



HOW MUCH IS COLLEGE REALLY GOING TO COST ME?: ASSESSING “OUT OF POCKET” COLLEGE TUITION COSTS

“Sticker Price” vs. “Out of Pocket”

Reviewing your options for college and comparing costs among programs can seem straightforward. For example, you may be considering the following programs:

Program	Option A Public College	Option B Private College	Option C Online Program
Tuition “sticker price”	\$22,500	\$27,900	\$18,500

It would appear at first glance that the lowest cost alternative is the Online program.

However, looks can be deceiving. In order to accurately assess your “out of pocket” costs for different college programs, there are a few key things to understand:

- Educational organizations may calculate tuition using different measures: cost per credit, cost per course (most courses are three credits), cost per semester, or cost per program. They may also charge “fees” in addition to “tuition” which adds cost. Varied tuition measures and added fees can make it difficult to compare actual costs across different organizations and programs.
- There is a BIG financial difference between the advertised tuition cost of a college program (a.k.a. the “sticker price”) and the “out of pocket” costs that you, as a student, will actually pay to attend school. When financial aid, scholarships, and tuition discounts are applied to the “sticker price,” the “out of pocket” tuition cost will substantially decrease. This final cost will vary according to the financial situation and circumstances of each student.

With these understandings in mind, let’s take another look at the costs of the college programs in the example above taking into account the following additional information:

- Option A, a public college, charges \$300 per credit as a result of subsidies from the government, and has a program that requires 75 credits to graduate. Attendance requires \$500 in fees per semester.
- Option B, a private college, charges \$450 per credit but only requires 62 credits to graduate and applies a special \$2,000 scholarship each program year.
- Option C, an online program, charges \$750 per course, requires 25 courses to graduate, and does not offer financial aid.

Program	Option A Public College	Option B Private College	Option C Online Program
Tuition cost measure	Cost per credit 75 credits @ \$300	Cost per credit 62 credits @ \$450	Cost per course 25 courses @ \$750
Tuition "sticker price"	\$22,500	\$27,900	\$18,500
Fees	\$3,500	n/a	n/a
Scholarship	n/a	- \$4,000 (\$2,000/year for two years)	n/a
Financial Aid (public grants based on financial need)	n/a	-\$14,000 (\$7,000/year for two years)	n/a
"Out of Pocket" Tuition cost	\$26,000	\$9,900	\$18,500

The program that appeared at first glance to be the most expensive option is actually the least expensive! Understanding and measuring actual “out of pocket” college tuition costs is critical to selecting a college program that is a financial ‘right fit’ for you.

The Role of Student Loans

Even with financial aid and scholarships, it is easy to get “sticker shock” and feel a sense of despair when you confront your total “out of pocket” cost to complete higher education. That’s where student loans come into play. If it wasn’t for student loans, none but the very rich could afford to go to college today. The federal and state governments realize this, so they make loans available to allow low and middle income students to attend college.

Going to college today is much like buying a house or a new car. Almost no one can afford to buy a house or new car without some form of financing. The government finances student loans upfront because people who earn college degrees will see an increase of between 25% and 60% in their lifetime earnings, or \$100s of thousands of dollars over the course of their working careers compared to those with a high school education alone. Increased earning potential translates into ability to repay student loans. For this reason, the government guarantees student loans, most of which have zero interest while you are in school and very low interest rates upon graduation. All mainstream educational organizations provide access to student loans that allow you to finance your tuition.

You should be able to pay your “out of pocket” tuition costs and other educational expenses with your student loans. And you won’t be alone - over 75% of persons who attend college today incur student loans in the process. When you take a student loan, you are investing in yourself and your future; it's the best investment you can make! As a college graduate, your increased earning capacity will allow you to improve your standard of living, repay your student loans, *and* save for the future.

In sum, when you are assessing the cost of attending a higher education program, make sure that you fully understand your “out of pocket costs” by applying your financial aid package to the “sticker price.”



And ask for help! Don't make a final decision until you get a clear answer to the following questions from each institution that you are considering:

1. What is the total amount of my bill per year, including fees and assessments?
2. How much of that bill will be paid by public and private grants and scholarships, thereby reducing my "out of pocket" costs?
3. Will I be provided a student loan to pay *all* of my "out of pocket costs"? What are the terms of the loan (what is the interest rate and when does interest start to accrue)? (*Make sure the amount of your student loan is sufficient to make all program costs affordable.*)

Only after you know the answer to these questions can you make a fair and accurate comparison of the costs for attending different educational institutions.

Most importantly, don't let tuition and fees stop you from getting the education that you deserve.

When you go to college, you will unlock your full potential for the rest of your life, achieving your dreams and allowing you to reach your full income potential. No teacher, doctor, lawyer, or any other professional can afford to go to college before they get their degree. Afterwards, with their enhanced earning power, they can all afford to repay their student loans. That's why the entire financial aid system was created, to help learners reach and succeed beyond their current financial limits.

College may be expensive, but failing to go will be even more expensive, because you will fail to achieve your full potential!