

Planning your financial path to college graduation

Students use a Consumer Financial Protection Bureau college planning tool to explore college costs and options for covering those costs.

Learning goals

Big idea

Understanding college costs and comparing financial aid offers can help you begin to make a plan for paying for college.

Essential questions

- What are some things to consider when planning to pay for college?
- What are some things you can do now to help pay for college?

Objectives

- Understand what to consider when planning to pay for college
- Explore options for paying for college

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

- Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Save and invest (Saving for college), Spend (Paying for college), Borrow (Getting loans)

School subject: CTE (Career and technical education), English or language arts, Math, Social studies or history

Teaching strategy: Simulation

Bloom's Taxonomy level: Understand, Analyze, Apply

Activity duration: 75-90 minutes

National Standards for Personal Financial Education, 2021

Earning income: 8-2, 8-3, 8-4, 12-3, 12-5

Spending: 8-1, 8-2, 12-1, 12-2, 12-3, 12-5, 12-8, 12-9

Saving: 8-1, 8-2, 12-9

Managing credit: 8-3, 8-6, 12-4, 12-5, 12-12

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

What students will do

- Use a Consumer Financial Protection Bureau (CFPB) college planning tool to review how a sample financial aid offer would impact college costs.
- Reflect on options for paying for college if they don't have enough money to pay the costs upfront.
- Consider strategies they can use now to plan to pay for college.

Preparing for this activity

Print copies of all student materials for each student, or prepare for students to access them electronically.

Consider reviewing the CFPB's "Your financial path to graduation" planning tool at www.consumerfinance.gov/gradpath ahead of time to become familiar with the tool.

Obtain computers or tablets with web access for groups of students.

What you'll need

THIS TEACHER GUIDE

- Planning your financial path to college graduation (guide)
cfpb_building_block_activities_planning-financial-path-college-graduation_guide.pdf

STUDENT MATERIALS

- Planning your financial path to college graduation (worksheet)
cfpb_building_block_activities_planning-financial-path-college-graduation_worksheet.pdf
- The CFPB's "Your financial path to graduation" planning tool at
<https://www.consumerfinance.gov/gradpath>
- Emmett compares three financial aid offers (handout)
cfpb_building_block_activities_emmett-compares-financial-aid-offers_handout.pdf
- Computers or tablets with web access

Exploring key financial concepts

After you graduate from high school, you'll have many options for continuing your education. Most of those options will cost money. Financial aid can help you pay for education after high school. Grants, scholarships, and work-study are types of financial aid that don't have to be repaid. People also use savings and money from

TIP

Because financial aid rules and programs change, students should be encouraged to always look for the most up-to-date information.

investments to pay for education after high school. Another option is to use student loans, which usually need to be repaid.

For many students, figuring out financial aid offers and planning how to pay for school is complicated. It may require multiple conversations with family, advisers, and the school officials to get more information. But it's a good idea to understand how much college might cost and ways to cover those costs so you can start planning your education path after high school.

Teaching this activity

Whole-class introduction

- Consider reading "Exploring key financial concepts" to the students.
- Ask them to share some things to consider when choosing a college.
 - Answers may include academic program, location, and cost.
- Ask students to share some ways to pay for college.
 - Answers may include grants, scholarships, loans, and work-study.
- Be sure students understand key vocabulary:
 - **Contributor:** Refers to anyone (you, your spouse, a biological or adoptive parent, or your parent's spouse) who is required to provide information, consent, and approval, and a signature on the FAFSA form.
 - **FAFSA - Free Application for Federal Student Aid:** This form is used by a school to determine how much a student and their family are eligible to receive in federal financial aid. The FAFSA may also be used to determine a student's eligibility for state and school-based aid. It may influence how much private aid a student receives.
 - **FAFSA submission summary:** Highlights your eligibility for federal student aid. Includes the answers submitted on or transferred to your FAFSA form, your SAI, and an estimation of the amount of federal student aid that you may be eligible for. Your FAFSA submission summary is not an aid offer; those will come directly from any schools you've listed on your FAFSA Form and have been accepted to.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

- **Federal student loans:** These loans are funded by the federal government and have terms and conditions that are set by law. Federal loans also include benefits that private student loans don't usually offer. These benefits could include lower interest rates, repayment plans based on income, and possible loan forgiveness for people who choose to work for a certain amount of time in government or for certain not-for-profit organizations or teach in a low-income school.
- **Federal work-study:** A program that provides part-time jobs to help you earn money to pay for college expenses.
- **Financial aid:** Money given in the form of grants, work-study, loans, and scholarships to help pay for post-secondary tuition and fees, housing and food, books, supplies, miscellaneous expenses, and transportation.
- **Grant:** A type of financial aid that does not have to be repaid, unless, for example, you withdraw from school and you need to pay back some of the grant money because your eligibility for the grant changes; often need-based.
- **Interest capitalization:** Interest capitalization occurs when unpaid interest is added to the principal amount of your student loan. When the interest on your federal student loan is not paid as it accrues (during periods when you are responsible for paying the interest), your lender may capitalize the unpaid interest. This increases the outstanding principal amount due on the loan. Interest is then charged on that higher principal balance, increasing the amount of interest charged and the overall cost of the loan.
- **Loan:** Money that needs to be repaid by the borrower, generally with interest.
- **Private student loans:** Loans from private organizations, such as banks and credit unions, which set their own terms and conditions. Private loans generally lack many of the protections of federal student loans.
- **Scholarships:** Money that students receive based on academic or other achievements to help pay education expenses. Scholarships generally don't have to be repaid.
- **Student Aid Index (SAI):** A number that determines each student's eligibility for certain types of federal student aid.

Individual and group work

- Ask students if they've ever seen a financial aid offer letter.
 - If they have, ask students to share:
 - What they remember from it
 - Whether they thought it was easy to understand or confusing
- Explain that when students apply to a college or university, they need to fill out the Free Application for Federal Student Aid (FAFSA) form (either on their own or with a parent or contributor) if they want to apply for financial aid. All contributors (student, spouse of student, parent, guardian, step-parent) must create a StudentAid.gov account in order to fill out the FAFSA.
 - Tell students that the FAFSA is used to determine how much a student and his or her family are eligible to receive in federal financial aid. The FAFSA may also be used to determine a student's eligibility for state and school-based aid and also may influence how much private aid a student receives.
- Explain that when students who have applied for financial aid are accepted to a school or program, they receive a financial aid offer letter.
 - The offer letter explains the total amount of monetary assistance a school or program will offer the student to help them pay for the cost of attendance.
- Tell students that they'll practice analyzing financial aid offers so they can make informed choices about how they may plan to pay for college.
- Explain that they'll use a Consumer Financial Protection Bureau college planning tool called "Your financial path to graduation."
- Divide students into small groups.
- Distribute computers or tablets to each group.
- Give students the "Planning your financial path to college graduation" worksheet and the "Emmett compares three financial aid offers" handout.
- Assign each group to one of Emmett's financial aid offers. Be sure each offer is assigned to at least one group so that all three offers are explored.
- Direct the groups to the "Your financial path to graduation" tool at: <https://www.consumerfinance.gov/gradpath> and have them click the "Get started" button.
 - Ask them to follow the directions on their worksheet to use the tool.
 - Tell students that they'll find the names of the imaginary schools listed in the handout in the "Your financial path to graduation" tool.

- Tell the groups that they'll use the information for the school they select on the Emmett handout for many of the answers, but that they should give reasonable answers when the financial aid offer doesn't provide them with specific information.
- Students will answer the reflection questions on their own.

Wrap-up

- Ask the groups to share their findings and their experiences.
- Have them compare their findings and identify what factors would lead Emmett to pay more or less for college.
- If time allows, ask volunteers to share:
 - What they observed about what it takes to plan to pay for college
 - What steps they think they can take now to plan to pay for college

Suggested next steps

Consider searching for other CFPB activities that address the topics of saving and investing, including saving for college; spending, including paying for college; and borrowing, including getting loans. Suggested activities include "Talking with your family about paying for higher education" and "Comparing financial aid offers".

To extend the learning, consider asking students to talk with their parents, guardian, or guidance counselor about planning to pay for college and to share some steps they can take now to help pay for college. You also can encourage students to use the tool once they get one or more financial aid offers so they can analyze and compare the offers.

Measuring student learning

Students' responses during discussion and on their worksheets can give you a sense of their understanding.

This answer guide provides possible answers for the "Planning your financial path to college graduation" worksheet. **Keep in mind that students' answers may vary, as there may not be only one right answer.** The important thing is for students to have reasonable justification for their answers.

Answer guide

1. **Affording your loans:** What strategies did you use to help Emmett adjust the average monthly regional budget so he could meet his loan payment and other expenses? Based on the information in this section, what advice would you give Emmett about taking on this much debt?

Answers may vary but could include:

- Reduce the amount budgeted for non-essential items such as entertainment and lowered the amounts allocated for transportation and other.
- Borrow less.
- Shop around for lower interest rates on non-federal loans (this will take research and additional loan applications).
- Pay down interest on unsubsidized debt while he's in school to avoid interest capitalization (paying interest on interest).

2. **Comparing your school:** After reviewing the statistics in this section, do you have any concerns about this school's average graduation and loan repayment rates? Why or why not?

Answers may vary but could include:

- Yes, the graduation and loan repayment rates seem low.
- No, the graduation and loan repayment rates seem high.
- Comments about the loan default rates (low or high)
- Comments about if borrowers seem to earn enough money to pay down their debt
- What if I prefer to live in a different place in the country other than the South Region? There's evidence that I wouldn't be able to meet my monthly loan repayment requirements in other regions.

3. **Reviewing your plan:** Do you think the loans Emmett and his parents would take out to go to this school are worth the investment? Why or why not?

Answers may vary but could include:

- Don't borrow more than he's likely to earn in his first year out of school.
- Make sure he can afford his projected monthly payments.
- Borrow less.
- Shop around for lower interest rates on non-federal student loans (this will take research and additional loan applications).
- Pay down interest on unsubsidized debt while he's in school to avoid interest capitalization (paying interest on interest).