

PERSONAL FINANCE

Going to College? How to Navigate the Financial Planning

College decisions this year seem even more complex than usual, including determining whether a school is a 'financial fit.' Here's how to find your way through the maze.



College planning is inherently stressful, a series of crucial choices for both students and their families. However, potential federal changes have introduced additional uncertainty, further amplifying likely anxieties.

While the full implications for [Federal Student Aid](#) — the department within the Department of Education responsible for programs including Pell Grants and federal student loans — are still unclear, the Trump administration's proposed restructuring of the Department of Education is causing many families nationwide to brace for potentially significant adjustments to their college planning process.

While trying to stay abreast of potential changes at the federal level — along with the usual college-selection considerations of academic rigor, extracurricular options, cultural and social opportunities, location and chance of admission — another factor looms large. Is the college or university a “financial fit”?

When considering finances, families are faced with two seemingly simple yet complex questions:

- How much will each college program cost?
- How will we pay for it?

Determining your net price

The first step in preparing for the college journey is getting a clear view of how much a program will actually cost, also known as the “net price.” The net price is the total cost of attendance minus scholarships and grants a student may receive.

Start by filling out a Free Application for Federal Student Aid ([FAFSA](#)), which will generate a financial profile that includes the Student Aid Index (SAI) — this is the number used by financial aid professionals to determine your eligibility for aid.

However, completing the FAFSA is only one part of the puzzle. Without a financial aid offer letter in hand, it can be difficult to determine other elements of net price, as it may be difficult to discern what financial support is automatically offered based on family income and other eligibility factors.

The college application system can trap families in a costly paradox. You need to apply to learn the true price, but most families can't afford to apply blindly. With application fees soaring, not to mention the time and effort it takes to apply to college, the desire for upfront net price transparency is more than reasonable — it's essential.

The stress of hidden college costs can be overwhelming, but thankfully, solutions exist. Tools like College Raptor's College Match, provide much-needed relief.

In addition to helping identify the right academic fit for college, the tool uses machine learning to offer accurate estimates of attendance costs and potential aid packages.

These tools compile extensive data, giving families a realistic financial preview, eliminating the need to apply blindly and offering clarity before any official forms are submitted.

Other sites, such as the [U.S. Department of Education's Net Price Calculator](#) and The College Board's Net Price Calculator, can also help you determine costs for individual schools.

Net price evaluating tools may also open new horizons into what is financially possible. That dream private college that costs \$90,000 and seems out of reach — don't rule it out. With the right tools, you might discover unexpected financial aid opportunities that bridge the gap.

And the net price evaluating tools should be used at the beginning of the college search process to narrow your application list by providing perspective on both academic and financial fit.

Crafting your paying-for-college game plan

Often, when families think about paying for college, their minds immediately jump to loans, but it is not advisable to treat them as the only option as you figure out how to afford that net price.

Prospective students and families should consider the cost of education over the entire four years. If a family knows that they need to borrow, they should consider Federal Direct Subsidized or Unsubsidized Loans — informally known as Stafford Loans (more on them in the next section) — from the start as the amount available to borrow is capped both per year and in aggregate.

After considering Federal Direct Subsidized or Unsubsidized Loans, consider exhausting all savings, such as a 529 plan, which is a state-sponsored investment plan for education expenses.

In the event that the degree is not completed, it is preferable to avoid taking on additional debt. While the tax-advantaged 529 education savings account has new options to move leftover money into a retirement account, there are limits.

Potential penalties for non-education withdrawals remain, meaning if your student forgoes further schooling, accessing those funds may incur tax consequences, but they will still be accessible.

In addition, strategically delaying taking on student loan debt can offer financial advantages. By postponing borrowing, you minimize accrued interest, reducing the overall cost.

For example, waiting until your sophomore year to take on loans shaves off a year of interest, resulting in long-term savings.

After you have utilized Federal Direct Subsidized or Unsubsidized Loans and/or savings, consider work-study options. Federal work-study programs and/or non-sponsored part- or full-time jobs can help students generate income to directly pay their tuition each semester.

These programs can be a great way to earn money while also enriching your college experience, particularly if you find work that is enjoyable or helps to advance your studies or career goals.

Weighing loan options and benefits

If loans are unavoidable, prioritize Federal Direct Subsidized or Unsubsidized Loans. These loans, aka Stafford Loans, are your best bet. Stafford Loans typically feature highly competitive interest rates and the most borrower-friendly terms, particularly with respect to repayment options and potential forgiveness.

While not everyone will qualify for a subsidized loan, the key advantage of the subsidized loan is that the government pays the interest while the student is in school and during authorized deferment periods, making it a very cost-effective borrowing option.

But if you don't qualify for the subsidized loan, the unsubsidized counterpart is typically a good deal and has the same interest rate as the subsidized loan.

How much you can borrow with Federal Direct Subsidized or Unsubsidized Loans is capped — both annually and in aggregate. So, if you still have a gap to fund college after these loans, you'll be left to choose between Federal PLUS or private loans.

This is where doing proper research is crucial. PLUS Loans do not carry the same pricing or benefits as Federal Direct Subsidized and Unsubsidized Loans and are often less competitive than private student loans.

When compared to PLUS Loans, private loans often provide better value and have unique features like multiyear approval and soft credit pulls, which don't affect your credit score.

Banks that offer private loans can often offer lower rates and better terms for borrowers than PLUS.

However, not all borrowers who would qualify for a PLUS Loan would typically qualify for a private loan or receive a better rate, so you should research the availability of different private options to compare to PLUS.

You should also keep in mind that PLUS Loans have an origination fee, currently over 4%, which is typically not charged by private lenders.

Some banks, including Citizens, where I am the head of Student Lending, will use soft credit pulls that don't impact your credit score to pre-approve you and provide a rate quote.

It is advisable to look at the rate, but also other features of the loan including borrowing limits, cosigner requirements, repayment options and loan modifications and forbearance policies in the unlikely case you run into a hardship.

It's also important that you trust the organization from which you are getting your loan, as you are typically entering into a multiyear relationship.

Begin planning as soon as yesterday

In the face of shifting federal policies and ever-rising costs of higher education, proactive planning and informed decision-making are critical.

Families should leverage available tools to demystify net prices, strategically utilize savings and work-study options and carefully weigh loan choices.

This will enable families to navigate the complexities of the college journey with greater confidence, ensuring that the pursuit of higher education remains an attainable and financially sound investment.

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Chris Ebeling is EVP, Head of Student Lending at Citizens. He started his career as a management consultant at Bain & Company and then Fidelity Investments. In 2017, Chris joined Citizens as the Head of Corporate Strategy and Development working on enterprise strategy and leading deal teams for acquisitions. In 2021, he transitioned to leading the Student Lending team at Citizens and has been fascinated by the higher education finance industry ever since.

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