

The 10 Deadliest Mistakes That Parents Make When Applying For College Funding

Avoid These Mistakes like the Plague!

Mistake #1: Most middle and upper-middle class parents assume they won't be eligible for financial aid because they own a home and make over \$75,000.00 per year.

Reality: Most families with incomes ranging from \$75,000.00 - \$100,000.00 per year who own homes are eligible for some form of financial aid. There is over 150 billion dollars available each year from the Federal Government, the states, colleges and universities, and private foundations and organizations. You just have to know how to get your "air share". Unfortunately, most parents in these income brackets assume they won't be eligible. This is exactly what the government hopes you will do so they can keep more of these funds. Don't make this mistake! If you fall into this category, make sure you apply; you'll probably be eligible for some money.

Mistake #2: Focusing your time and energy on a private scholarship search instead of spending your time trying to qualify for "need based" financial aid 1st the awards 2nd.

Reality: Private scholarships make up only 3% of the money available to you to help pay for your child's college education. The other 97% comes from the Federal Government, the state that you live in, and the colleges and universities your child is applying to. Therefore, you are much better off spending your time and energy going after the 97%, rather than spending your time on the 3%.

Mistake #3: Assuming only minority students, athletes, and academically gifted students get financial aid.

Reality: Nothing could be further from the truth! "Need-based" financial aid is solely awarded based on "financial need" which is calculated by taking the cost of attendance at a school and subtracting the family contribution (which is the minimum amount the government feels you can afford to pay, based on your income and assets and your child's income and assets). Whatever is left over after you subtract these two numbers is your "financial need" or eligibility for financial aid at a particular school. If you haven't noticed, this has nothing to do with a student's ethnic background, athletic ability, or grades. It's purely based on this simple formula:

$$\text{COA (Cost of Attendance)} - \text{FC (Family Contribution)} = \text{FN (Financial Need)}$$

Mistake #4: Picking colleges and universities without paying attention to where your student lies in comparison to the rest of the student body.

Reality: To increase your chances of getting the best possible financial aid packages, it is imperative that you pick schools where your child lies in the top 10% of the incoming freshman class with respect to their GPA and SAT/ACT scores. Although, schools give financial aid based on your calculation of "need" at their school, they will definitely give preferential packaging (i.e., more FREE money, less loans) to students who lie in the top 10% of the incoming class. The reason they do this is to attract the better students to their school. Use this to your advantage and apply only to those schools that your child would fit into the top 10% category.

Mistake #5: Assuming all schools are created equal and will be able to give you the same amounts of money.

Reality: All schools are not created equal and will not be able to give you the same financial aid packages. Some schools are well-endowed and get a lot of money from alumni and corporations. These schools have more money to give out and generally able to meet most or all of a student's financial need at their school. Other schools, like state universities, get no private funds and rely solely on stated and federal funds to help fill a student's need at their school. In many cases, these schools leave student short and give them less money than they are eligible to receive. It can actually end up costing you more to send your child to a "cheaper" school if they don't have the money to meet your need. It is very important that you know each school's history of giving money before you ever apply so you're not blown away when you get a bad financial aid package from your child's top school choice.

Mistake #6: Not understanding the difference between "included assets" and "un-included assets" for purposes of filling out financial aid forms.

Reality: Certain assets are counted much more heavily in the financial aid formulas than others. For example, savings accounts, CD's, stocks and bonds are all included and asked about on the Federal Financial Aid form. However, it does NOT ask about the value of annuities or cash-value life insurance anywhere on that same form.

Mistake #7: "It doesn't matter where I keep my money. It's all counted in the same way."

Reality: Not at all... where you keep your money could mean the difference between you getting \$10,000.00 in financial aid or getting nothing! For example, money in your child's name is weighted much more heavily than money in the parent's name. If you don't know how to legally and ethically position your money properly for purposes of financial aid, you could end up losing thousands in financial aid!

Mistake #8: "My CPA or tax preparer is qualified to recommend college funding strategies and fill out my financial aid forms - I'll let him/her do it."

Reality: Unfortunately, CPA's and tax preparers are experts at tax planning and preparation - NOT financial aid planning. For example, a CPA or tax preparer might suggest that you put some or all of your assets in your child's name to save money on taxes. While this advice is well-meaning, it will usually kill most or all of your chances at getting financial aid. Also, CPA's and tax preparers are not trained in college funding strategies. Although anyone can complete a form, in many cases, they will unknowingly fill out these forms improperly (i.e., using pen instead of pencil, using white-out to cover mistakes, omitting social security numbers, etc.), and these "minor" mistakes will bump your financial aid forms. If this happens, you will have to re-submit these forms all over again, and you will probably end up losing thousands in financial aid since it is awarded on a first come, first served basis.

Mistake #9: Waiting until January or even worse, after January of your child's senior year of high school to start working on your college financial aid planning

Reality: Since financial aid is based on your previous year's income and assets, it is imperative to start your planning as soon as possible before January of your child's senior year. If you want to legally set up your income and assets so you can maximize your eligibility for financial aid, you must start working on this, at least, one year in advance - preferably in the beginning of your child's junior year of high school. The longer you wait and the closer it gets to your child's senior year, the tougher it gets to set up your financial picture without creating a "red flag" for the colleges and universities. It is also important for you to know what your Expected Family Contribution (EFC) is so you can start saving for it. And, you should also know which schools can give you the best packages before you start visiting and applying to them. My advice is if you haven't started planning; DO IT NOW!

Mistake #10: Going through the financial aid process by your self because it's "Cheaper".

Reality: If this describes you, the colleges and Federal Government are going to love you! This allows them to keep control over the process instead of you, the parent. Understanding how the process works and taking back control from them requires a lot of time and research. It always amazes me that people will readily use a doctor when they get sick, a lawyer when they get sued, but suddenly when they are going to send their child to college and spend between \$10,000 - \$28,000 per year, parents want to save themselves a couple of dollars and do it themselves and in the end; lose out on lots of aid money that they otherwise could have taken advantage of. Unless you spent the last 5-10 years of your life studying and understanding how the financial aid and financial planning process correlate with your financial intentions, there is no need for you to spend countless hours trying to become a quick pro. The moral to this story is "Don't Be Penny Wise and Pound Foolish!" Trust a competent professional to ensure you get everything to your entitlement.

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