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SUNDAY JOURNAL

How to Weigh Student-Aid Offers

The Biggest Package Might Not Be the Best Package

By LINDSAY GELLMAN

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Frank Stockton

College acceptance letters are now rolling in—as are financial-aid award letters. You might be tempted to choose the school that offers you the most financial-aid dollars. Not so fast. You need to consider the larger picture—including total cost of attending and what types of aid make up the different packages—as you sort through the aid offers.

"The largest aid offer might not be the least-expensive option for a student," says Justin Draeger, president of the National Association of Student Financial Aid Administrators, a nonprofit professional organization.

Look beyond the amount a given school offers you in grants or scholarships to evaluate the total cost of attending, Mr. Draeger says. This includes costs paid directly to the school, like tuition, as well as indirect costs, such as materials and living expenses, Mr. Draeger says. (If the letter doesn't provide tuition costs and an estimate of indirect costs, ask the school's financial-aid office.)

Next, evaluate any "gift aid" offered, Mr. Draeger says—that is, grants and scholarships you don't have to pay back or work for. Subtract your gift aid amount from the total cost to determine your out-of-pocket or net cost for a given school. You should compare school offerings based on net costs, Mr. Draeger says.

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For example, let's say you receive two aid packages: College A costs \$26,756 a year total, and offers you \$13,782 in grants and scholarships. College B costs \$58,310 a year and offers you \$33,600 in grants and scholarships. While college B offers you more aid dollars, the financially smart choice, experts say, is College A, since its net cost amounts to \$12,974 a year, as opposed to College B's \$24,710 annual net cost. Therefore, you'll have to work and/or borrow less to make up the difference.

As part of your net-cost evaluation, consider the "self-help" aid available, Mr. Draeger says, or work-study programs and/or loans that will allow you to satisfy out-of-pocket costs. The most desirable type of self-help aid is work-study, he says, since you are essentially earning your keep and will not have to pay interest.

After work-study, opt for federal student loans, which typically have the lowest interest rates and/or best terms of repayment; then, state government loans, college loans, and lastly, private loans, as they tend to have the highest interest rates. When it comes to loans, borrow only what you truly

need, advises Greg McBride, chief financial analyst at Bankrate.com, and don't be afraid to accept less loan money than a package offers.

Federal student loans typically come with restrictions, for example, that a student must be enrolled at least halftime, Mr. Draeger says. Scholarships and grants, as well as other categories of loan, might also come with requirements. Make sure you understand exactly what to do to remain eligible for continued financial aid in the coming years, he says.

Furthermore, your financial-aid package is based on last year's tax returns, Mr. Draeger says, so it's helpful to keep in mind that if you've had a significant change in circumstances since you filled out last year's forms—say, a parent lost his or her job—you can typically petition a school's financial-aid office to adjust your aid package to reflect your new circumstances.

At this early stage, it's a good idea to step back and consider your potential return on investment, Mr. McBride adds. Research the typical salary range in your field of interest, and determine how that will affect your ability to pay off debt, and how much debt it makes sense for you to take on.

"Taking on six figures of debt to get a degree in anthropology? Doesn't make any sense—not in this labor market," Mr. McBride says. Some fields, such as education, might qualify you for debt-forgiveness for your federal loans, he says.

Moreover, think about whether you plan to get a graduate degree, and whether shelling out for a pricey undergraduate degree is necessarily the best move, Mr. McBride says. For example, if you are going to borrow money, it might make more sense to attend an inexpensive public school in-state for your undergraduate years, and incur that debt later to pursue a top-tier graduate degree in, say, business or engineering, he says.

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