

10 Tips for Maximizing Financial Aid

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College tuition is so expensive that even high-income families can get offers of financial aid. Your first step is to complete the federal forms, and then contact the school directly to further negotiate a financial aid package.

Every year the College Board faces a public relations challenge: how to accurately report trends in college pricing without discouraging high school students from going on to college. So in addition to its annual booklet “Trends in College Pricing,” the College Board publishes the annual report “Trends in Student Aid,” which describes the widespread availability of money for college. Both publications run 20 pages or more.

And to make sure students and parents understand why they should spend all this money or take out all these loans, there’s the report “Education Pays,” which offers a cost-benefit analysis in its 50 or so pages.

The typical bachelor’s degree recipient can expect to earn about 73% more over a 40-year working life than the typical high school graduate earns over the same time period. Or, to put it another way, by the age of 33, the typical college graduate who enrolled at age 18 has earned enough to compensate for not only tuition and fees at the average.

Average cost of a college education

So what does it cost to achieve this lifetime enhancement? The average cost of college is around \$23,000 for in-state public schools and \$43,000 for private universities, as reported by the College Board. Keep in mind that these are averages. Also keep in mind that these amounts are for one year of college only. To plan accurately for college costs, it’s best to 1) identify the college the student is likely to attend and use those numbers; 2) multiply the one-year cost by 4 (or even 5); and 3) add an inflation factor.

Applying for student aid

Your income may lead you to think it’s not worth the trouble of applying for student aid. But because a greater portion of institutional grants is now going to higher-income families, and because subsidized loans offer such attractive rates and terms, anyone with a child enrolling in college should fill out the FAFSA (Free Application for Federal Student Aid at www.fafsa.ed.gov).

Even parents with students who are several years away from college should become familiar with the FAFSA so they can rearrange their affairs if necessary, perhaps contributing more to retirement plans (which are considered exempt assets) or spending down UGMA/UTMA accounts so those assets won't raise the expected family contribution (caution: UGMA assets must be spent on the child and may not be for necessities; summer camp, cars, and computers are OK). Also, remember that the FAFSA must be submitted every year that the child is enrolled.

Here are some tips for filling out the FAFSA:

1. **Do it early.** At many schools financial aid is distributed on a first-come, first-serve basis. Although the federal deadline on the form is June 30, the aid deadline set by individual schools could be as early as the end of February. Deadlines for state aid also vary. And although it asks for the prior year tax information, which may not be in yet, financial aid counselors advise using estimates or basing the figures on last year's tax return rather than waiting.
 2. **Do it online.** Because of the FAFSA's complexity, it's common for people to make mistakes when filling it out. Paper applications with errors or missing information will be returned for corrections; therefore, their processing will be delayed. The online version of the form issues an alert for missing information and even recognizes some obvious errors.
 3. **Do not include exempt assets.** Retirement plans and home equity are exempt assets and should not be included in net worth information on the FAFSA.
 4. **Keep all records.** Make a copy of the completed application and save it, along with all records used to complete the FAFSA. Not only will this help in filing next year's form, but documentation may need to be produced if yours is one of those selected for verification.
- The U.S. Department of Education checks FAFSA information against data from the Social Security Administration, the Veterans Administration, and the Internal Revenue Service. It also selects about one-third of all applications for verification.
5. **Read all questions carefully.** The words "you" and "your" refer to the student, not the parents. Do not leave any answers blank. If the answer is "zero" or "not applicable," enter "0" or "N/A."
 6. **Do not send letters of explanation with the FAFSA.** Although it is a good idea to make financial aid officers aware of any unusual circumstances, such as a job loss or reduced income, such letters should be directed to individual schools. If they are attached to the application, they will be thrown away.

General tips on maximizing student aid

Apart from the FAFSA, parents may want to contact the financial aid departments at individual schools to increase their chances of receiving a favorable financial aid package.

7. **Don't discount expensive schools.** Some families automatically cross high-tuition schools off their list. But interestingly, those colleges may actually be more affordable because they are often well endowed and can meet more of the need.
8. **Reconsider early decision.** Some schools allow students to get a jump on the application process if they will commit to attending if admitted. While this may help the student's chances of getting in, it could reduce the amount of aid that is offered, because of the student's reduced bargaining position.
9. **Ask for a review.** To try to receive a better aid package, ask that it be reviewed. Avoid using the words "bargain" or "negotiate," however; financial aid officers do not like being put in that position, and they especially hate having

offers from competing colleges waved in their faces. Counselors advise thanking the school for its generosity and then expressing doubt at being able to meet the family's expected contribution as a way to ask for more aid.

10. **If outside scholarships come in, ask that loans be reduced first.** Some students have discovered that outside scholarships from community organizations such as the Rotary Club end up going straight to the college. That's because the grant portion of the aid package is reduced dollar for dollar by the amount of the scholarship. Ask that any outside scholarships be applied against the loan portion of the package.

The availability of student aid should not keep parents from saving for college. But because grants and loans are such an essential part of college financing today, even high-income families, who aren't used to appealing for financial help, will probably want to participate in the student aid game rather than automatically writing checks to their kid's college.

As Director of Retirement and Life Planning for Horsesmouth, Elaine Floyd helps advisors better serve their clients by understanding the practical and technical aspects of retirement income planning. A former wirehouse broker, she earned her CFP designation in 1986.

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