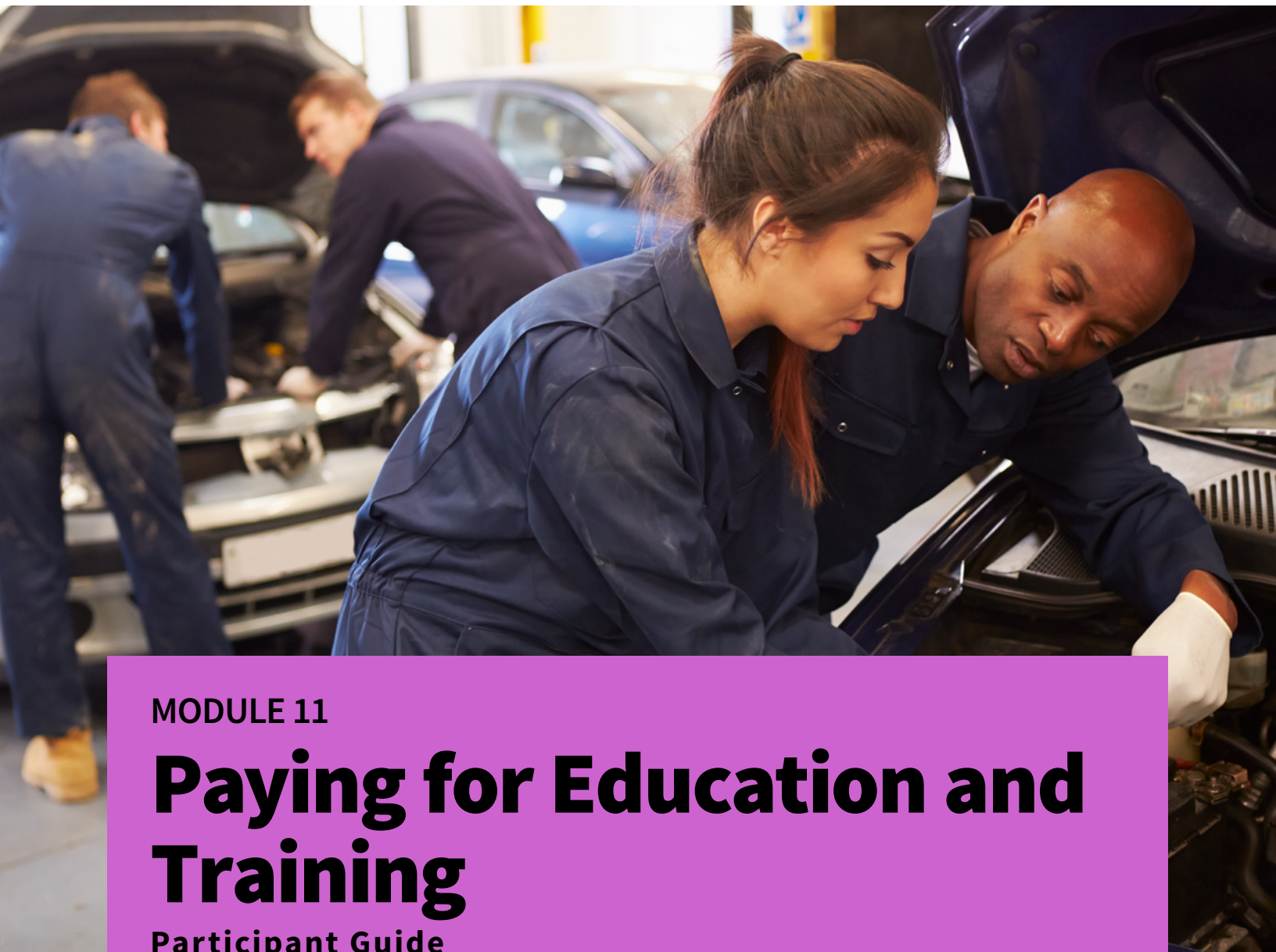




# **MONEY SMART FOR YOUNG ADULTS**



**MODULE 11**

## **Paying for Education and Training**

**Participant Guide**



FDIC-031-2022

The Federal Deposit Insurance Corporation is an independent agency created by Congress to maintain stability and public confidence in the nation's financial system. One way we do that is by providing free, non-biased financial education materials, including this participant guide. For more information about our family of Money Smart products, visit **[fdic.gov/moneysmart](https://www.fdic.gov/moneysmart)**.

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# WELCOME

Welcome to the FDIC's Money Smart for Young Adults!

This is the participant guide for **Module 11: Paying for Education and Training**. You can write in it. It is yours to keep.

## Module Purpose

This module helps participants consider the benefits and costs of education and training after high school and how to pay for it. By the end of this module, you will be able to:

- Explain the value of education and training after high school
- List different types of education and training
- Estimate the cost of education and training options
- List ways to pay for education and training, including student financial aid
- Compare offers from schools, including both financial and non-financial considerations
- List options for repaying federal student loans
- List steps to take to address falling behind on repaying student loans



## SECTION 1:

# Benefits and Costs of Education and Training

We will discuss the benefits and costs of post-high school education and training and different types of education and training.



KEY TAKEAWAY:

**Consider all costs and benefits of education and training opportunities before you commit.**

## Benefits of Education and Training

Education and training can prepare you for a higher paying career.

**What are some types of education and training that could help you earn more?**

## Costs of Education and Training

**What are some costs of education and training?**

When a school offers you a financial aid package, you will receive a financial aid offer letter. This is different from an acceptance letter offering admission to the school's training or education program. The financial aid offer letter—sometimes just called “offer letter”—states the estimated cost of attendance and lists financial aid the school is offering. The estimated cost of attendance may include tuition and fees, room and board (or living expenses), books, supplies, transportation, loan fees, a reasonable amount for a personal computer, and child care or other dependent care. If you will have costs that the school did not include in its estimated cost of attendance, consider those in your decision-making.



## **APPLY IT:**

# **Considering a Training or Education Option**

If you are thinking about pursuing a training or education option, ask yourself these questions. These questions are just a start. Contact a person or organization you trust for additional help with the decision.

**What is the pay, required education, and market demand of the job I am planning to pursue?**

**How much does the training or educational program cost?**

**When would I complete the training or educational program?**

**If I am currently working, will my employer pay for some or all of the cost and what will my employer require in return? Are there other sources of funding available?**

**[If applicable] When will I have to start repaying loan(s)? For how long will I have to repay them?**

**[If applicable] What will be the minimum monthly payment for my loan(s)?**

**What will my job prospects be immediately after I graduate? What is the average starting salary in my city or town? How often do graduates from this school get this type of job?**

**How much more might I earn over my working years?**

**Given the above answers, is pursuing this path likely a good investment for me?**

☐ Yes

☐ No

☐ I'm not sure. I need to give this more thought.



#### Remember the Key Takeaway

**“Consider all costs and benefits of education and training opportunities before you commit.”**

## SECTION 2:

# Paying for Education and Training

We will discuss ways to pay for education and training. We will also compare sample offers from schools, including both financial and non-financial considerations.



### KEY TAKEAWAY:

**To be considered for most forms of financial aid, you must complete the online Free Application for Federal Student Aid (FAFSA).**

## Ways to Pay

There are many ways people pay for education and training after high school, including:



**Getting help from friends and family**



**Using savings**



**Working while attending school**



**Getting scholarships and grants**



**Getting help from an employer**



**Borrowing student loans**

## Financial Aid

Financial aid is money to help pay for education and training. Scholarships, grants, work-study, and federal student loans are forms of financial aid that help make education and training affordable. To be considered for most forms of financial aid, you must complete the *Free Application for Federal Student Aid*, often called the FAFSA, at **fafsa.gov** or on the Federal Student Aid myStudentAid mobile app.

Check deadlines carefully and submit your FAFSA early!



A **scholarship** is a form of financial aid that does not have to be repaid. Scholarships may be based on academic merit, talent, or a particular area of study. Scholarships from sources other than federal funds may also be based on membership in particular communities or affinity groups.

A **grant** is a form of financial aid that does not have to be repaid. Most grants are awarded to students with financial need. One example is Pell Grants, which are widely available, but there are several other sources of grants as well.

Many scholarships and grants are awarded by schools based on information provided in the FAFSA and other considerations. However, scholarships and grants are also available from other sources. For example, local businesses may award scholarships and grants as a way to give back to their communities. You can look for websites that list scholarship and grant opportunities.

#### Who else may offer scholarships or grants?

The **Federal Work-Study Program** allows students to earn money to pay for school by working part-time. Schools offer financial aid in the form of work-study based on information provided in the FAFSA and other considerations. Schools maintain a list of jobs that are part of their work-study program. Most schools require students to apply for the jobs on their own. Jobs can be either on campus or off campus. On campus, students usually work for their schools. Off campus, they usually work for nonprofit organizations or state or local government agencies.



There are two major types of **student loans**: private student loans and federal student loans.



Private student loans are made by lenders such as a banks, credit unions, state agencies, or schools. They can vary considerably from lender to lender.



Federal student loans are offered by the federal government. Schools offer financial aid in the form of federal student loans based on information provided in the FAFSA and other considerations. Schools do not offer federal student loans to all students. They help cover the cost of higher education at a four-year college or university; community college; or trade, career, or technical school. They are considered a form of financial aid.

The U.S. Department of Education manages the federal student loan program. However, schools determine how much students can borrow, within limits set by the program.

Federal student loans offer interest rates that are lower than those commonly available from other lenders. In addition, they offer several options for repaying your loan. Borrowers can select a different repayment plan at any point based on their financial situations. We will discuss those repayment options later in this training.

There are two types of federal student loans: direct subsidized loans and direct unsubsidized loans.

**Direct subsidized loans** are available to undergraduate students with financial need. Your school determines the amount you can borrow. The U.S. Department of Education pays the interest on a direct subsidized loan while you are in school and during the six months after you leave school. The U.S. Department of Education pays the interest during deferments. Deferment is a temporary suspension of loan payments. People can qualify for deferment based on active-duty military service, some graduate fellowships, unemployment, economic hardship, and disability.

**Direct unsubsidized loans** are available to undergraduate and graduate students. There is no requirement to demonstrate financial need. You are responsible for paying interest throughout the life of the loan. If you choose not to pay the interest while you are in school, during the six months after you leave school, and during deferment, your interest will be added to the principal amount of your loan.



## TRY IT:

# Reading a Financial Aid Offer Letter

Use the sample financial aid offer letter to answer the questions.

## Sample Financial Aid Offer Letter

Arnold Lee  
123 Orchard Drive  
Anytown, ST 00000

Dear Student:

We are pleased to offer you financial aid for the 2025/2026 academic year at Clearbrook College. To accept, decline, or reduce your financial aid offers, please visit [www.myclearbookfa.clearbrook.edu](http://www.myclearbookfa.clearbrook.edu). Once you have logged in, you may accept, reject, or reduce each form of financial aid offered.

Financial aid offers are subject to change based upon your eligibility. Eligibility may change due to verification of FAFSA data, enrollment status, satisfactory academic progress requirements, or other factors.

If you have any questions or would like to discuss your financial aid offer with one of our advisers, please contact our office by email at [financialaid@clearbrook.edu](mailto:financialaid@clearbrook.edu).

### Estimated Cost of Attendance

Estimated Cost of Attendance.....	\$50,000/yr
Tuition and fees.....	\$36,000
Housing and meals .....	\$11,000
Books and supplies.....	\$1,000
Transportation .....	\$1,000
Other education costs .....	\$1,000

### Grants and Scholarships

Total Grants and Scholarships .....	\$39,000/yr
Grants and scholarships from Clearbrook College .....	\$33,000
Federal Pell Grant .....	\$2,000
State grants .....	\$4,000

### Net Costs

Net Costs .....	\$11,000/yr
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### Options to Pay for Net Costs

#### Work-Study

Work-study .....	\$2,000/yr
------------------	------------

#### Loan Options

Federal direct subsidized loan (5.05% interest rate) .....	\$3,500/yr
Federal direct unsubsidized loan (5.05% interest rate) .....	\$2,000/yr
Private loan from Clearbrook College (6.00% interest rate) .....	\$2,000/yr
Private loan estimate based on market averages (8.25% interest rate).....	\$2,000/yr

### Estimated Family Contribution

Estimated family contribution .....	\$3,000/yr
-------------------------------------	------------

*As calculated using information reported on the FAFSA or to Clearbrook College.*

How much financial aid is the school offering Arnold for the year that he does not need to pay back or earn by working?

What is the cost of school to Arnold for the year, including amounts he will borrow, work to earn, and pay directly?

Assume Arnold plans to pay \$3,000 directly for school from what he earns over the summer. Once at school he plans to earn \$2,000 through the work-study program. How much of the net cost remains?

If Arnold wants to borrow to cover that remaining amount, how much do you recommend he borrow for each type of loan?

LOAN	AMOUNT
Federal direct subsidized loan	\$
Federal direct unsubsidized loan	\$
Private loan from Clearbrook College	\$
Private loan	\$

Explain your recommendations.

What options could Arnold explore that would allow him to borrow less?

## TRY IT:

# Considering Options for Paying for School

Read the scenario and answer the questions.

### SCENARIO:

## Two Friends Consider Options for Paying for School

Anoush and Benny are friends in the culinary arts program at their high school. They both want to attend Lemonleaf Academy for the Culinary Arts to get two years of additional training needed for careers in the restaurant industry.

Anoush submitted both the FAFSA and her application to Lemonleaf in November. Benny submitted his application to Lemonleaf in November but did not submit a FAFSA. He assumed that his parents' income was too high for him to qualify for financial aid.

They both received offers of admission in April. Around the same time, Anoush received a financial aid offer letter. The financial aid offer letter estimated the cost of attendance to be \$24,000 per year and offered scholarships, grants, and federal student loans to help offset that cost.



**Was Benny's belief that he would not be eligible for financial aid a good assumption?**

**What advice would you give Benny?**

**If financial aid isn't available to Benny from Lemonleaf this year, what are his alternatives?**

# Tax Advantaged Savings for Training or Education

Tax advantaged savings accounts can help you save for education. They have rules that eliminate or reduce the taxes you pay as your deposits are invested and earn income.

**529 plans** allow your savings for education and training to grow free of federal income tax. Each state offers one or more 529 plans, each with different rules and policies. Many state plans allow your savings to grow free of state income tax and offer other benefits.

When choosing a 529 plan, always consider your home state plan first as your state may offer state tax or other benefits to residents. However, you can open a 529 account in other states. Only a few states restrict their plans to state residents. For more information on saving for education expenses using a 529 plan, visit [collegesavings.org](https://collegesavings.org).

**ABLE accounts**, also called 529A accounts, are for people with disabilities. They also allow money to grow tax free. Money in ABLE accounts can be used for education and training and for many other qualified expenses. There are several state plans available with different rules and benefits. For more information on ABLE accounts, visit the ABLE National Resource Center website: [ablenrc.org](https://ablenrc.org).



## Remember the Key Takeaway

“To be considered for most forms of financial aid, you must complete the online Free Application for Federal Student Aid (FAFSA).”



## SECTION 3:

# Repaying Federal Student Loans

We will discuss options for repaying federal student loans and steps people can take if they are behind on repaying student loans.

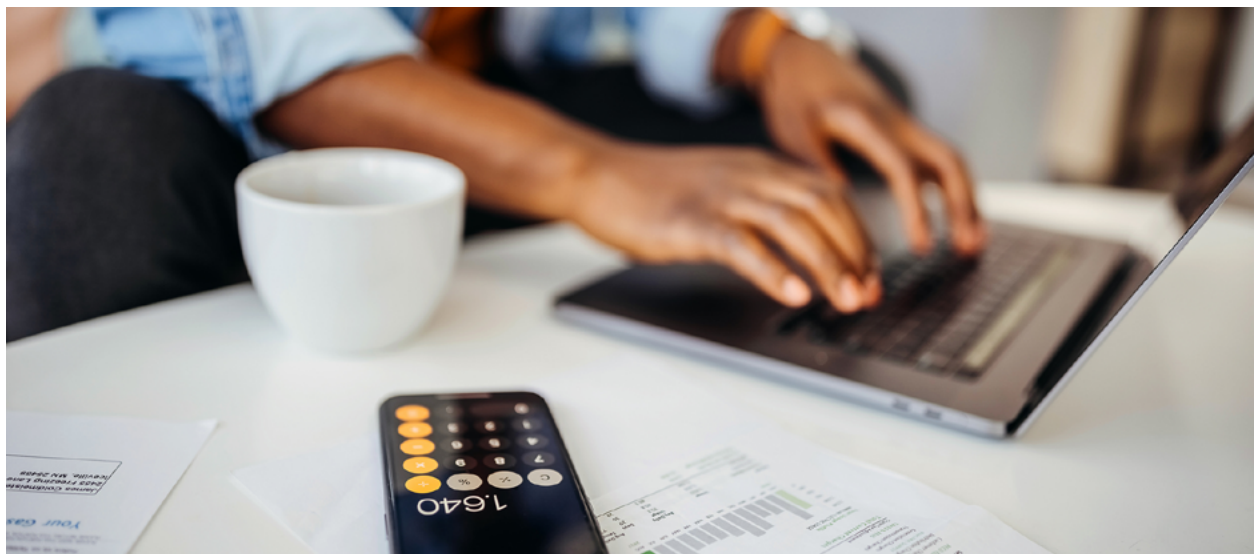
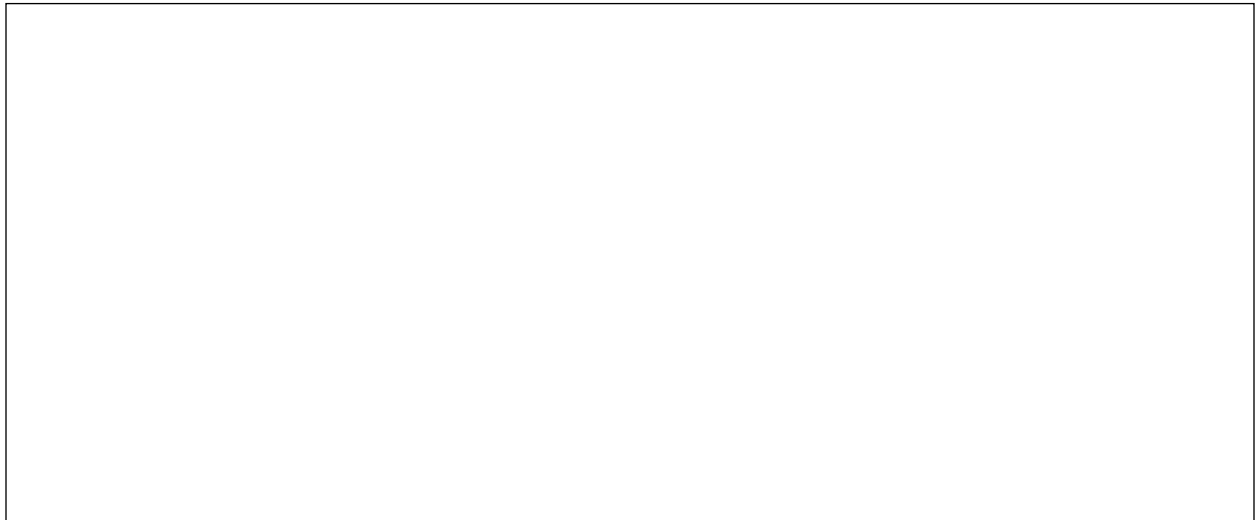


### KEY TAKEAWAY:

**It is important to pay back your student loans on time and as agreed. If you can't, contact your loan servicer right away.**

## Consequences of Not Repaying Student Loans

It is important to pay back your student loans on time and as agreed. You can take notes from the discussion here.



# Federal Student Loan Repayment Options

Federal student loans offer several options for repayment. You can select a different repayment plan at any time for free. These repayment options apply only to federal student loans. If you consolidate your federal student loans into a private loan, these federal options are not available to you.

Repayment options for federal student loans include:

- Standard Repayment Plan
- Graduated Repayment Plan
- Extended Repayment Plan
- Revised Pay as You Earn (REPAYE) Plan
- Pay as You Earn (PAYE) Plan
- Income-Based Repayment (IBR) Plan
- Income-Contingent Repayment (ICR) Plan

You may need to consider **forbearance** or **deferment** if you are struggling to pay federal student loans. Forbearance and deferment temporarily stop or reduce your monthly payments. They do not cancel your student loans or forgive your debt.

Take action to prevent default. Contact your loan servicer to:



**Ask whether you can change your payment due date**



**Review the available repayment plan options and apply for a repayment plan you can afford**



**Explore eligibility for forbearance and deferment**

If you apply for a repayment plan, continue making payments on your loans, if possible, until you receive official notification of your new repayment plan.

Declaring bankruptcy does not automatically discharge federal student loans.

Beware of student loan scams. Some companies may advertise that they can help student loan borrowers repay their loans quicker, cheaper, or get them forgiven altogether. Be cautious—some of these companies are running scams.





## TRY IT:

# Exploring Options for Repaying Student Loans

Read the scenario and answer the questions.

### SCENARIO:

## Alexander Is Worried About His Student Loans

Alexander is proud to be the first member of his family to graduate from college. The balance on his federal student loans is \$20,000, not including interest. He got a job offer shortly after graduation, but the same day he learned that his father had a serious health issue. Alexander made the difficult decision to decline the job offer so that he could return to his hometown to help his parents and siblings.



Alexander found a job in his hometown, but it does not pay what he expected to earn after college. Alexander does not regret his decision to return home to help his family.

However, he doesn't know where the money will come from to make payments on his student loans.

The grace period will be ending soon, and he still has no idea how he will make the payments. The worry about his student loans is really weighing on him, especially when his family is already under stress.

**What repayment options could Alexander explore?**

**Where can Alexander learn more about repaying federal student loans?**

### Remember the Key Takeaway

**“ It is important to pay back your student loans on time and as agreed. If you can't, contact your loan servicer right away.”**

# MODULE CLOSING

## Remember the Key Takeaways

SECTION	KEY TAKEAWAY
1: Benefits and Costs of Education and Training	Consider all costs and benefits of education and training opportunities before you commit.
2: Paying for Education and Training	To be considered for most forms of financial aid, you must complete the online <i>Free Application for Federal Student Aid</i> (FAFSA).
3: Repaying Federal Student Loans	It is important to pay back your student loans on time and as agreed. If you can't, contact your loan servicer right away.

## Take Action

You are more likely to act if you commit to **taking action now**. One way to commit is to think about what you plan to do because of what you learned today. Then write it down.

**What will I do?**

**How will I do it?**

**Will I share my plans with anyone? If so, who?**

## Where to Get More Information or Help

Federal Student Aid, a part of the U.S. Department of Education, is the largest provider of student financial aid in the nation. Its website—**studentaid.gov**—includes information and resources to help people understand financial aid, apply for financial aid, and manage student debt.

To be considered for federal loans, federal work-study programs, or grants, you must complete the *Free Application for Federal Student Aid* (FAFSA) at **fafsa.gov** or on the FAFSA mobile app.

The Consumer Financial Protection Bureau’s website includes a Your Financial Path to Graduation tool. This tool can help you understand your financial aid offer, plan to cover the remaining costs, estimate how much you’ll owe and if you can afford that debt, compare offers from different schools, and decide what to do next. Visit **consumerfinance.gov**.

The U.S. Department of Labor’s CareerOneStop includes information on paying for education and training, including a listing of scholarship that are available. Visit **careeronestop.org**.

The Occupational Outlook Handbook from the Bureau of Labor Statistics states the pay, required education, market demand, and other details for a wide range of jobs. The handbook is online at **bls.gov/ooh**.

The U.S. Department of Education’s College Scorecard provides data on starting salaries by field of study for people who graduate from colleges around the country. Its site—**collegescorecard.ed.gov**—allows users to compare colleges: their fields of study, costs, admissions, results, and more.

For more information on saving for education expenses using a 529 plan, visit **collegesavings.org**.

For more information on ABLE accounts, visit the ABLE National Resource Center website: **ablenrc.org**.

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If you have a question about a banking product, ask a customer service representative at the financial institution for help.

If you have a concern, explain to the customer service representative what happened and what you would like them to do to correct the situation. If that does not help, consider contacting the federal regulator for that financial institution.

To find out who regulates the financial institution, call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342) or visit **fdic.gov/consumers/assistance/filecomplaint.html**.



# Pre-Training Survey

Your instructor may ask you to complete this pre-training survey before the training begins.

Please answer these questions:

1. Training equips you to perform a particular job or task. It has the potential to prepare you for a better career or higher paying job.

☐ True      ☐ False

2. You should only complete the *Free Application for Federal Student Aid* (FAFSA) if your family has low income.

☐ True      ☐ False

3. Scholarships and grants are only available from schools as part of the financial aid packages they offer.

☐ True      ☐ False

4. You can select a different repayment plan for a federal student loan at any time.

☐ True      ☐ False

# Post-Training Survey

Your instructor may ask you to complete this post-training survey after the training ends.

Please answer these questions:

1. Training equips you to perform a particular job or task. It has the potential to prepare you for a better career or higher paying job.

☐ True      ☐ False

2. You should only complete the *Free Application for Federal Student Aid* (FAFSA) if your family has low income.

☐ True      ☐ False

3. Scholarships and grants are only available from schools as part of the financial aid packages they offer.

☐ True      ☐ False

4. You can select a different repayment plan for a federal student loan at any time.

☐ True      ☐ False

## About the Training

Please answer the following questions about the training.

1. The trainer:

- |  |                              |                             |
|--|------------------------------|-----------------------------|
| Shared information in a way that was clear and easy to understand. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Made the training engaging.  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Encouraged participation and discussion.                           | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Showed respect for all participants.                               | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Created a good learning environment.                               | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

2. Do you feel better able to make decisions related to the topic of this training?

- ☐ True      ☐ False      ☐ I do not know

3. Did the training provide information that you can use immediately?

- ☐ True      ☐ False      ☐ I do not know

4. What were strengths of the training materials?

What could be improved?

5. What were strengths of how the instructor led the training?

What could be improved?

6. What else would you like to learn about this topic or other money topics?