Ways to Save and Pay for College

Compare the pros and cons of your options.

Funding college is a big investment. Thankfully, several options can reduce your financial burden, and understanding these options can help you make the right decisions. Before you consider options that require repayment, like student loans, thoroughly research all available resources—there are many that do not require repayment. And if you do need additional assistance, apply for federal student loans before private loans. Below is an overview of your options to help pay for college.

**Scholarships and Grants**

Grants and scholarships are a type of financial aid that doesn’t have to be repaid. Grants are often need-based, while scholarships are usually merit-based. Start by [researching available scholarships and grants](https://studentaid.gov/understand-aid/types/scholarships) and applying for as many as you can. The earlier you start, the earlier you’ll know how much assistance your child can receive in scholarships and/or grants, and the better you’ll be able to plan for additional forms of financial assistance you’ll need.

**Tuition Payment Plans**

Tuition payment plans, also called tuition installment plans, are short-term payment plans that split your college bills into equal monthly payments. Tuition installment plans can be an alternative to student loans if you can afford to pay tuition over fixed payments. Payment plans vary by college or university, but in addition to breaking up the payments, schools don’t generally charge interest. They may, however, have up-front fees or require a larger initial payment than subsequent installments.

**Work Study**

Federal work study programs provide [part-time jobs for undergraduate and graduate students](https://studentaid.gov/understand-aid/types/work-study#kinds-of-jobs) to help pay for their education expenses. Work-study programs are available through your child’s college or university and are based on the school’s funding level, the availability of jobs at the time of application, and your financial need. TIP: Ask your financial aid office about the options for getting paid for work-study. Most schools’ work-study programs require that you pay direct costs (like tuition, on-campus housing, and meal plans) before you earn additional work-study funds.

**Federal Versus Private Student Loans**

Even after considering the above financial assistance programs, you may still need additional help to pay for college through federal or private student loans, or a combination of the two. Federal student loans are made and guaranteed by the Department of Education, including Direct subsidized loans, Direct unsubsidized loans, and PLUS loans. Private student loans, however, are provided by banks, credit unions, and other private lenders—with varying rates and terms—and they don’t offer the same protections for consumers. Here are the differences between federal and private loans:

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| **Federal Student Loans** | **Private Student Loans** |
| Fixed interest rate (i.e., interest rate remains the same) | Some have variable interest rates (i.e., payments can change and increase over time if your interest rate changes) |
| Income-driven repayment plans base the amount you owe each month on your income | Repayment terms vary by lender and are generally not as flexible as federal student loans |
| If you experience financial hardships, federal loans allow you to temporarily reduce or postpone payments   | Private loans may or may not have forbearance options that allow you to reduce or postpone your payments (available repayment programs vary by lender)  |
| For Direct subsidized loans, the federal government will subsidize—pay the interest on—your federal student loan while you are in school |   |

Through federal [Direct Loans](https://studentaid.gov/announcements-events/pslf-limited-waiver), your child may also qualify for a public service loan forgiveness program if he or she works full time for a qualifying public service employer and make 120 qualifying monthly payments.

It’s best to exhaust all other options, including applying for the maximum federal student loans your child is eligible for, before shopping for a private student loan. Even better, start saving early for your child’s college education. By starting when your child is young, you allow yourself enough time to create realistic goals and strategies.

If you’re a California resident, the California Kids Investment and Development Savings Program (CalKIDS) makes it easy to get started early by automatically providing all newborns and eligible low-income public-school children in California with the tools to start saving for college—including a seed deposit and possible financial incentives in a 529 college savings account.

**Learn more about CalKIDS**

The state of California is committed to helping children thrive, particularly by increasing access to higher education. To that aim, CalKIDS will provide each child born in California on or after July 1, 2022, as well as eligible low-income public-school students enrolled in first through 12th grade, with a seed deposit and possible financial incentives in a 529 college savings account.

Children with $500 or less designated for college savings are [3x more likely to enroll in college](https://www.sciencedirect.com/science/article/pii/S0190740912004379) and nearly 4X more likely to graduate than children with no savings. So, set your child up for success…

[**Visit the CalKIDS site to learn more**](https://calkids.org/index.html)**.**

The California Kids Investment and Development Savings Program (CalKIDS) is a children’s savings account program, administered by the ScholarShare Investment Board, an agency of the State of California. CalKIDS accounts will be established for children born to California families and eligible public school students, and will include seed deposits and other potential incentives, which can be used to pay for future higher education expenses.

**CalKIDS participants may also establish individual accounts with the ScholarShare College Savings Plan.**

**For more information about the ScholarShare College Savings Plan, call 1-800-544-5248 or click here for a**[**Plan Description**](https://www.scholarshare529.com/documents/ca_plan_description.pdf)**which includes investment objectives, risks, charges, expenses, and other important information. Read and consider it carefully before investing.**

**Before you invest, consider whether your or the beneficiary’s home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state’s qualified tuition program. You should also consult your legal or tax professional for tax advice based on your own circumstances. Investments in the plan are neither insured nor guaranteed and there is the risk of investment loss.**

**If the funds aren’t used for qualified higher education expenses, a 10% penalty tax on earnings (as well as federal and state income taxes) may apply. Non-qualified withdrawals may also be subject to an additional 2.5% California tax on earnings.**

The ScholarShare College Savings Plan is offered by the State of California. TIAA-CREF Tuition Financing, Inc. (TFI), program manager. TIAA-CREF Individual & Institutional Services, LLC, Member FINRA, distributor and underwriter for the ScholarShare College Savings Plan.

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