

THE CHALLENGE

Jordan, a high school senior with strong academics and leadership experience, created a systematic approach to financing education. By dedicating 5 hours weekly to scholarship applications starting junior year, Jordan secured \$22,000 in scholarships from various sources and qualified for a \$3,500 Pell Grant. This proactive strategy covered approximately 85% of first-year university costs, requiring only a small federal loan to cover the remainder.

How can strategic planning and prioritizing non-debt funding sources minimize the financial burden of post-secondary education?

Learning Objectives

- Differentiate between scholarships, grants, loans, and work-study programs.
- Explain the purpose and process of completing the FAFSA.
- Create a balanced financial plan that prioritizes non-debt financing options.

CORE CONCEPTS

Term	Definition
Scholarships	Merit-based financial awards that do not need to be repaid, typically based on academic, athletic, or leadership achievements.
Grants	Need-based financial aid that does not require repayment, often awarded based on family financial need.
FAFSA	Free Application for Federal Student Aid—the form that determines eligibility for federal grants, loans, and work-study.
Federal Loans	Government-backed loans with lower interest rates and flexible repayment options compared to private loans.
Work-Study	Part-time employment opportunities for students with financial need, often located on campus.

Background: Student loan debt in the United States exceeds \$1.75 trillion, affecting over 43 million Americans. The most effective approach to financing education follows a strategic priority: start with "free money" (scholarships and grants), consider work opportunities, explore federal loans if needed, and use

private loans only as a last resort. Completing the FAFSA early—after October 1st each year—is essential to maximizing financial aid opportunities.

APPLY IT

PART A: FUNDING SOURCE ANALYSIS

For each scenario, identify the BEST funding source and explain your reasoning.

Scenario 1: High-Achieving Student

Mia has a 3.9 GPA, is class president, and her family earns \$120,000 annually. She needs \$15,000 for her first year at a state university.

Primary funding source: _____

Secondary source: _____

Reasoning: _____

Scenario 2: Low-Income Student

David's family earns \$32,000 annually. He has average grades but strong community involvement. He's been accepted to a community college with \$8,000 annual costs.

Primary funding source: _____

Secondary source: _____

Reasoning: _____

Scenario 3: Middle-Income Student

Sarah's family earns \$75,000, which is too high for need-based grants but not enough to pay full tuition. She needs \$20,000 for a nursing program and wants hands-on experience.

Best strategy: _____

Reasoning: _____

Hint: Consider both what the student qualifies for (merit vs. need-based) and the funding priority order: scholarships/grants first, then work, then federal loans, then private loans.

PART B: LOAN COMPARISON

Compare federal and private loan options. Complete the calculations for a \$10,000 loan.

Factor	Federal Subsidized Loan	Private Loan
Interest Rate	5.50%	9.50%
Interest While in School	Government pays	Accrues immediately
Repayment Term	10 years	10 years
Monthly Payment	\$108	\$129
Total Repaid (payment × 120 months)		
Total Interest Paid (Total - \$10,000)		

4. How much more in TOTAL would you pay with a private loan compared to a federal subsidized loan?
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5. Why should federal loans be prioritized over private loans? List TWO specific advantages.
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PART C: PERSONAL APPLICATION

6. What type of post-secondary education are you considering, and what is the estimated annual cost? (Use \$15,000 for community college, \$25,000 for state university, \$50,000 for private university as estimates)
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7. Based on your situation, what THREE funding sources would you prioritize, and why?
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CHECK YOUR UNDERSTANDING

1. The form that determines eligibility for federal financial aid including grants, loans, and work-study is called:
- ☐ A. CSS Profile
 - ☐ B. FAFSA
 - ☐ C. SAR
 - ☐ D. EFC Form

2. Explain the difference between a scholarship and a grant. When might a student qualify for one but not the other?

3. **Calculation:** Casey takes out \$5,500 per year in federal loans for 4 years. At a 5% interest rate with a 10-year repayment, her monthly payment will be \$233. What is the total amount Casey will repay?

Show your work:

Answer: \$_____ total repaid

4. Casey started at community college for \$4,000/year instead of going directly to a 4-year university at \$20,000/year. How much did she save in her first two years, and how does this strategy relate to minimizing student debt?

5. **Reflection:** What steps can you take NOW (while still in high school) to maximize your non-debt funding opportunities for post-secondary education?
