



College Aid Pro™

**How The H*ll Are We
Going to Pay for This?**

Get Ready!



College Aid Pro™

OUR MISSION

TO END THE STUDENT DEBT CRISIS BY
EMPOWERING FAMILIES TO SHOP SMARTER FOR COLLEGE



Your Presenters

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Timeline

Most colleges issue fall semester bills around mid-July, which are due around mid-August

Most colleges issue spring semester bills around mid-November, due mid-December

Most educational loan applications can be completed and issued in 1-3 days

We advise having loans in place by mid-July

Most college monthly payment plans start 6/1



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Cash Flow is King!



**\$100/month towards college =
\$5,000 less your family may
need to borrow**



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It's Time to Hit the Reset Button!

- Use college as an **OPPORTUNITY** to maximize efficiency in all facets of your financial life.
- Clean out your financial “Junk Drawer”



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How Can We Reduce the Amount We Borrow?



Monthly Cash-Flow/Payment Plan

- Most schools utilize 3rd party institutions
- Typically 10-month repayment schedule (many start in the spring)
- Enrollment Fee = \$60 - \$75
- Do NOT have to have a payment plan for the entire amount

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When Should We Use Specific Resources?



1. Student savings/investments – UGMA/UTMA
2. College Savings Plans – 529s, ESA, Pre-Paid Tuition Plans
3. Other college savings, gifts from grandparents, etc.



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Funding with a 529?

- ✓ Qualified Higher Education Expenses
- ✓ How to get the \$\$?
- ✓ Paper Trail with Tax Return

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American Opportunity Tax Credit (AOTC)



- \$2,500 per year, per child
- Phased out between \$160,000 - \$180,000 (AGI)
- In order to qualify, you cannot pay the entire college bill with funds from a 529 plan – “double dipping”
- Student must be a dependent to claim the credit
- Credit per student

What if we make MORE than \$180,000?

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General Borrowing Rules



1. No one size fits all
2. Determine your family's criteria
3. Best option will be dictated by your family's criteria
4. Know how much is too much to borrow

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How Much is Too Much for a Student to Borrow?



Average Starting Salary by Major:

Engineering	\$62,891
Computer Science	\$62,103
Business	\$57,229
Communications	\$48,253
Math/Science	\$44,299
Education	\$40,267
Humanities	\$38,049



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Types of Loans

- Direct Federal Student Loan
- Direct Plus Federal Loan
- Private “Student” Loan
- State Loan Programs

“Alternative Loan Options”

- Home Equity
- 401(k)
- Intra Family
- Life Insurance

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Start Here! Federal Direct Student Loans

<u>School Year</u>	<u>Subsidized</u>	<u>Unsubsidized</u>	<u>Total</u>
Freshman	\$3,500	\$2,000	\$5,500
Sophomore	\$4,500	\$2,000	\$6,500
Junior	\$5,500	\$2,000	\$7,500
Senior	\$5,500	\$2,000	\$7,500

TOTAL over 4 years - \$27,000

**2023-2024 school year interest rate
5.5%**

Use It or Lose It

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Why Take out Federal Direct Student Loans?



- Establishes credit history
- If you only qualify for unsubsidized loans, the student can take out the loans and pay off right away
- Will need to pay origination fee (a little over 1%)
- Appeals

Requirements

- Loan entrance counseling
- Promissory note signing
- Done through studentaid.gov

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Executing a Federal Direct Loan

Go to studentaid.gov

- Sign in using STUDENT FAFSA ID
- Complete loan counseling
- Complete loan agreement



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Federal (Parent) PLUS Loan

- Parent Liability
- Repayment Timeline
- Fixed Interest Rate
- Origination Fee
- Forgiveness Programs
- Easiest loan to qualify for (based on credit)

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More About the PLUS Loan

- Federal Government
- Only in parent's name
- Student can pay back loan, but they do not have a formal obligation on the note
- Approval/Denial granted instantaneously

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PLUS Loan Cons



- Can only be issued in parent's name for the life of the loan
- High origination fee (4.228%)
- 8.05% fixed rate (2023-2024 school year) rate

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PLUS Loan Pros



- Option to defer payments at no additional cost (aside from accrued interest)
- No prepayment penalties
- Most flexible repayment plans - Income based, Extended
- Can change repayment plans at anytime, unlimited
- Can consolidate multiple years and multiple children
- Forgiveness program - Law Enforcement, Nurses, Education, etc.
- Best consumer protection
- Most lenient credit requirements

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State Loan

- Eligible to borrow through state of residence and/or state in which student is attending college
- Not ALL states have a borrowing program
- Loan is typically in parent AND student name
- Applications are completed electronically
- Anyone can borrow through Rhode Island and Massachusetts
- Approval/Denial within 24 – 48 hours

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State Loan Cons



- Does not offer same consumer protection
- Option to defer payment comes with a higher interest rate
- Little flexibility in changing repayment plans
- Most states do not offer consolidation options
- Parent usually remains on loan for life of loan as “co-borrower”
- Harder credit requirements than the PLUS loan

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State Loan Pros



- Aggressive repayment plans usually offer lower fixed rates than PLUS
- Student have equal/formal responsibility for life of loan
- You can elect to have student receive bill directly
- Multiple repayment options
- Can elect to defer repayment (at a higher rate)

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Private Student Loans



- Student is primarily responsible for this loan; parent is only attached as co-signor (anyone with established credit can co-sign)
- Many potential lenders – College Ave, Citizens, SOFI
- Applications completed online
- Approval/Denial usually granted in 1–5 business days

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Private Student Loan Cons



- Typically don't offer same consumer protection as PLUS or state loans
- Typically variable rates
- Fixed rates higher than variable options
- Must complete application before you learn rates/ repayment terms
- Rates typically range from 3.75% - 15%
- Usually cannot consolidate and little flexibility in repayment plans
- Rates/Terms based entirely on co-signor's application
- Less transparent terms than state or federal programs
- Too many options/lenders
- Calling of loans

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Private Student Loan Pros



- Usually have option to defer payment at no additional cost (aside from accrued interest)
- Least amount of responsibility for parents
- Co-signor release program
- Some lenders do not have origination fees
- **Strong applicants can be rewarded with lower rate**

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Mortgage and Home Equity

Home Equity Line of Credit



Cash Out Refinance

Home Equity Loan



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401K Loan

Robbing Retirement

Maximum – 50% vested amount

Must be repaid within 5 years

Stiff penalties if fail to repay by deadline

Interest rate set by plan



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Intrafamily Loan

Typically lower interest rate

Little or no paperwork to get “approved”

Borrowing from family which can lead to family stress

Will not adversely affect financial aid because it's a loan



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Life Insurance

May be worth talking to your financial advisor about borrowing against your life insurance policy.

Be very wary of taking cash-out distribution from your life insurance policy because it could impact financial aid.



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Choosing the Right Loan Matters

On average, borrowing at 5% vs 6% is a difference of about \$30,000.



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Ask these Questions to Help Determine the most Important Criteria for You.

1. How much does the rate of the loan matter?
2. Who should be on the loan and for how long?
3. How much do I value consumer protection and flexibility?
4. Would I pay a premium for this "insurance"?
5. Do I have accessibility to home equity? And am I willing to access it to pay for college?

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This is the final step in your client's
college planning journey

How do you want to support them
on this journey?



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Partnering with College Aid Pro

- Treat your clients to our services
- Refer your clients with a discount
- Be the expert



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CAP as your Trusted Partner



Join our CAP Membership

- Let us do the heavy lifting and guide your clients through the college funding maze
- \$1,000/year for 15 MyCAP licenses
- We provide a unique coupon code and link to provide to your clients
- 25% off for any additional services your clients need

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It's a Win Win!



Your clients have guidance through this stressful process.

You are not doing any of the heavy lifting.

You can show up as an advisor that understands the importance of late-stage college planning.

You are a hero for including this in your services!

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NEXT STEPS

.....○.....
How Can We Support Your Practice?

You are the college financial planning expert

Leverage our software to play this role

Click [HERE](#) to sign up

Use coupon JULY15 for 15% off

Pricing is changing on 7/15 so lock in current prices now

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