

Summary of College Funding Information

Stafford Loans- To Student- Both subsidized and unsubsidized

Current interest rate is 6.8% for all unsubsidized loans.

The amounts below can be either subsidized or unsubsidized

\$3,500 for freshman

\$4,500 for sophomore

\$5,500 for junior/senior

\$19,000 total (this amount can be subsidized)

As of July 2009 a student can obtain an additional \$2,000 a year in unsubsidized loans.

This makes a total of \$27,000 over four years. If 5th year is needed an additional \$7,500 can be borrowed. Repayment info at: <http://studentaid.ed.gov//repay-loans>

Perkins Loan- To Student- Subsidized only – need based only

\$5,500 per year as undergrad

\$27,500 Lifetime maximum

Current rate is 5% and FAO decided who gets how much

PLUS Loan- Non need to parents- No Limit (credit needed)

Current 8.25% (start 6 mos. after child's college) with a cap at 8.5%

Usually 3.1% above the 91 day Tbill

7.9% if start paying 60 days after loan inception

Must qualify with good credit

Pell Grant (free money from government)

Up to \$5,500 per year if you qualify (as of 7/12)

Primarily for low income families (EFC below \$6,000)

SEOG (free money from government)

\$100 to \$4,000 per year if you qualify

Limited amount of funds. First come first serve.

State Grants – depends on the state (free money)

As high as \$6,000

School Grants (free money from college)

As high as they want

American Opportunity Tax Credit (formerly Hope Credit)

Maximum of \$2,500 tax credit for each child (tuition and fees only – no room & board or other expenses). Available all four years

Phase out \$90,000 AGI or more if single and \$180,000 AGI if married

LifeTime Learning Credit

20% of 1st \$10,000 of tuition and fees paid each year. Claimed unlimited years.

Only one credit regardless of number of students.

Can't claim this and the American Opportunity Tax Credit

IRA's –waiver of 10% penalty prior to age 59 (don't remove money from retirement accounts until you talk to us to make sure it is necessary)

Student Loan Interest

Increased to \$2,500, 2001 and beyond
Income limits \$60,000 single and \$100,000 joint
Phase out at \$85,000 and \$130,000

Student Income

Federal

- \$3,050 after all income assessed at 50% and assets at 35%
- So far every dollar over it costs 85 cents in aid

Institutional

- \$1,150 Freshman and \$1,400 upper-class-must be paid by student.
- As long as income is kept below \$2,490 freshman and \$2,815 upper-class, otherwise lose 75 cents for every dollar.

529 Plans

Tuition Prepayment (varies by state)

- Lump sum or payments
- Peace of mind that certain amount of credits are paid for
- After 2002- No federal tax on gains
- State tax varies with each state

Savings Plan (varies by state)

- Do not guarantee to meet tuition inflation
- Completely free from federal tax
- State tax varies with each state
- Subject to market fluctuations

NOTE: With their tax benefits they seem to be the best choice. However there are a number of potential pitfalls that you should be aware of before you signup.

- Funds withdrawn early or not used for education will be penalized at 10%
- You are tying up your money for a number of years so you need to ask yourself these questions:

- Which type is best - Tuition credits or Savings?
- Which state offers the best plan?
- How much are the fees? Did you get the best deal?
- If you transfer funds are there penalties?
- What asset allocation model do they use?
- What happens if you can no longer contribute?
- What if you move to another state?
- What happens if the market tanks?

Summary of College Funding Information

-Unless you have a crystal ball to predict the future, you should think carefully about any decision that completely locks you and loved ones into an investment that will mature so many years in the future. Especially if there are risk involved with the potential return. They make sense for some people, but make sure and read all the fine print.

NOTE: After 2008 most 529 savings plans were underwater (worth less than when they started).

NOTE: Ask to see our College Savings Plan document to explain the pros and cons of the three major alternatives places to save for college.

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