

RESOURCES FOR STUDENT FINANCIAL PLANNING

Many applicants and seminarians lack realistic information about

- The true cost of school attendance, including living expenses;
- The implications of borrowing, including future monthly

payment obligations;

- Reasonable levels of debt;
- Anticipated future earnings; and
- Funding sources that can reduce borrowing.

The financial planning officer can work with prospective and current students to educate them about these topics and their options. Counseling will need to be customized for students' financial needs and resources, their ages and family situations. In addition, the school's or the individual's theological perspective on money and debt, and student privacy needs must be taken into consideration.

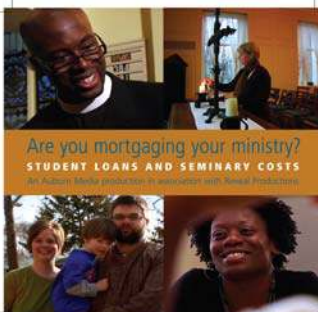
Here are some resources for you and your colleagues to use to raise the financial awareness of your students and counsel them as they make decisions on financial matters.

STUDENT LOANS AND SEMINARY COSTS: HOW TO KEEP FROM MORTGAGING YOUR FUTURE

This thirty minute video introduces five recent seminary graduates, some of the financial challenges they faced and decisions they made. Two experienced seminary administrators also offer advice on how to manage finances while in school.

[VIDEO – AVAILABLE at

<http://www.AuburnSeminary.org/Resources-for-student-financial-planning>



BUDGETING

One of the financial planning officer's most important tasks is to help each student build a budget that reflects semester and yearly expense and earning fluctuations, ideally on an electronic spreadsheet. Budget planning at this level of detail is a time-consuming but very worthwhile process. Theological schools using this approach have found that after a careful budget review, students almost always borrow less than they had originally planned.

FINANCIAL PLANNING WORKSHEETS ARE AVAILABLE AT

<http://www.AuburnSeminary.org/Resources-for-student-financial-planning>

These two budget worksheets may prove useful for students. They may either be duplicated for student use, or sent electronically to the student. If they are sent electronically, the student can take advantage of the built-in formulas in the Excel sheets.

- The **Monthly Budget Schedule** is an excellent tool to use to track expenses. Due to its detail, it is best used as in electronic form.

MONTHLY BUDGET SCHEDULE

- The **Spending Worksheet** can be used to help students track actual income and expenses against budgeted income and expenses by the month, semester or year. If there is a discrepancy between what is budgeted and what is spent, then the student will need to go back to the Budget to see where expenses can be cut or income can be increased in order to have a balanced budget.

SPENDING WORKSHEET

To construct a budget, students will need the following:

INFORMATION FROM THE SCHOOL

Income

- Availability of theological school-based scholarships and grants, the percentage of students receiving them, and the median amount granted per academic year

- Opportunities for student employment on- and off-campus, and estimated earnings for part-time work
- Opportunities for spousal employment, on- and off-campus

Expenses

- Cost of attendance: tuition and fees (full-time and part-time), books and educational supplies
- Medical and dental insurance offered through the theological school
- On-campus residential options and room and board costs
- Off-campus living options and costs (if new to the area)
- Average cost of groceries per week or month (if new to the area)
- Transportation costs
- Child care and school costs (if new to the area)

INFORMATION FROM THE STUDENT

Income

- Anticipated personal income from current or expected jobs
- Anticipated spousal income from current or expected jobs
- Money received from personal sources (church, family, other individuals)
- Scholarships or grants in hand

Expenses

- Off-campus housing
- Estimated cost of groceries per week or month
- Medical insurance (if not obtained through the school)
- Transportation costs (if off campus)
- Child care expenses
- Extraordinary expenses (such as child support, special or uncovered medical costs, etc.)
- Cost of personal expenses (such as clothing, recreation, sundries; also church contributions and other charitable costs)

LOANS

Educational loans are readily available to students without stringent standards of creditworthiness. In this environment, theological school students may be tempted to borrow more than they can reasonably afford to repay – in fact, half of the respondents to the Auburn study indicated they were unaware of the monthly amount that would have to be repaid when they took out their loans.

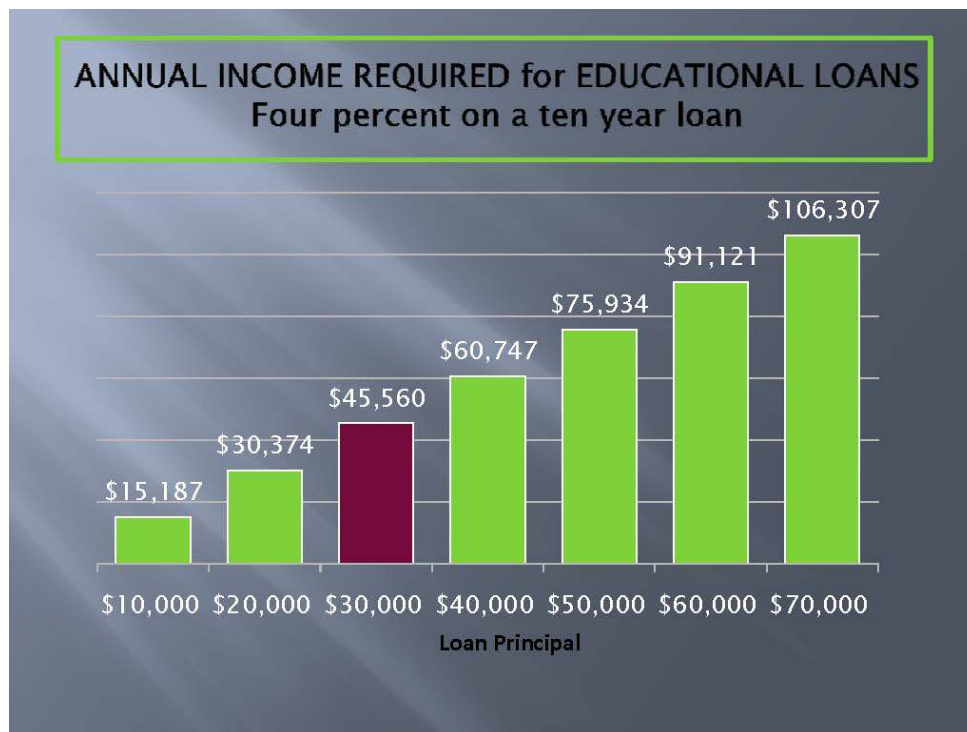
The financial planning officer should regularly educate both prospective and current students about:

- Loan types and facts, including how to read and interpret the fine print.
- Interest rates.
- Ranking debts by interest rate.
- Debt consolidation options.
- How to calculate monthly payments. An Excel spreadsheet, the **Loan Affordability Calculator** can be used to calculate monthly repayment amounts based on total loans, interest rates and number of years in repayment. You must give students this tool in electronic form for them to use it.
- Calculate reasonable levels of debt based on loan amounts and monthly payments on the one hand and expected salaries on the other. The **Loan Affordability Calculator** also calculates payments based on what percentage of one's income a person is able to devote to loan repayment.

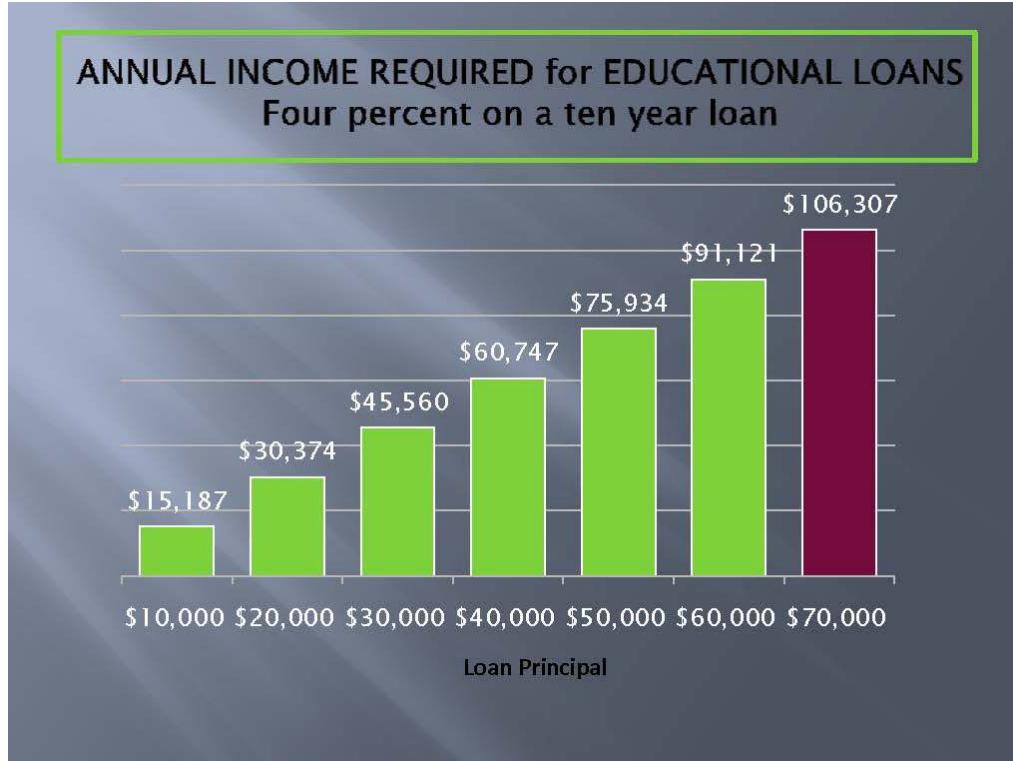
**LOAN AFFORDABILITY
CALCULATOR**

The two charts below also show the **ANNUAL INCOME REQUIRED FOR EDUCATIONAL LOANS**. A good general rule is that repayment for educational debt should total no more than 8% of your annual income.

For example, if you borrow \$30,000 at 4% interest with repayment over 10 years, you will need an annual income of \$45,560.



If you borrowed \$70,000 at 4% interest with repayment over 10 years, you will need an annual income of \$106,307.



You can print these slides for students, use them in presentations, or include them when you give them budgeting and affordability tools in electronic form.

FINANCIAL PLANNING

A small business owner seeking a bank loan must submit a business plan to the bank's loan officer. The business plan must show a realistic projection of the revenues and expenditures of the business and demonstrate that these are sufficient to meet the loan payment to the bank. The financial aid officer can require students to submit a financial plan – a plan that convincingly shows, on the basis of expected post-graduation income, that they will have sufficient means to repay their loans. *Requiring a new post-graduation business plan before approving each new loan is an excellent practice.*

Two planning tools are included:

- The **Debt Repayment Plan** can be used to keep track of debt, including credit card debt.

**DEBT REPAYMENT
PLAN**

- The **Post Graduation Budget Plan** enables students to forecast their budget after they leave school. Students should plan their finances knowing that there might be some lag-time between their graduation from seminary and their first professional position.

POST-GRADUATION

RESOURCES

Students should know that there are funding sources beyond loans and the scholarship opportunities at their own schools. Students should be encouraged to seek out grants and other funding options from their denominations and home churches, and they should know about special resources for specific forms of ministry (such as urban or rural) and specific classes of candidates (such a women and ethnic minorities).

The Fund for Theological Education maintains an extensive searchable online database of scholarships and fellowships for theological education.

<http://www.fteleaders.org/fundfinder>

Posters promoting this database are available. Contact: smiller@auburnseminary.org.

There are numerous free on-line resources available to students or financial aid counselors.

On-Line Resources

- <http://www.thefund.org/programs>: Fund for Theological Education, programs and fellowships primarily for racial/ethnic theological students, and Calling Congregations
- www.bankrate.com A panoply of free on-line tools for student loans, mortgages, credit card debt, etc.
- <http://www.nelliemae.com/finman> : Useful information on student discounts, credit card savings, budgeting, etc.
- <http://financialplan.about.com>: Financial planning tools and information
- <http://www.finaid.org>: All things financial aid – loans, scholarships, savings, military aid, calculators
- <http://www.studentaid.ed.gov> Information on government subsidized loans

- <http://www.studentloanfunding.com> Extensive information on different loans, tips on saving money and budgeting, higher education tax breaks, and managing student loans
- <http://www.financialaidofficer.com>: Information and resources for the Financial Aid Officer

CONCLUDING REMARKS

Many students will find that even after budgeting, collecting information about the impact of borrowing, planning and researching additional funding sources, there is still a financial gap. One more effective strategy remains: spend less. In the course of Auburn's research, we have met students who found a variety of ways to save: from living with roommates to going without a cell phone. The cost-savings from such temporary measures have long-term impact on financial well-being. Developing frugal habits has other long term benefits too. Many religious professionals will work for relatively low salaries. Learning to live well on less income is an art, the mastery of which can begin in seminary.

At the same time, it is important for students to build a little leeway for small luxuries into their financial plans. Flexibility will help to lower stress; if stress builds, students may be tempted to abandon targeted spending levels and to compensate through additional borrowing.

It is possible to get through seminary with manageable levels of debt, if students are thoughtful and deliberate in their financial choices and if all possible avenues of financial aid are pursued as well. By contrast, graduates' personal and professional lives can be seriously compromised if they borrow indiscriminately, taking on debt without seriously considering the final cost of repayment within the context of future earnings. Today's choices will shape ministry and church life tomorrow. We hope that these resources help you to help your students make wise and informed choices.