

Funding for Graduate School



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Types and Sources of Financial Aid for Graduate and Professional School

Types of Financial Aid

- Fellowships
- Employer Educational Assistance
- Education Tax Benefits
- College Savings Plans
- Teaching and Research Assistantships
- Resident Assistant in Dorms
- Student Employment
- Military Student Aid
- Student Loans
- Student Loan Forgiveness and Repayment Assistance Programs

Sources of Financial Aid

- Federal Government
- State Government
- Graduate Schools and Graduate Departments
- Private Foundations
- Philanthropists
- Corporations
- Education Lenders
- Thesis Advisors
- Employers

Differences in Aid for Undergrads vs. Grads

- Financial aid for undergraduate students is usually centralized while financial aid for graduate students is often decentralized
- Research assistantships may depend on the thesis advisor
- Federal Work-Study can be used for graduate students but is usually reserved for undergraduate students
- There may be differences in financial aid for master's degrees vs. doctoral and professional degrees

FAFSA for Graduate School

- Students must file the Free Application for Federal Student Aid (FAFSA) to qualify for federal student loans
- All graduate and professional students are automatically independent on the FAFSA
 - Independent students without dependents other than a spouse have a higher income protection allowance than dependent undergrad students
 - Independent students with dependents other than a spouse have a higher income protection allowance and a lower asset conversion rate than parents of dependent undergrad students
- Although independent for federal student aid purposes, some medical and law schools require graduate students to provide parent information for institutional aid eligibility, often through age 26 or 30

Fellowships

- Graduate and professional school students are less likely to receive fellowships than undergraduate students, but the average amount received is greater
- Some scholarship search sites also list fellowships
- Information about fellowships can be found on graduate department websites
- You can also Google for "fellowships" + the field of study

2015-2016	Graduate Fellowships	Undergraduate Scholarships
Total Awarded	\$1.3 billion	\$6.1 billion
Number recipients	190,000	1.6 million
Average Award	\$6,752	\$3,852
% Winning Awards	5.3%	8.1%

Employer Educational Assistance

- Up to \$5,250 in employer-paid educational assistance is excluded from the employee's income
- The educational assistance cannot discriminate in favor of highly compensated employees
- No more than 5 percent of the educational assistance can be paid to principal shareholders or owners
- Educational assistance includes but is not limited to tuition, fees, books, supplies and equipment
- About 13% of graduate and professional students receive employer educational assistance (15% for Master's degrees)

Teaching and Research Assistantships

- Assistantships provide a stipend plus a full or partial tuition waiver in exchange for teaching and/or research duties
- Assistantships are more common for PhD students than for Master's or professional degree programs
- PhD assistantships pay about 75% more than Master's assistantships
- Teaching assistantships pay about 15% less than research assistantships
- About half of assistantships include health insurance

2015-2016	Master's degrees	PhD	Professional degrees
Teaching Assistantships	3%	15%	0.5%
Research Assistantships	2%	10%	N/A
Total Assistantships	6.5%	28%	2%

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Education Tax Benefits

- Lifetime Learning Tax Credit
 - Up to \$2,000 non-refundable tax credit per taxpayer
 - Based on 20% of first \$10,000 in tuition & required fees
 - Available for an unlimited number of years
- Student Loan Interest Deduction
 - Deduct up to \$2,500 in interest on qualified education loans
 - This is an above-the-line exclusion from income, so you don't need to itemize to claim the student loan interest deduction
 - Qualified loans include all federal and most private student loans

2023 Income Phaseouts Filing Status	Lifetime Learning Tax Credit	Student Loan Interest Deduction
Single	\$80,000 to \$90,000	\$75,000 to \$90,000
Married Filing Jointly	\$160,000 to \$180,000	\$155,000 to \$185,000

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College Savings Plans

- 529 college savings plans can be used to pay for graduate and professional school, not just undergraduate school
 - All graduate and professional degree programs are eligible, including Master's degrees (e.g., MSW, MBA, MA, MS), doctoral degrees (e.g., PhD, EdD), medical degrees (e.g., MD, DO, DVM, PharmD) and law degrees (e.g., JD, LLB)
 - 529 plans can also be used to pay for continuing education
 - You can use leftover money in a 529 plan to pay for graduate or professional school, or you can save specifically for graduate and professional school
- 529 plans can be used to repay up to \$10,000 in student loans per borrower (lifetime limit)

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Student Loans

- Federal student loans for graduate school include the Federal Direct Stafford Loan and the Federal Direct Grad PLUS Loan
- Borrowers of a Grad PLUS loan cannot have an adverse credit history
- About half of graduate students and three quarters of students in professional degree programs borrow to pay for their education
- Average debt at graduation is double for a PhD vs. a Master's degree and double for a professional degree vs. a PhD
- Many student loans offer interest rate reductions for AutoPay

Program	Annual Limit	Aggregate Limit
Direct Stafford Loan (Graduate)	\$20,500	\$138,500
Direct Stafford Loan (Medical School)	\$40,500	\$224,000
Direct Grad PLUS Loan	COA - Aid	No Limit

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Federal vs. Private Student Loans

- Federal student loans have more flexible repayment plans, including income-driven repayment and public service loan forgiveness
- Federal student loans provide forbearances for up to 3 years; private student loans are limited to 1 year
- Private student loans may offer partial forbearances, which require interest-only payments
- Federal student loans provide death and disability discharges; not all private student loans offer similar benefits
- Private student loans may be less expensive for borrowers (or cosigners) with very good or excellent credit (750+ credit score)
- Federal student loans do not require cosigners; more than 75% of private student loans require a creditworthy cosigner

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Check Your Credit Before Applying for a Private Loan

- Your credit score can not only affect eligibility for a private student loan, but also the interest rate and fees
- Get a free copy of your credit report from the three major credit reporting agencies (Equifax, Experian and TransUnion) at www.annualcreditreport.com at least 30 days before applying for a private student loan
- You can get errors corrected by disputing them
 - The creditor has 30 days to confirm the accuracy of the disputed information or to remove any inaccurate information
 - Removing inaccurate information can improve your credit scores
- To improve your credit scores
 - Always make on-time payments on all your debts
 - Pay down or pay off the balance on your credit cards
 - Sign up for AutoPay, where monthly payments are automatically transferred from your bank account to the lender

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Rules of Thumb for Loans

- Total student loan debt at graduation should be less than the expected annual starting salary, and, ideally, a lot less
- If total debt is less than annual income, the borrower will be able to repay the student loans in ten years or less
- These rules apply to total student loan debt, including debt from undergraduate, graduate and professional school
- Compare the incremental change in debt with the incremental change in annual income

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Comparison of Income-Driven Repayment (IDR) Plans

Repayment Plan	% of Discretionary Income	Discretionary Income	Forgiveness	Payment Cap
ICR	20%	(AGI - 100% PL)	25 years	No
IBR	15%	(AGI - 150% PL)	25 years	Yes
PAYE	10%	(AGI - 150% PL)	20 years	Yes
REPAYE	10%	(AGI - 150% PL)	20/25 years	No
New REPAYE	5% (U) 10% (G)	(AGI - 225% PL)	10-20 years	Yes

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Public Service Loan Forgiveness

- Public Service Loan Forgiveness (PSLF) cancels the remaining debt tax-free after 120 qualifying on-time payments
- The payments must be in an income-driven or standard repayment plan in the Federal Direct Loan program while working full-time in a qualifying public service job (for a government agency or a 501(c)(3) organization)
- Residencies and internships qualify as a public service job because most hospitals are public or non-profit 501(c)(3)
 - PAYE yields the maximum forgiveness, followed by IBR or REPAYE
- Private student loans are not eligible for Public Service Loan Forgiveness
- Use the PSLF Help Tool at StudentAid.gov/pslf

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Taxability of Graduate Student Aid

- Fellowships are tax-free if used to pay for tuition, fees, books, supplies and equipment
- Amounts used to pay for housing, meals, transportation and other living expenses are taxable
- If the fellowship is considered “fee for services,” such as compensation for employment, it is taxable
- But, there are exceptions for tuition waivers for graduate student teaching and research assistantships
- The stipend portion of an assistantship is still taxable
- Certain government health professions scholarships are tax-free
- There’s also the John R. Justice Student Loan Repayment Program for prosecutors and public defenders

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Thank You

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