

5 STEPS To Prepare Financially For Graduate School In The Health Professions

Graduate school is a huge undertaking on many fronts, and being financially prepared can lessen one source of potential stress. The overarching goal of this guide is to help you prepare a budget that covers before, during and after graduate school.

A graduate degree can be very rewarding, both personally and professionally. According to the US Government's research, a person with a graduate degree earns approximately \$1.3 million more over the course of his/her career than someone with no college degree at all. Those with doctoral degrees earn approximately \$2.2 million more. However, graduate school often means borrowing to help finance expenses, which means debt. Debt doesn't have to be bad, especially if students become well informed and planned carefully prior to applying to graduate school.

As you read this guide, you will have the opportunity to engage in activities and research different components of your budget: current expenses, expenses to cut before graduate school, how to integrate costs of graduate school into an "in school" budget, and how to effectively manage loans once out of graduate school.

We will also explore credit and how important it is when financing a graduate degree (or anything else in life). By following the steps in this guide, you can create a financial roadmap for your life before, during, and after graduate school. Remember, you are investing in a career that should pay off many times over during the course of your working life.

Step 1 Create Your Budget

Before you know where you're going, you need to know where you are. The first step is to assess your current situation. The goal will be for you to have a realistic snapshot of your current situation so that you can get a grasp on what might need to change prior to graduate school.



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With this knowledge, you can look and see where you might be able to adjust before starting your program. If you are working right now, what will it be like to go back to ‘living like a student?’ The adjustment will be temporary, but being prepared is better than being taken off guard.

At our institution, we meet students who have expenses that fall outside of the scope of what we can allow in our “Cost of Attendance.” These students say that they wish they would have known some of the information below BEFORE starting a program to be better prepared.

Activity: Budget Worksheet

Please complete the online budget worksheet from http://www.asa.org/site/assets/files/2170/budget_worksheet.pdf. Remember, there are no right or wrong answers in your budget or in the way you spend your own money. It is an individual decision. However, you might find some places where you spend without being aware of it. Before you start graduate school, know where you are today – because knowledge is power.

Step 2 Understand the Costs in your Budget

Some costs associated with going to graduate school are obvious. You’ll pay tuition and fees, possibly health insurance, and you will need to pay for living expenses.

However, there are some costs that might not be as apparent but can add up to hundreds or thousands. By thoroughly researching ALL the outlays, you can be much better prepared and have a more solid budget.

Even better, the further in advance you can plan for these expenses, the more time you have to save for them. You’ll also understand which ones are going to be part of your overall bill, and which ones might come out of your pocket or be paid to an organization other than your school.



Budget

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The best place to find the full costs of the programs you are considering is on each institution's website. Often times, the program will have the details listed for you in one place. Occasionally you will need to use the Admissions office's information coupled with Financial Aid's estimates to get a complete picture. Information to find includes:

- **Tuition and fees (may not be combined)**
- **Other school-related charges (labs, specialized equipment, etc.)**
- **Estimates for books**
- **Living expense allowance**

Before you even set foot on a campus, there are still other expenses you should factor into your planning. These are items you might not have thought about, but that can add up. For example, some test prep courses can cost thousands of dollars! (You are not required to take a test prep course but some students do.) These courses are offered through companies like Kaplan. They can help get you ready for the GREs, the LSATs, the MCATs and other tests often required for entry into graduate schools.

Tip

If you have received aid in the past and are a “high need” student it might be possible for you to get a fee waiver on test fees and potentially on admission applications. Check with each individual school if you feel you might qualify. (Usually high need students have received a full Pell Grant and perhaps other state grants as well at the undergraduate level.)

Other expenses that should be considered:

- **Application fees**
- **Housing deposits**
- **Relocation expenses**
- **Health insurance costs for dependents**
- **Prerequisite coursework**

Post Enrollment Expenses:

- **Licensing/Exam prep costs**
- **Licensing Expenses**
- **Interview/Relocation Expenses**



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Think about other incidental expenses too. Cars in the city (if you're going to be in a metropolitan area) can get expensive. Will you need to register your car and pay insurance in a new location? How much might that cost? Can you use public transportation instead?

Activity: Research Intended Programs

Research your intended program at two or three colleges and universities. To help keep track of the information, use a comprehensive budget template. The Massachusetts Educational Financing Authority (MEFA) has a great online calculator you can use for this activity at <http://www.mefa.org/my-college-cost-calculator/>.

Step 3 Learn About the Types of Assistance Available

There are several main sources of aid for graduate programs: graduate assistantships, work-study, institutional grants and scholarships and loans (federal or private). Some programs will require that you submit parental information, even though graduate students are independent for aid purposes. These schools use parental information to help them distribute their own funds. If any of the schools you're considering are requesting parental information, you may need to fill out a separate form.

Graduate assistantships: These are usually structured as employment. You might assist in teaching a class, or with other duties. For example, in my office our graduate assistants help with the phones and cover the front desk. In some cases (but not all), graduate assistantships come with a tuition discount or outright waiver.

Federal Work-Study: This is another form of employment that is based on need. You may find yourself working in a company that is related to your course of study, and it can be a terrific opportunity to make some money and get experience. Not all schools participate in the program, and each school determines your eligibility. The positions are part-time, can be on or off campus, and may be with either non-profit or for-profit employers. You receive a regular paycheck that can be used to pay for incidentals and some of your living expenses.



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Scholarships/Grants: Colleges often have their own scholarships and grants that they award to students based on their own criteria. Some funds are based on calculated “need,” some are based on grades and test scores. Regardless, if you see a grant or scholarship on your award letter (the way a school informs you of your financial aid), this is GREAT news! These funds do not have to be repaid, although there may be criteria for renewal.

At the MGH Institute, we award scholarships to students upon admission, with the condition that the student maintains a 3.0 GPA. We pull the scholarship for students falling below a 3.0 and give it back once the student improves their GPA.

Loans: Finally, there are student loans. You might see an unsubsidized Federal Direct Loan, a Grad PLUS, or a private (non-federal) loan. Here are some details about each

Unsubsidized Federal Direct Loan: Up to \$20,500 annually. Interest accrues while the borrower is in school, although no payments are due. The interest rate changes annually and will be reset in May for the upcoming year. Students must complete the FAFSA to get this loan; credit is not a consideration. Unsubsidized Direct Loans are repaid over ten or more years, and are eligible for Public Service Loan Forgiveness (PSLF).

Grad PLUS Loan: Can cover up to Cost of Attendance minus other aid. The interest rate varies year to year (the 2015–16 rate is 6.84%). Interest accrues during enrollment and the borrower is not required to make payments. Borrowers must pass a credit check in order to receive Grad PLUS loans. Repayment is for 10 or more years, and these loans are also eligible for PSLF.

More information on federal loans: <http://studentaid.ed.gov/types/loans>

A great video about loans: <https://www.youtube.com/watch?v=Ez5KwV2Enao>

Great information about all types of financial aid: <https://studentaid.ed.gov/sa/types>



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Activity: Research Available Assistance

Return to the websites for the programs you recently researched to find the following information:

- What types of assistance are available to entering graduate students?
- How are funds awarded?
- What steps do you need to take to be considered for assistance?
- What are the deadlines?
- Are there forms to complete?

Perform a search for outside scholarships. Your search can be done via a search engine or by using links from an institution's website. Many times you will be asked for your demographic information as well as your course of study.

Tips

- Don't pay for these searches or enter in any personally identifiable information.
- Grad PLUS loans are predicated on the student passing a credit check. **MANY** students do not know their credit scores or what is on their credit bureaus. Credit bureaus are essentially your credit transcript, recording any sort of borrowing you have done (including credit cards and student loans). Everyone is entitled to one free credit report annually from each of the three major credit reporting bureaus. The site www.annualcreditreport.com has more information on how you can order FREE credit reports.
- If you have credit that's less than stellar (which typically means being late on payments by 60 days or more), you have some time to start getting back on track. Time can fix credit. One of the most uncomfortable conversations financial aid officers have is with students who didn't review their credit, started a program without a firm plan to pay the bill, and were unable to borrow because of credit issues. Please take a few minutes to ensure this doesn't happen to you.
- Spend some time researching on www.myfico.com for details on credit scores, and what factors make up a score. Make sure you pull your own credit bureau report if you plan on applying for any sort of credit-based loan well in advance of your starting school. Review it for any errors. If you do find information that is erroneous, follow the process outlined by the credit bureaus to dispute the bad information and to make corrections.



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Step 4 Live Like a Student While in Graduate School

If you are going back to school after (a few years) of being in the working world, it may be helpful for you to spend some time thinking about what it will be like to live like a graduate student. It can be difficult to cut back on expenses while pursuing an advanced degree, but it's essential. Establishing and sticking to a budget are CRITICAL, and establishing financial well-being now will go a long way to helping you NOT live like a student upon graduation.

When financial aid offices construct costs of attendance they are following federal guidelines about what can be included. The Department of Education mandates that only items directly related to the student's education be incorporated.

For the **rent component**, many schools use an average rent for a two-bedroom apartment and assume a student will have a roommate. While students are not required to do so, generally those caps are firm. If you choose to live in a more expensive place, you won't be able to increase your financial aid budget.

Students with **special circumstances** (childcare, medical expenses, or living accommodations) can petition the financial aid office for increases. Please note that appeals will not be granted for cases where the student would like to live in a more expensive housing arrangement and borrow.

Other items that cannot be covered with loans are credit card or car payments. Often times when we are speaking with students who are preparing to enter our programs, we suggest taking some time to ensure they will not be burdened by outside bills. Our office's tag line is that we do not want to see the student while they are enrolled. If they have to come see us it is usually because there is a problem. We are always happy to help but we are limited sometimes in what we can do.

Activity: Can You Live On What You'll Have?

Review the itemized "Cost of Attendance" for two to three of the schools on your list, and jot down the categories you see. Pay close attention to the living allowance – *often it varies greatly from school to school depending upon location*. Can you live on what is allocated? Is it too much, or too little? Start thinking now about what adjustments you can make to ease the transition to grad school.



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Tip

Students with extenuating circumstances, like a medical condition or child care, should contact the financial aid office. Aid officers can often times adjust your COA and your aid package to help with these expenses.

Step 5 Manage your Loans After Graduation

Even though you haven't started school yet, it's important to understand where you'll be when you graduate. Pulling together this information BEFORE you go will help keep loans in perspective, and possibly shape your behavior while in graduate school. After all, it is helpful to know your destination before you set out on a journey.

Activity: Create A Post-Grad School Budget

Use this link http://www.collegeboard.com/prod_downloads/highered/res/cc_tips/BudgetGrad05.pdf to get a worksheet to construct a high-level post grad school budget along with estimated loan repayments. Many of the graduate students we work with are unfamiliar with how far their monthly salary goes and what comes out of it before it lands in their bank accounts. It's helpful to know what options exist to help with managing loan payments, particularly federal loans, when it comes to budgeting. The federal government has put in some great new programs to ensure graduates remain in good financial health. There are several different avenues for loan forgiveness which did not exist ten years ago. Another good planning resource for loan repayment can be found at <http://accessgroup.org/repaying-your-loans/establishing-your-spending-plan>.

Tips

- Visit www.studentloans.gov for information about loan deferment and forbearance.
- Retrieve loan data at the National Student Loan Data System www.nslds.ed.gov, the U.S. Department of Education's central database for student aid.
- Go to www.myfedloan.org to learn more about Public Service Loan Forgiveness.
- *And perhaps most importantly, as you go through this process don't lose track of the passions that drive you; choose a career path because it meets your goals, not because it offers loan forgiveness.*



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Good Credit

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Final Thoughts

We hope that you have found this guide helpful as you prepare for graduate school. We find that most students need at least one year to get their financial houses in order, so don't delay. I've been helping students finance education for almost 25 years, and I've seen firsthand what happens to students who don't plan ahead. Graduate school is stressful enough! You don't need to add financial worries to everything else. As I like to say, you get admitted once, but you pay every semester. Do yourself a favor and start preparing now. You'll be so glad you did!

About The Author

Kathy Anderson is the former Director of Financial Aid at **MGH Institute of Health Professions** in Boston. She has extensive and varied experience in Financial Aid, beginning with her first job at the University of Georgia, moving on to Suffolk University Law School and then working at both for-profit and not-for-profit organizations where she applied her financial aid expertise to issues ranging from higher education affordability to on-site regulatory compliance. She currently works as Director of Financial Assistance at Bentley University in Waltham, MA.

Kathy has a BA in English from the University of New Hampshire and a MBA from Brenau University in Georgia. She has also been a leader in the state association of Financial Aid Administrators (MASFAA).

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