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Top Five Questions To Ask About College Planning

College approaching fast? Can you afford it? Good news: there is financial aid available.

By Peter Chieco



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1. When do you start?

You didn't open a 529 savings plan years ago? It's never too late – even if your child is only a year or two from college. Remember to put the money in parents' or grandparents' names.

2. Where should you look for financial aid?

Every student should complete the Free Application for Federal Student Aid (at www.FAFSA.ed.gov) regardless of whether they think they qualify for aid. The application determines eligibility for federal

aid, and the State and schools use it to determine eligibility for their funding as well. The form must be filed every year while attending college. Also, check out www.fastweb.com for scholarship opportunities – there are countless varieties.

3. What's available through the State?

Connecticut residents attending universities may be eligible for up to a \$4,000 Connecticut Independent Colleges Scholarship or a Connecticut Capital Scholarship of up to \$3,000.

4. How about federally?

Federal Perkins Loans offer students up to \$5,500 a year, currently at 5% interest and no fees. No interest accrues until the first nine months after graduation. Federally subsidized Stafford Loans offer up to \$3,500 for freshmen (more at upper levels) at a current fixed 6% interest and 3% origination-default fee. No interest accrues and no payments are required until six months after graduation. Finally, federal unsubsidized Stafford Loans now offer \$2,000 per year at 6.8% interest. These loans accrue interest while the student is in college so making interest-only payments during that time is recommended to reduce ultimate costs. Payments toward principle are not required until six months after graduation.

Another option, the Federal Parent Loan for Undergraduate Students (PLUS), now carries about a 6.84% interest rate with a 4.29% disbursement fee. Interest accrues from the start but no payments are required until six months after graduation.

5. Should I consider private loans?

Beware! They almost always come with fees, penalties and interest rates that make them more costly than alternatives. And, unlike federal loans, most private loans accrue interest while students are in school and often require repayment beginning before graduation.

And remember: Over a working lifetime, a college graduate with a bachelor's degree will earn nearly \$1 million more than a high school graduate of the same age. So despite the higher cost, it can still make economic sense to attend... you just must be more creative and diligent than ever to find the right solution for your situation.

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