

**A Special Report**  
by College Planning Services

# **10 Things You Need To Know**

# **BUT**

# **Your College Financial Aid Won't Tell You**



## **10 Things You Need To Know, But Your College Financial Aid Officer Won't Tell You**

### ***All pension/retirement money is not included in our calculations.***

The IRS code allows anyone to fund a private pension plan with after tax dollars.

**Strategy:** *You can take reportable assets on the financial aid form and convert them into non-reportable assets by using a correctly structured private pension plan.*

### ***Having your money in your child's name will hurt you in qualifying for scholarship money.***

The financial aid formulas tax a student's assets from 25% to 35%. If your child has \$10,000, you could lose between \$2,500 and \$3,500 in scholarship money.

**Strategy:** *Get the money out of your child's name.*

### ***This is how our college financial aid policy affects how much you will pay.***

Simply stated, the government has a pre-determined formula that calculates what a family should pay for tuition for one child for one year of college (FAFSA and CSS Profile Forms). Each college, based on their own predetermined formula, calculates how much scholarship money or loan money a family will receive for that school year. Financial aid awards will vary as much as 40% from college to college.

**Strategy:** *Know the financial aid policies of your top choice schools.*

***Please don't treat me like a used car salesman.***

College financial aid guides have for years instructed parents, as a negotiating tool, to email a better financial aid offer from a competing college (like buying a car). A family that uses this approach assumes the financial aid office at their number one college has a policy of negotiating aid packages; the fact is most colleges don't. The downside is that families may burn bridges with the financial aid office. The smarter way would be to write and explain that there must have been a mistake because another financial aid professional had viewed your situation differently and ask their help in understanding the difference. **Strategy:** *Make a friend in the financial aid office; it pays dividends in future years.*

***By missing our deadlines we don't have to consider you for aid.***

The financial aid office of colleges is in the business of taking in money, not giving it out. Don't miss the deadlines or you could lose out. In most cases, the FAFSA and CSS profile forms for incoming freshmen are due the January of senior year.

**Strategy:** *The Federal tax return form used to verify your FAFSA or profile form is the previous year. The 2020 tax return will verify information for the 2022-2023 school year.*

***Your error, your problem.***

Financial aid is not a lottery. The College Board reports that 90% of financial aid forms have errors or inconsistencies. Families lose out on free scholarship money every year because the forms overstated the value of their assets.

**Strategy:** *Know what does or does not have to be reported on the financial aid forms.*

***Borrowed money – here is more than you can afford.***

The government has made it very easy to borrow money for college - too easy. Federal loans for undergraduates are capped at \$27,000. If the student needs more there are private loan companies that will lend based on the student's credit score, with a cosigner. Rates will run 4% to 7.5%. Payments may be deferred until graduation. **Strategy:** *Do the math to estimate the student's monthly payments over 15 years, and then estimate their net monthly income upon graduation. If the loan amount is more than 15% of their net income there is a potential problem. Based on a national student loan survey in 2019, 50% of college graduates regret taking out so much in loans and feel that their college education was not worth what they paid. The Consumer Banking Project of Harvard University in 2018 reports the numbers of bankruptcies of people under the age of 26 has tripled in 4 years. College loans cannot be discharged and are a leading factor.*

***You thought freshmen year was expensive.***

College tuition costs go up between 4% and 6% each year. Generally a family's financial aid will stay the same. A \$65,000 per year school will end up costing \$75,000 in four years. In most cases this could mean a family would pay \$10,000+ more their senior year than their freshmen year.

**Strategy:** *If you are receiving financial aid and your financial situation is constant, any tuition increase should be in scholarship money from the college not money out of your pocket.*

***Early decision - The Good and the REAL Bad.***

College admission offices present early decision as something that helps students, but in reality they often exploit the student's enthusiasm by offering a weak financial aid package. Typically a financial aid award package is sent several weeks after the early acceptance. Many families are now boxed in with limited options and short deadlines.

**Strategy:** *Know in advance what the Federal Financial Aid Formula says you should pay for one year and apply that number to the colleges' expense budget. Take the net amount and apply the college financial aid policy and bingo, you will know what your aid package should look like. If the numbers are significantly different you need to make a friend in the financial aid office and find out why. In addition you may want to request that you receive the financial aid package when you receive the acceptance letter.*

***Great! You want to talk on the phone.***

Colleges are subject to audits by the Department of Education. Many financial aid administrators don't want a "paper trail" so they love to talk on the phone or email you.

**Strategy:** *When you put your appeals in writing it gets into your file. Follow up each conversation with a note to the person outlining your conversation.*

These are a few tips to help improve your chances of getting the financial aid package you want. We hope you found them useful. For more specific information, you can sign up for our **Complimentary 30 Minute Consultation**. College planning is often confusing and stressful. We know. But you don't have to go through this complex and difficult process alone. We've helped over 5,000 families, just like yours, successfully navigate the college planning process.

And we've cut the cost of their tuition payments by an average of **30%**.

Please feel free to contact us with any questions you have. We're always here to help.

Wishing you every success,

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