you haven't done enough financial planning

Once upon a time, in the land of high school, there were no worries—no big worries, at least—about the cost of the education you were receiving. You went to class, did your homework, took the tests—and now you look forward to expanding your horizons on that beautiful university campus.

Well, your part just got bigger. Before visions of college degrees start dancing in your head, some serious financial planning has to take place. There are forms to fill out, strategies to be devised, and eventually a tuition check to be written. But there's also help along the way—if you know where to look. Here are three steps to take that will help you pay for the college education of your dreams.

First: apply for financial aid

Apply for financial aid, even if you don't think you qualify. Some kinds of aid are available *regardless* of need.

To apply for financial aid from the federal government (and to qualify for some low-interest loans), you need to submit the Federal Application for Student Aid (FAFSA). Send it in as soon as possible after January 1 of the year you'll be attending college.

The FAFSA is available in paper and electronic formats. You can get the paper version from your high school, the financial aid office at any college, or by calling 1-800-4-FED-AID (the phone number for the Federal Student Aid Information Center). To complete the FAFSA online, log on to *www.fafsa.ed.gov*. Some colleges also require you to complete their own aid forms. Your parents will need to have accurate income and tax information in front of them when they fill out the forms—and deadlines count!

Second: tap existing savings and current income

Families should expect to pay at least half the total cost of a college education through a combination of savings, current income, and loans. You and your parents will need to take a close look at your family's monthly budget, determine how much you can afford to pay from current income, and stretch that amount to the limit. The trick is to pay as much as possible during college, and as little as possible after graduation. In other words, maximize your payments and minimize your debt.

Minimizing your debt (the amount you borrow) means saving on interest fees that will accrue during the life of the loans—fees that can really add up. To help you save on fees, many colleges offer tuition payment plans that allow you to divide your college bill into 10 or 12 monthly installments without having to pay interest. Payment plans are often administered by private companies such as Academic Management Services *(www.tuitionpay.com)*.

Since interest rates, terms of repayment, and other elements of loans from private companies vary, students and parents should always compare offers. Good information about loan variables and lots of other information about paying for college is available at *www.wiredscholar.com.*

Third: borrow, if necessary

After combining financial aid, current income, and savings, your family may still come up short and need to borrow. Federal loans such as the Unsubsidized Stafford Loan (the student is the borrower) and the PLUS Loan (the parent is the borrower) are widely used and available to families at all income levels (you'll need to have filled out the FAFSA). Interest rates are relatively low (the approximate interest rate for Stafford Loans is currently 3.42%; the rate for PLUS Loans is about 4.8%). Repayment begins six months after a student leaves school (or studies less than half time), and a student or parent has ten years to repay the loan.

A note about "outside scholarships": Time spent searching for scholarships isn't well spent. Scholarships may seem to be a good way to reduce your out-of-pocket expenses, but colleges often reduce the amount of the aid package you're offered if you receive a scholarship. Don't accept a scholarship without checking with the financial aid office at the college you'll attend. ■

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