

Financial Aid

Understanding Your Options

Hang around with a group of high school parents and you're bound to hear them discussing college. Eventually, the conversation will turn to the topic of paying for college. You'll hear worried conversations about the rising cost to attend. Some will be concerned that they might not qualify for financial aid or that they haven't saved enough for their children's college costs. Yet in spite of these concerns, most will recognize that attending college is a pathway to a more secure future, higher paying careers and more opportunities for personal growth.

So, what's a caring parent to do? Arm yourself with knowledge. First, learn about the types of financial aid and scholarships available and how to apply for them. Next learn about savings tools and other options to earn money for college. Then, make a plan with your child to compare the costs of schools and your ability to pay for them.

Types of Financial Aid:

The first pathway to financial aid is through the **FAFSA: the Free Application for Federal Student Aid**. It is aimed at applicants seeking need-based aid at any college. You can find it online at www.fafsa.ed.gov. Using a federal methodology, it calculates an **EFC** (Expected Family Contribution) that is used to determine the type of aid that colleges will offer your family. The **FAFSA** uses tax data from two years ago (prior-prior) to calculate your family's **EFC**. *Regardless of what you think you may or may not qualify for, you should fill out the **FAFSA**.* If your financial status should change mid-way through freshman year, you can request a new review. If you didn't fill it out, you'll have to wait until the next calendar year.

The other financial aid application that you might need to be aware of is the **CSS Profile** (College Scholarship Service Profile). This application is used by many private institutions for need-based institutional aid. It is similar to the **FAFSA**, but a bit more detailed. It uses a different methodology in calculating the **EFC** and considers more factors than the **FAFSA**. Unlike the **FAFSA**, there is a fee to apply. **CSS Profile** forms are available on line at www.collegeboard.org.

Once you have a calculated **EFC** and an acceptance, colleges will offer you a financial aid package comprised of several different types of aid:

Grants: These can be need-based and/or merit-based. They are often offered by the state or the college for a certain level of GPA. Grants are free money that do not need to be paid back. Check to see if they are for one year or more.

Scholarships: These can also be need-based and/or merit-based and do not need to be paid back. Check to see if you will receive these each year or if they are only for one year. Additionally, there are many resources available to find scholarships worth applying to. Check out high school and college websites, scholarship websites (www.scholarshipexpert.com, www.meritaid.com, etc.), and local community organizations and businesses. Spend some extra time applying for scholarships, and you just might find you've won a few.

Loans: There are several types of loans with varying advantages and disadvantages. In general, loans given in your student's name will have the best repayment terms, lowest interest rates, and more flexibility with deferments. Loans given in the parents' name have slightly higher interest rates, require a credit check, may allow deferments, and are the responsibility of the parents to pay back. Finally, private loans are available to fill the remainder of need after you've reached the amount you can borrow from Federal Programs. They usually have variable interest rates and require credit checks. It is wise to research these carefully so that you understand the terms offered.

Work Study Options: These programs can be run by the federal government, the state or the institution. Students work part-time on or off campus to help meet their financial need; these options are often a percentage of a financial aid package.

Savings Options and Other Avenues to Earn Money for College

Even if you're starting late, it's worth checking into these options:

529 Savings Plans: These plans are offered by state, each with different advantages and features. They offer substantial tax benefits and control over the funds. They are considered one of the safest options available and are considered an asset of the parent, therefore having a minimal impact on the EFC.

Coverdell Education Savings Accounts: These accounts allow tax-deferred growth of contributions and tax-free distributions. These are best for families that are starting young and that are below the maximum income levels. Funds must be distributed to the child or transferred to another child if not used by the time the child is thirty years old.

529 Pre-paid College Plan: Thirteen states offer some type of pre-paid college plans for in-state use and nearly three hundred private colleges participate in a Private 529 Pre-Paid program. These plans offer parents the opportunity to purchase future tuition at current prices. These are considered a resource and count heavily in your EFC calculation.

UGMA/UTMA Accounts: These are custodial accounts that have some tax benefits and are turned over to the student when they turn eighteen. These accounts are flexible, and you can use the money before college. One disadvantage is that assets in your child's name count more heavily against you than assets in your name when calculating your EFC.

Service Academies/ROTC: For students interested in serving the country, there are several options to help pay for college. The competitive and rigorous academies (West Point, Naval Academy, Air Force Academy, Coast Guard Academy and the Merchant Marine Academy) are free to attend with the requirement that students will serve in the military for a set amount of time after graduation. The ROTC (Reserve Officer Training Corps) programs are offered at colleges across the country and offer two-, three-, or four-year scholarships with a requirement of time in service after graduation.

Service Opportunities: Many students volunteer through organizations such as AmeriCorps, Learn and Serve, or Peace Corps. These groups offer to pay back student loans or offer scholarships in return for service in one of these groups. Check out each option to understand the benefits.

AP Classes, CLEP and Community College courses: Taking classes in high school for college credit saves you money and time!

Make a Plan to Manage the Cost of College

Once you understand the avenues to money for college, sit down with your teen and help him understand the costs of college, the financial need you will have, and the options you have to meet that need. Have him take an active role in ensuring the costs are met and in choosing the college that makes the most sense (and cents!) to him and the family as a whole. Understand that there are many highly regarded colleges around the country and that higher tuition and fees do not necessarily equate to a higher quality education. Keep these ideas in mind as you approach the financial piece of college. You and your student will feel better prepared to handle the cost and will be one step closer to fulfilling her dreams of attending college.

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The College Planning Center, a resource for students and parents. © 2019*