

What is TuitionPay?

TuitionPay supports families and schools in realizing their education payment goals.

Developed by AMS,

TuitionPay offers money-

saving products and

consultative services, backed

by experience with over 4.5

million families, more than

2,500 schools, and

extensive national research.

Our goal is to build

long-term relationships that

respond to the evolving needs

of our partners.

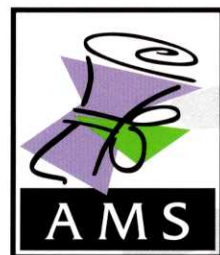
Build Your Strategy for Success

Keep these guidelines in mind as you proceed:

- Apply for financial aid. For more information, visit www.fafsa.ed.gov.
- Rely on debt-free methods first, such as the TuitionPay Monthly Plan.
- When borrowing, use loans awarded as financial aid first, such as the Federal Stafford Loan.
- Consider the Federal PLUS Loan for parents.

Find all the information you need – including online enrollment and our **TuitionPay Calculator** – on our web site at: www.amsweb.com.

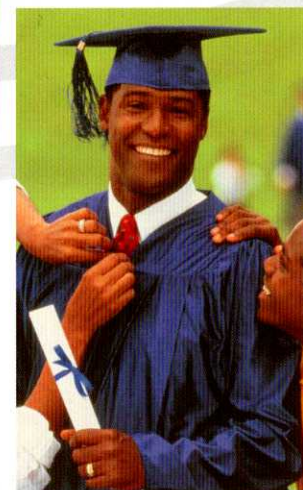
For Help and Advice Call AMS
Toll-Free at (800) 635-0120
Outside the U.S. call (508) 235-2800



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PAYMENT OPTIONS



What Options Work for You?



How Will You Pay for College?

It's a fact. A college education pays off in countless ways. But how will you pay for college?

- Will you qualify for financial aid?
- Will your savings be enough, and should you pay in a lump sum?
- Should you rely solely on loans?
- What about borrowing against your 401K plan or cashing in your investments?

The possibilities are endless – and often confusing. Here's sound advice on the best way to pay.

TuitionPay Can Help

With so many ways to pay tuition, how do you choose the option that's right for you? Many parents and students use Federal Stafford and PLUS Loans to pay for college. These loans are often more attractive than depleting savings, borrowing against your home equity or 401K, and/or cashing in investments.

There's also another option: the TuitionPay Monthly Plan – a great way to limit borrowing and lower the overall cost of education. Used separately or with loans, the TuitionPay Plan can save you money. Plus, it's simple and interest-free!

This guide highlights the real value – and the real cost – of each of these resources. Use it as a reference tool to help you determine the best strategy for your financial situation. You can also use our **TuitionPay Calculator** at www.amsweb.com to determine the most affordable way to pay.

| TuitionPay Monthly Plan | Stafford Loan | PLUS Loan | Borrowing Against a 401K | Home Equity Loan | Investments |
|--|--|---|---|--|--|
| <p>An interest-free, debt-free way to spread tuition payments over the course of several months. The TuitionPay Plan is not a loan, so there are no interest payments; only a low annual enrollment fee.</p> | <p>The Stafford Loan is the most widely used, low-cost education loan sponsored by the Federal government. There are two types:</p> <ul style="list-style-type: none"> • Subsidized – need-based; government pays interest while in school • Unsubsidized – not need-based; borrower pays all interest | <p>A low-cost education loan for parents sponsored by the Federal government. The PLUS Loan is not need-based and no FAFSA is required.</p> | <p>Considered a reasonable option, since the borrower pays him/herself back with interest.</p> | <p>A popular choice since interest is tax-deductible.</p> | <p>For some, cashing in investments seems like a sensible alternative to borrowing.</p> |
| <p>Points to Consider</p> <ul style="list-style-type: none"> • Flexible; can be used in conjunction with loans • Minimized borrowing reduces the overall cost of education • Funds remain in interest-bearing accounts while you pay for school • Tuition Protection Coverage is included at no additional cost and pays the remaining balance should the bill payer die • Using the TuitionPay Plan to pay a balance of \$5,000 can save you over \$2,000 in interest | <p>Points to Consider</p> <ul style="list-style-type: none"> • Completion of FAFSA required • May be part of financial aid award • Low, variable interest rate capped at 8.25% • School determines eligibility and amount | <p>Points to Consider</p> <ul style="list-style-type: none"> • Borrow up to the full annual cost of education • Flexible repayment terms; interest rate capped at 9% • 10 years to repay; no prepayment penalty • \$50 minimum monthly payment • Debt is forgiven in the event of death or disability of parent, or death of student • Payments can be deferred up to one year (three-year maximum over life of loan) in the event of economic hardship • Can be combined with the TuitionPay Monthly Plan to reduce debt and save interest | <p>Points to Consider</p> <ul style="list-style-type: none"> • While in repayment, borrower misses out on compounded tax-deferred growth as well as any employer contributions • If employment ends, loans must be paid in full; otherwise, it is considered a premature distribution subject to tax liability and penalty • If you have \$100,000 in your 401K earning 12% interest, over three years your account would gain \$40,492; if you withdraw \$20,000 for education, your gain would be just \$12,392 – a loss of \$28,098! • Must be repaid within five years; the 5-year option would cost \$333.33 per month • A PLUS Loan payment would be about \$253 (10 years at 9%) | <p>Points to Consider</p> <ul style="list-style-type: none"> • Potential for high interest rates • If interest rates rise, this can be an expensive option – even with the tax advantage • Parents who hold on to their equity have funds available for emergencies and opportunities | <p>Points to Consider</p> <ul style="list-style-type: none"> • Holding investments allows you to retain funds for emergencies and opportunities • Keep your money invested if the return rate is higher than the loan interest rate • Using the TuitionPay Plan, the PLUS Loan, or a combination of both allows you to make gradual withdrawals from investment accounts, leaving the balance still earning interest • The tax savings of a retirement plan often outweigh the interest expense of a loan; for example, if you invest \$4,000 in a pre-tax retirement plan (in a 25% tax bracket) you will save \$1,000 in taxes, plus gain a return on your investment |
| <p>Questions to Ask</p> <ul style="list-style-type: none"> • How much can I reasonably afford to pay for education each month? • Can I afford to pay the entire balance using the TuitionPay Plan? • Should I leave my savings and investments intact so they can continue to earn interest as I pay for education? • How much interest can I save by using the plan? | <p>Questions to Ask</p> <ul style="list-style-type: none"> • Should I pay interest while in school or defer until after graduation? (The second option is more costly, but deferral can ease payment burden while in school.) | <p>Questions to Ask</p> <ul style="list-style-type: none"> • What are the advantages of the PLUS Loan? • How can I combine the PLUS Loan with the TuitionPay Plan? • What kind of savings can I expect? | <p>Questions to Ask</p> <ul style="list-style-type: none"> • If I borrow against my 401K, will I be jeopardizing my retirement savings? • Do I have enough in my 401K to cover all years for all of my children? • Will this option really save me money in the long run? | <p>Questions to Ask</p> <ul style="list-style-type: none"> • What is the cap on my equity line? • How does this rate compare with the PLUS Loan? • Will my equity cover all years for all of my children? • What safeguards are available in the event of economic hardship, disability or death? | <p>Questions to Ask</p> <ul style="list-style-type: none"> • What kind of return am I getting on my investments, and how does that compare to the PLUS Loan rate? • Do I have enough invested to cover all years for all of my children? • If I sell my investments in one lump sum, what kind of tax liability will I face? |
| <p>For more guidance, visit our web site at www.amsweb.com or call toll-free (800) 635-0120.</p> | | | | | |