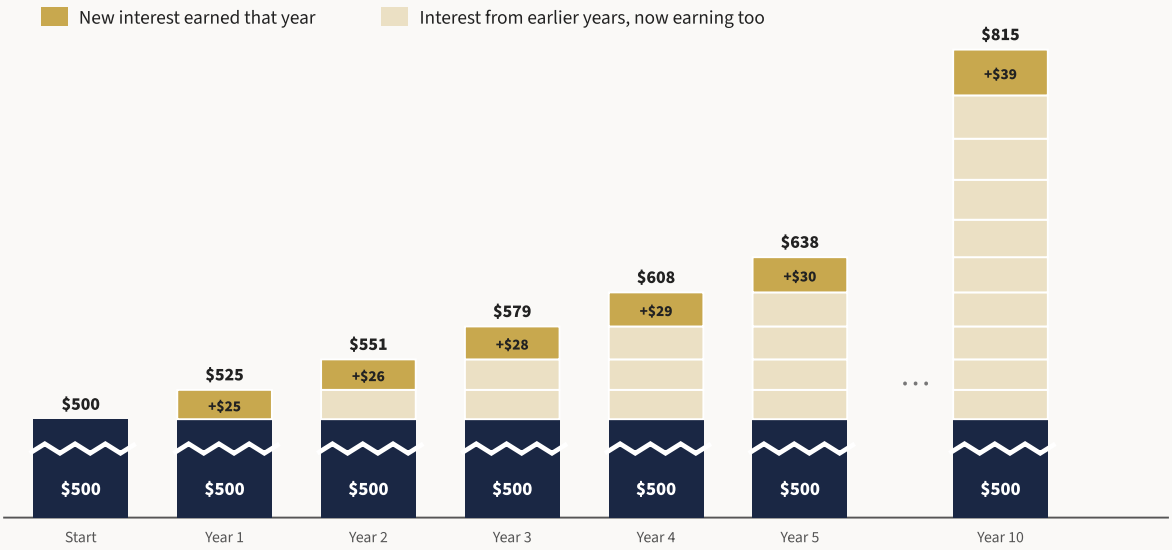
# Start Investing Now

You do not need much money to start investing. You need time, and you will never have more of it than you do right now. Even small amounts put away in college can grow into real money.

THE ENGINE

## Compound interest

**Compound interest** means you earn a return on the money you put in *and* on the growth it already earned. Here is $500 left alone at 5% a year.




Each slice stacked on the $500 is interest. Each new slice is a little **bigger** than the last (compare +$25 with +$39), because it is 5% of a bigger pile. Year 1 earns $500 × 0.05 = $25. Year 2 starts at $525. What does it earn, to the nearest dollar? $525 × 0.05 = $ _____

A SHORTCUT

## The Rule of 72

Divide 72 by the yearly rate to find about how many years it takes money to **double**. At 8% a year (72 ÷ 8), money doubles in about _____ years.

From age 20 to 65 is 45 years, or 5 doubles. Fill in how $1,000 grows:

| AGE | 20 | 29 | 38 | 47 | 56 | 65 |
|---|---|---|---|---|---|---|
| **Worth** | $1,000 | $2,000 | $4,000 | $ | $ | $ |

8% is an example rate. Stock investments go up and down from year to year, and some years they lose money.

# Small Amounts, Early

When it comes to investing, how many years you give it matters more than how much you put in.

DO THE MATH

### Sam and Taylor, at an example 8% a year

| | PUTS IN | TOTAL PUT IN | WORTH AT 65 |
|---|---|---|---|
| **Sam** | $50 a month for 4 years of college, ages 19 to 23, then stops | $ | about $80,000 |
| **Taylor** | Nothing in college. Then $50 a month for 30 years, from 35 to 65 | $ | about $74,500 |

Fill in both totals ($50 × 12 × years). Why does Sam end with more?

THE ORDER

### Before you invest, and where

1. **A small emergency fund** in a savings account, so a surprise bill does not go on a card.
2. **No credit card balance.** A card charging 24% grows faster than investments usually do.
3. **A Roth IRA**, a retirement account you can open once you earn a paycheck, including from work-study.
4. **Index funds** inside it, which spread your money across hundreds of companies. They are not insured and can lose value.

Money you need for next semester's rent or tuition is savings, not investing. Keep it in savings or a certificate. TVACU offers share certificates.

YOUR TURN

### You earn $2,000 at a summer job

Split it up. Make it add to $2,000.

| | |
|---|---|
| Next semester's costs | $ |
| Emergency fund in savings | $ |
| Invest for the long run | $ |
| Spend now | $ |

# Before You Go

Seven questions. If you can answer these, you can read any financial aid offer with confidence.

REVIEW

### Show what you know

1. Cost of attendance is $30,000, with $12,000 in grants and scholarships. What is the net price? $ _____
2. Name one difference between a subsidized and an unsubsidized loan.

   _____
3. Your offer includes $2,500 in work-study. Is that free money? Why or why not?

   _____
4. A scholarship website asks for a $40 fee before you can apply. What should you do?

   _____
5. You carry a $2,000 credit card balance at 18% APR. About how much interest is that in one month? $ _____
6. You expect a $45,000 first-year salary. By this book's guideline, what is the most to borrow in total? $ _____
7. Using the Rule of 72, about how many years does money take to double at 6% a year? _____ years

## You’re ready for what’s next.

You can read a financial aid offer, find free money, borrow only what you need, budget a semester, make a plan for your loans, and start investing early. That puts you ahead of most people who walk onto a campus.

Tuscaloosa VA FEDERAL CREDIT UNION
A Community Chartered Credit Union

**TUSCALOOSA VA FEDERAL CREDIT UNION**

Serving Tuscaloosa and Sumter Counties since 1951.

tvacu.com

Teachers: request class sets and the free answer key.

**Request class sets →**

Scan or visit **tvacu.getostrich.com/classroom**

This workbook is provided for educational purposes only and is not financial advice.
Anyone who lives, works, worships, or attends school in Tuscaloosa and Sumter Counties, Alabama, plus their family, can join.
Federally insured by NCUA. Equal Housing Opportunity.