



THE RIGHT RELATIONSHIP IS EVERYTHING.®

Puzzled Over Your College Financing Options?

We've Got **Answers.**



CONGRATULATIONS...

**your child has decided to
attend college!**

By now, you're probably asking yourself: How am I going to pay for it? With so many options to consider, you might feel a bit overwhelmed. Should you dip into your retirement savings? Should you charge your child's tuition to a credit card or take out a loan? Which options offer the best tax savings?

We've got the information to help you make the decision that's right for you. The chart inside outlines the advantages and disadvantages of several college funding options, from Federal PLUS Loans to tuition payment plans. It is for informational purposes only and is not intended to endorse any specific option.

Financing Option

Advantages

Disadvantages

Federal Parent Loans for Undergraduate Students (PLUS)

- Parents can borrow up to cost of attendance, minus financial aid
- Variable interest rate capped at 9%; interest payments are tax-deductible
- Repayment period up to 10 years
- Loan forgiven in the event of death or total disability
- Borrower may qualify for a variety of deferment options, including deferments while your child is in school

- Parents with poor credit may be turned down for loan
- No aggregate loan limit; parent must monitor finances and borrow responsibly
- Repayment begins within 60 days of full disbursement

Private/Alternative Loans

- Co-borrower allowed if student's credit record is not acceptable
- Interest paid on loan is tax-deductible

- Credit requirements, loan fees, interest rates, and loan amounts vary
- Interest rates are not capped, often variable, and tied to Prime or LIBOR
- Repayment may begin immediately after disbursement
- No forgiveness of loan in the event of death or total disability unless borrower purchases option

Home Equity Loan or Lines of Credit

- Both variable and fixed interest rates available
- Long repayment periods and low monthly payments
- Interest payments are tax-deductible

- High loan fees
- Payments on loan begin immediately
- No forgiveness of loan in the event of death or total disability unless borrower purchases option
- Your home is used as collateral

Tuition Payment Plans

- Usually offered by colleges and private agencies
- College-sponsored plans usually have low or no fees
- Beneficial for financing small balances, managing cash flow, or using in combination with other financing options

- Private agency fees or high interest
- Repayment period usually limited to college term or year, so installment payments can be high
- No forgiveness of loan in the event of death or total disability unless borrower purchases option

Financing Option

Advantages

Disadvantages

Credit Cards

- Some credit cards have incentive points programs
- Low minimum monthly payments and long repayment periods
- Best used for short-term cash flow purposes

- Cards that earn incentive points usually have an annual fee
- Processing fees for advance payments; interest rates can be high
- No forgiveness of loan in the event of death or total disability unless borrower purchases option

Whole Life Insurance

- Usually borrowed from cash value or dividends of whole life insurance
- Usually a low fixed interest rate
- Sometimes interest does not have to be repaid

- If not repaid, the loan reduces investment earning and death benefits
- Interest payments not usually tax-deductible

Traditional and Roth Individual Retirement Account

- Annual contribution of \$3,000; investment earnings tax-deferred
- Early withdrawals for qualified education expenses not subject to the 10% additional tax penalty
- Traditional IRA contributions are tax-deferred

- Income limits tax-deferred eligibility
- Roth IRA contributions are not tax-deferred
- Funds that are used or taken reduce investment earning; return on investment is limited

401(k) and 403(b) Retirement Plans

- Withdrawals can be allowed for qualified education expenses
- When a loan is taken against the plan, the interest paid on the loan goes back into the fund

- Taxed at withdrawal
- Employer determines flexibility and can limit control over investments
- Return on investment is limited

For more information on your college financing options and Chase education loans, call (800) 242-7339 or visit www.ChaseStudentLoans.com



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Terms You Should Know

Capitalization: Interest on a loan that is accrued and then added to the principal loan amount.

Deferment: An authorized period of time during which loan payments may be postponed.

Disbursement: Loan funds issued by your lender through check (usually co-payable to you and the school) or electronic funds transfer.

FAFSA (Free Application for Federal Student Aid): The information you furnish on this application helps colleges determine the types and amount of financial aid your child is eligible to receive through federal, state, and college sources.

Financial Aid: Financial assistance in the form of scholarships, grants, employment opportunities, and education loans.

Interest: A fee charged in exchange for borrowed money.

Questions to Ask Yourself

When deciding how to finance your child's college education, there are many different factors to compare in addition to monthly payments, interest rates, and total principal and interest. Be sure to ask yourself the following questions when weighing your choices:

Interest Rates

Are interest rates variable or fixed? Are they capped? Are they based on the Prime Rate, LIBOR, or T-bill?

Fees

Will you pay points or be charged an origination fee? Will there be processing, application, document, or withdrawal fees?

Additional Rebates or Benefits

Will you receive rebates or reductions for automatic debit of payments and/or on-time payments?
Will you be eligible for any tax deductions?

Deferment and Discharge Options

Can you defer payments while your child is in school? Will you be eligible for deferment if you become unemployed? Can you discharge your loan debt due to death or total disability?