



CAROLINE ELLIOTT LANDED A \$12,000 AWARD FOR CAREER CHANGERS.

Money for Grad School

Before you commit to a pricey program, check out grants, fellowships and loans.

BY JANE BENNETT CLARK

WHEN THE GOING GETS

tough, the tough get going—to graduate school, that is. In 2001, when the economy took its last tumble, applications to graduate-degree programs doubled and then doubled again in 2002 before starting to drop back in 2003, according to the Council of Graduate

Schools. Preliminary data indicates that applications are up again at most schools as would-be students hope to wait out a rough job market.

That strategy makes sense if the added credential puts you further along in your career or helps you change careers altogether.

Still, at an average total cost of \$28,375 a year for a master's degree at a public school and \$38,665 at a private school (most master's programs take one to two years), grad school is an expensive way to buff up your résumé. Before you commit to it, consider these ways to cover the bills.

Shop the schools. Unlike undergraduate programs, which rely on the school's financial-aid office to disperse institutional grants to applicants, graduate programs give each department a pool of money to divvy up. To gauge your odds for bagging a fellowship (otherwise known as a grant) or tuition discount, contact each of the departments you are considering and ask how much money is available and how it is allocated.

Chances are, you'll find slim pickings at the master's-degree level. In the 2007–08 academic year, only about 9% of master's-degree candidates received an institutional fellowship, according to the Council of Graduate Schools, and 7% scored a break on tuition. (The two groups may overlap.) Still, some universities carve out the bucks to help master's programs compete for top-tier applicants. For instance, Boston University has a highly regarded creative-writing program and ample funding to attract talented students, says J. Scott Whitaker, associate dean of BU's Graduate School of Arts and Sciences.

At the doctoral level, strong students have a decent shot at receiving

a fellowship as well as a departmental assistantship, which pays a stipend for 20 or so hours a week of teaching, research or administrative work. About one-fourth of doctoral candidates received fellowships, tuition waivers or both in 2007–08, according to the council, and half received an assistantship; research assistants were paid an average of \$14,055, and teaching assistants, \$11,763.

While you investigate the possibilities, take note of whether the application for admission puts you in the pool for free money or whether the school expects you to apply separately. Either way, you'll also have to fill out the Free Application for Federal Student Aid, known as the FAFSA, to qualify for federally sponsored loans, grants and work-study, the on-campus jobs awarded to students with need. Grad students are required to report only their own financial information on the FAFSA, not that of their parents, but some schools ask about the parents' finances as well.

Find a benefactor. Also scout out independent fellowships, offered through the U.S. Department of Education as well as professional groups and foundations. Such awards range from a few hundred dollars to enough to cover the cost of attendance. The AAUW (formerly the Association of American University Women) offers awards from \$5,000 to \$30,000 to women who are returning to school to advance or

change their careers. The Truman Scholarship provides up to \$30,000 to grad students who commit to a career in public service.

Even modest fellowships attract their share of applicants, but major prizes draw thousands of well-qualified contenders from around the country. To give yourself the best shot at the brass ring, begin the application process at least a year before you'll need the money, preferably in your junior year of college, says Paula Warrick, director of the office of merit awards at American University. "Developing relationships with faculty who will support your application is critical. You need to start building those relationships right away."

You can also get help from campus offices such as Warrick's, which encourage students to apply for big-ticket fellowships. For instance, the awards office at the City University of

New York (CUNY) works with students on meeting deadlines, refining essays and polishing interview techniques. CUNY students have snagged several prestigious scholarships in recent years, including a Rhodes Scholarship and two Fulbrights.

If you've been out of school for a while, look for awards that suit your strengths and goals on Web sites such as FinAid.org, FastWeb.com, GradSchools.com and CollegeScholarships.org. These sites provide not only a list of fellowships but also tips on how to apply. Caroline Elliott, a grad student at Boston University, went one step further by paying for access to Foundation Grants to Individuals Online (www.gti.online.fdncenter.org; \$20 for one month or \$100 for one year). Elliott, 35, credits the site with pointing her to an AAUW fellowship that fit with her plan to segue

from a job at MTV to a career in the film industry. She won a \$12,000 award for career changers that has helped defray the cost of a master's degree in fine arts.

Don't neglect to tap one excellent source of funding: your boss. More than two-thirds of private-sector employers with 100 workers or more pay educational expenses for their employees, according to a 2008 National Compensation Survey. Such assistance is tax-free up to \$5,250 a year and may escape taxes on higher amounts if you take classes to enhance job skills or meet a job requirement.

Fill in with loans. You'll probably end up with at least a few student loans. Focus on the federally backed Perkins, Stafford and GradPlus loans, which you apply for by filling out the FAFSA. The Perkins, a need-based loan program that the school administers, charges 5% and lets you defer repayment until nine months after graduation. You can borrow up to \$6,000 a year, to a maximum of \$40,000. The amount you get depends on your financial need and on how much the school has in its kitty.

Staffords come in two forms: subsidized and unsubsidized. Subsidized Staffords are awarded to students with financial need. As of July 1, 2009, these loans carry a 5.6% rate (the rate is scheduled to drop to 3.4% by July 2011 and jump to 6.8% in July 2012). The feds pay the interest on the loans until the borrower starts repayment,

six months after graduation.

Unsubsidized Staffords, available to any student who applies, carry a 6.8% rate, which starts accruing as soon as the loan is disbursed. As with subsidized Staffords, you can defer repayment on the loans (including the interest) until six months after you graduate. Grad students can borrow up to \$20,500 a year in Staffords, of which no more than \$8,500 can be in subsidized loans.

GradPlus loans, created in 2006, are a boon to graduate students because of their generous provisions and relatively easy qualifying standards. They require a basic credit check to ensure you haven't defaulted on any loans, but otherwise don't factor in your credit rating in approving your application or in setting the rate. The loans carry a fixed rate of 8.5% or less and cover the cost of attendance, including living expenses. Repayment begins 60 days after the loan is disbursed; students who attend school more than half-time can defer repayment until six months after graduation.

All that makes GradPlus loans far more attractive than private student loans, which require a creditworthy cosigner, carry variable rates and have less-flexible repayment terms. With GradPlus loans on the table, students have little reason to consider the private alternative, says Kevin Walker, of SimpleTuition.com, a student-loan comparison site. "There really is no role for private loans at the graduate level." ■

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TAKE A TAX BREAK

NEED MORE HELP? ASK UNCLE SAM. THE LIFETIME LEARNING TAX credit deducts from your tax bill up to \$2,000, or 20% of your first \$10,000 of qualified tuition and fees, minus scholarships and other financial aid. You get this bennie even if you attend school less than half-time, and you can claim it for as many years as you have qualified expenses. The credit starts to phase out for 2009 at \$50,000 for single filers and \$100,000 for married couples filing jointly, and it disappears at \$60,000 for single filers and \$120,000 for couples.

If your income prevents you from claiming a Lifetime Learning credit, you can take an education deduction for tuition and fees. The maximum deduction is \$4,000 if your modified adjusted gross income does not exceed \$65,000 (\$130,000 for couples filing jointly); it's \$2,000 for single filers whose income tops out at \$80,000 and for joint filers with income of no more than \$160,000. The break expires at the end of 2009 unless Congress extends it, as it has in the past.