Navigating the cost of college

EconUnited

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INTRODUCTION

College is one of the biggest investments you ever make. Understanding the real costs, and how to manage them, can change your future.

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Why college costs matter

Why you should plan early for college costs

COLLEGE IS GETTING MORE EXPENSIVE

- In the United States, Between the 1992-1993 and 2022-2023 academic years, the total cost of college nearly doubled at private four-year institutions and more than doubled at public four-year institutions.
- Why Is College Getting More Expensive
  - Universities are investing more in students
  - Tuition prices in the U.S.A. aren't regulated
  - Funding for public universities is on the decline

The impact of student debt

Lowers Spending

18% of student loan holders find it difficult to buy daily necessities because of their student loans.

Spending Decisions

Due to student loan debt, 35% of borrowers have opted not to take a vacation.

Impedes Economic growth

Slowing spending across certain sectors and by destabilizing personal savings typically used to survive significant financial events, such as economic recessions and retirement

Data on student loans

- 42.7 million Americans have student loan debt
- Black American borrowers have higher student debt levels than other races
- The average student loan debt in the U.S. was $38,375 at the end of 2024
- 30% of all American adults take out student loans at some point of their life

Benefits of not taking out loans

- **Less stress**: A Purdue University study shows that college graduates with no student loan debts reported higher levels of happiness and were more successful in their personal and professional lives compared to students with debt.
- **Bigger benefits**: Individuals with debt were more likely to apply to lower-paying jobs or accept their first job offer instead of holding out for their preferred position.
- **Saving more money**: People with student loans reported contributing less or delayed starting a retirement fund or other important savings accounts.

"A MAN WITH DEBT SOON BECOMES A MAN WITH DISTURBANCE."

IT PAYS TO PLAN

02

Breaking Down The Cost

Tuition, books, personal expenses, etc

Countries with the highest Tuition

1. United States: $9,596
2. Japan: $5,645
3. Canada: $5,590
4. Lithuania: $ 5,458
5. Korea: $5,171

The number represents the average tuition of a public college in 2023

Countries with the Lowest Tuition

1. Germany: Free
2. Norway: Free
3. Austria: $1,000
4. Hungary: $1,100
5. Greece: $2,400

Austria, Norway, & Greece are free if you're from the EU (European Union)

What goes into the price

- Tuition and Mandatory Fees: Fees charged for instruction
    - Mandatory fees include health care fees, recreational facilities fees, student activity fees, etc
- Books, course materials, school supplies
- Cost of housing and food (living expenses & meal plans): Only if you are planning on living on campus
    - Some colleges require first year students to live on campus and make it mandatory to buy a meal plan
- Transportation costs: Transportation if you plan on commuting to campus or taking public transportation
- Miscellaneous fees
    - Buying a computer for school, more school supplies, etc

Public vs private vs community Costs

Public

$27,000 in state or $40,000 out of state per year

PRIVATE

$60,000 per year

COMMUNITY

$4,000 per year

Public vs. Private. Vs Community

- Offers a wide range of programs and activities
- Usually have more students in class
- More competition for financial aid and scholarships due to the higher student population
- Funded by the government

- Smaller class sizes
- More resources for student services
- Higher tuition
- Better financial aid available
- Funded by tuition fees and private donors

- 2 year associate degree programs
- Offers vocational and technical training
- Cost less than 4 year colleges
- Helps students save money or prepare for a specific career

Sticker vs Net Price

STICKER PRICE

- This price is the Cost of Attendance (COA): estimated cost
- This cost can vary based on the particular college you're attending (business college, liberal arts college, etc)
- Rarely any students end up paying the full cost of attendance

NET PRICE

- What you will actually be paying
- Colleges use financial aid to bridge the gap between the sticker price and the net price
    - This includes FAFSA, merit scholarships, and grants

03

FINANCIAL AID

Scholarships, Grants, Loans, & More

Types of financial aid

Scholarships

Loans

Work Study

Grants

GRANTS

- A form of financial aid that doesn't have to be repaid
    - You only need to repay federal grants if you redraw from school early, you received outside scholarships or other grants that make you no longer eligible for the previous grant you received, or you no longer meet the requirements of the grant
- In the U.S., grant eligibility is usually determined by the FAFSA form
- Grants can come from the government (federal, state, or local), foundations, corporations, or your university
- Usually students who have exceptional financial need are only considered for grants
    - Most grants aren't merit based

Scholarships

- A form of financial aid that doesn’t have to be repaid
- Scholarships can be given to you by your university, a private company, employers, nonprofits, individuals, and more
- Scholarships are usually merit based and require some form of application
  - Most scholarships require a student's grade or for the student to write an essay
- You earn a scholarship by meeting its specific requirements
- Scholarships can be paid to your university or directly to your bank account
- Scholarships usually have deadlines you need to apply by
- Scholarships can affect the amount of need based financial aid you can get

Work-study

- The Federal Work Study provides undergraduate and graduate students with financial need the ability to work part time jobs
- This program encourages community service work or work related to the student's field of study
- These jobs can be on or off campus
- Students will earn at least the federal minimum wage
    - Undergraduate students are paid by the hour while graduate students can be paid a salary
    - Your school has to pay you at least once a month
- Your work study award is determined by
    - When you apply
    - Your level of financial need
    - Your school's funding level
- This is available to full time or part time students

LOANS

- A loan is money you borrow that you must pay back with interest
- Student loans can come from the federal government, banks, or private organizations
- The interest rate on federal student loans is fixed and usually lower than private loans
- You don’t need to begin to pay back student loans until you graduate
- Federal student loans offer repayment plans so that you don’t have to pay back your student loans in full all at once
- If you work in certain jobs, you may be eligible to have your some of your student loans forgiven
- You must complete the FAFSA form to apply for federal loans

Types of federal loans

Direct Subsidized

- Eligible for undergraduate students who demonstrate financial need
- Loan can be up to $5,500 depending on grade level and dependency status

Direct Unsubsidized

- Eligible for undergraduate, graduate, and professional students
- Loan can be up to $20,500 (minus amount of subsidized loans given in the same period) depending on grade level

Types of federal loans

Direct PLUS

- Parents borrowing money for undergraduate students
- Also eligible for graduate and professional students
- Loan can cover up to the Cost of Attendance for your school minus any other financial aid your recieve

Direct Consolidation

- Eligible for anyone with eligible federal student loans who wants to combine any number of those loans into a single loan.
-

04

FAFSA AND CSS

Why you **must** fill these out

WHAT IS FAFSA?

- The application students in the U.S. have to complete to receive aid for college or a career school
  - Some non U.S. citizens are eligible to fill out the form: check your eligibility here!
- Determines eligibility for federal and state financial aid
  - Some scholarship organizations may also use FAFSA
    - Takes around 1 hour to fill out

What is CSS Profile?

- An online application used by colleges and scholarship programs to award non federal institutional financial aid
- Most students complete the form in their senior year of high school
- Most U.S. colleges require students to complete the CSS Profile by a certain deadline

Things needed to fill out the FAFSA Form

- Your Social Security Number (SSN)
- Your A-Number (for non U.S. Citizens)
- Federal income tax returns; records of child support received; and your current balance of cash, savings, and checking accounts
- Bank statements and records of investments (if applicable)
- Records of net worth of investments, businesses, and farms
- Records of untaxed income (if applicable)
- An FSA ID (account username and password) to log in to StudentAid.gov and start the FAFSA form electronically
- If you're a dependent student, then your parent(s) will need most of the above information.
- If you’re a married student who did not file a joint tax return with your spouse, then your spouse will need most of the above information.

Things needed to fill out the CSS Profile

- Your or Your Parent(s):
  - Most recently completed Federal Tax Returns
  - W-2 Forms
  - Other records of current income
  - Records of untaxed income and benefits
  - Assets
  - Bank statements

Dependent or Independent?

Dependent	A dependent student is a student who doesn't meet the criteria to be an independent student and must report their parents' information as well
Independent (see if you're an independent student here!)	An independent student is one of the following: at least 24 years old, married, a graduate or professional student, a veteran, a member of the armed forces, an orphan, a ward of the court, or someone with legal dependents other than a spouse, an emancipated minor or someone who is homeless or at risk of becoming homeless. You will report yours and if you're married also your spouse's information

Pro Tips for the FAFSA Form

- Have your documents ready early
- Have your contributor information ready
- Make sure that you, the student, fills out the form first
- Make sure you review the form before submitting
- You can always edit the form and correct any mistakes
- Start working on the form early!

Student Aid Index (SAI)

- Your Student Aid Index (SAI) is a formula-based index number ranging from –1500 to 999999
- Where your SAI falls within the SAI range helps your school determine how much financial support you may need
- A negative SAI indicates you have a higher financial need
    - if you have an SAI of –1500, you'll qualify for a maximum Pell Grant award
- During your aid process, you will see the following
    - an estimated SAI on the confirmation page of your FAFSA form
    - an official SAI within your FAFSA Submission Summary (after your FAFSA form is processed)
- Learn how the SAI is calculated here!

05

Debt 101

Understanding loans, interest, & repayment plans

What Is Student Debt?

Student Debt is the money owed on a loan taken out to pay for educational expenses

- Students can borrow student debt through the government or private sources
- Student debt is commonly used to cover the cost of education and other expenses
    - Tuition amounts not covered by scholarships, parents, or the student's assets
    - Housing
    - Books and supplies
    - Mandatory fees

Federal vs. Private Loans

	Due Date	Interest Rates	Subsidies	Credit Check	Repayment Plans	Loan Forgiveness
Federal	Aren't due until student graduates or is enrolled for less than half-time	Fixed & Lower	Government pays interest while student is in school	Doesn't require one	Several options such as monthly payments	Could have some forgiven if you work in public service
Private	Mostly due while student is in school	May be high or low	Usually not subsidized loans	Requires one or a cosigner	Depends on the lender	Usually none

How Interest works

Interest is the monetary charge for the privilege of borrowing money, typically expressed as an annual percentage rate.

$10,500 in 1 year

$11,500 in 3 Years

$10,000 Loan at a 5% Interest Rate

$11,000 in 2 years

How Much Should You Borrow?

Limit your borrowing to what your future earnings will allow you to pay off

- Try not to accumulate more student debt than your starting yearly salary once you graduate from college
- There are several online tools you can use to estimate how much you should take out in loans
- Take into consideration whether the career you will enter requires graduate (MBA) or professional school (JD, MD) after your bachelor's degree

Repayment Options

- **Standard Fixed Plans:** Payments are a fixed amount which ensure that your loans are paid off within 10 years
- **Graduated Fixed Plans:** Payment amounts start low then increase every 2 years; loans are paid off within 10 years
- **Extended Fixed Plans:** Payments can be fixed or graduated; loans are paid off within 25 years
- **Income-Driven Plans:** Payments amounts are based on how much you make and your family size

Loan Facts vs. Myths

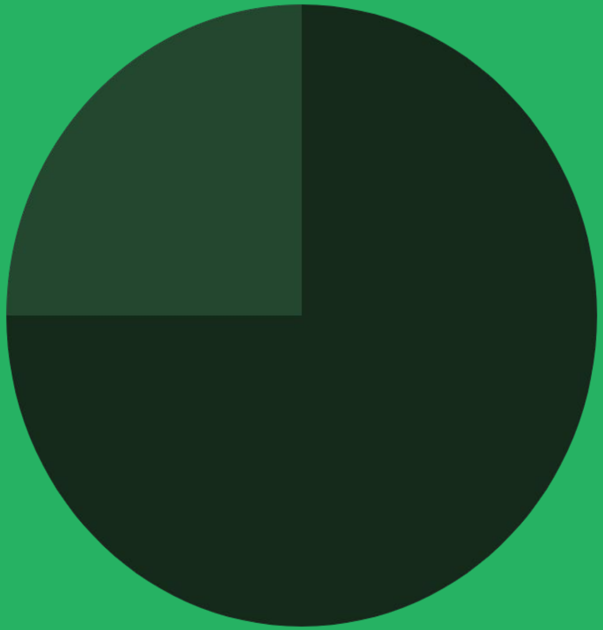
MYTHS	FACTS
Only young people have student debt	Student loans impact people of all ages, and the number of older Americans with student loan debt is growing dramatically
People with student loan debt have degrees that will help them get high-paying jobs to pay off their debt	One-third of borrowers with student loan debt never got a degree.
You shouldn't make payments on your student loans until after you graduate	Many college students don't realize that student loan interest begins the moment you take out the loan
Your student loans won't affect your credit score.	Loans are a form of credit and your payment history for that has a big impact on your credit score

06

Budgeting in college

Managing your money smartly

Why Budgeting Matters



75% of College students experienced moderate to high financial stress during the school year

Needs vs Wants

Needs: Financial needs are expenditures that are essential for you to be able to live and work. They're the recurring expenses that are likely to eat up a large chunk of your paycheck

- Housing, Transportation, Food, Insurance, etc

Wants: Wants are expenses that help you live more comfortably. They're the things you buy for fun or leisure. You could live without them, but you enjoy your life more when you have them

- Travel, Entertainment, Coffee, Gym Membership, etc

Budgeting Needs & Wants

- **List**
  - Write a list of all the things you need to buy. Group purchases into large categories like toiletries, cable, phone, 7 insurance
- **Divide**
  - Divide the categories into needs & wants. For example a basic phone plan will fall into needs but a Netflix subscription will fall into wants
- **Tally**
  - Tally the totals and align your priorities
  - You can do 50/30/20
    - 50% on needs, 30% on wants, 20% on savings/paying off debt
      - Use this calculator to calculate your 50/30/20

Common Budget Busters

- **Impulse Buying:** Purchasing items on a whim without planning beforehand
  - Strategy: implement a mandatory 24-hour waiting period before making any unplanned purchase
- **Eating Out Too Often**: Regular purchases at coffee shop, fast-food stores, & ocnvience stores
  - Strategy: Meal Prep some of your food for the week
- **Overlooking Small Expenses**: Daily indulgences like your daily coffee or geting snacks from vending machines
  - Strategy: Keep track of your spending by using a budgeting app
- **Subscription Overload**: Having too many streaming services
  - Strategy: Review & Evaluate your subscriptions

Smart Ways To Save

- **Buy/Rent Used Textbooks**
  - Deciding to borrow or buy used textbooks can help lower the expensive cost of textbooks
- **Cook Meals With Friends**
  - Meal prepping with friends who have a kitchen in their dorm or meal prepping food from home is a healthy and cost efficient option
- **Take Advantage Of Student Discounts**
  - Many companies like Apple & Spotify have student discounts if you use your college email or Student ID

Part Time Work & Side Hustles

- **Tutoring Online or On Campus**
  - Check to see if you college has positions for students to tutor other students in general education, language, math, & science classes
  - Become a freelance tutor by exploring websites online
- **Campus Jobs**
  - Most colleges have jobs for students on campus such as becoming a Resident Assistant in your residence hall, becoming an office aid, helping a professor with research as a research assistant, and many more

Tip: Keep Your work schedule between 15 - 20 hours a week

Tip: Check your college's website for student services they have

Tip: Have an emergency fund of at least $500

Be Prepared For Unexpected Costs

Tech Issues

Broken laptop, phone not working, etc

Car Trouble

Car needs a repair, parking ticket

Medical Bills

Hospital Costs, Missing classes, Medicine costs

THANKS!

Do you have any questions?

econunitedteam@gmail.com

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