
The 7 BIGGEST
Mistakes
Parents Make...
...When Paying For
COLLEGE.
Get More Money
For College!
By Gary Lucas, CCPS

The 7 Biggest Mistakes Parents Make Paying For College

…and how to avoid them

by Gary Lucas, CCPS

Innovative College Planning
4769 Buckley Road
Liverpool, NY 13031

“If you don’t understand how the Financial Aid System works, you will inevitably pay more than the family who does.”

-Unknown

“There are two prices for college: One for the informed and one for the uninformed.”

-Unknown

TABLE OF CONTENTS

About the Author:

Gary Lucas has been teaching families how to get more free money for college since 2001. It began when he did extensive research on the Financial Aid System and discovered that he personally lost over $23,000 in scholarships and grants because he and his family made the costly errors that most families make when applying and paying for college.

As a Certified College Planning Specialist (CCPS) and a founding member of the National College Advocacy Group (NCAG), Gary helps families of all income levels learn the techniques necessary to not make the same mistakes that his family did that cost him thousands of dollars in lost Financial Aid. Gary is a prominent member of the National Institute of Certified College Planners and a licensed affiliate of MyCashFlowCoach.com, two major organizations dedicated to helping parents save thousands of dollars on their children's education each year.

Gary is a regular speaker at college financial planning seminars throughout the upstate New York area and hosts national college planning webinars throughout the country. He is the co-host of the Central New York based financial radio show, "Gary and Mike…In Your Business." Gary has also made appearances on financial talk and radio shows, such as Financial Fitness on PBS, The Gary Nolan Show, Big Mike in the Morning, and several others. Locally, Gary also hosts a few high school Financial Aid nights as well.

Gary is a graduate of Le Moyne College in Syracuse, NY and is the founder of College Advisory Services and Innovative College Planning. In addition to his college planning credentials, he also holds his Series 6, 7, 24, and 63 Securities investment licenses as well as his New York State Life, Accident & Health, and Variable Life/Variable Annuities Licenses.

Foreword

Most parents know that college is expensive. That really isn't a big secret. If going to college was cheap, and the process was easy, you wouldn't be reading this book. What you may not know, is that every student attending the same college does not pay the same price to go there. You see, each student will receive a different Financial Aid package made up of grants, scholarships, and loans. Therefore, some will get more free money than others (like those of you reading this book, of course) and some will have to pay more out of their pocket (those that attempt to do it themselves).

By understanding and avoiding the biggest mistakes that parents' make paying for college, your family will be one of those that gets more of the free money and less in loans. In addition, you will be able to take advantage of other money saving opportunities most families don't know about or even understand.

Please also note, it is not uncommon after utilizing the information contained in this book for your family to save between $30,000 to $50,000 on college expenses. In fact, this is more the norm rather than the exception.

So let's get right to it…

Confucius Say, Don't Throw Your Money Away

There are two alarming facts that cost many parents thousands of dollars in unnecessary college expenses each and every year:

Fact #1- 25% of College Freshmen drop out of college in their first year.

Fact #2- The average College Student takes 5.4 years to get a four-year degree

I know what you're probably thinking…That's nice, Gary, but my kid isn't dropping out. And he certainly isn't going to take more than 4 years to get a degree!

Let me say that I agree with you, but only because you are reading this book which will give you the necessary tools to easily beat the odds. Just know that until you finish reading this book, the Vegas odds makers are betting against you! And trust me; they always make money in Vegas.

Before I show you the proven way to easily beat those odds, you need to understand how those 2 facts can cost you big bucks out of your bank account.

Let's start with Fact #1- ***25% of College Freshmen drop out of college in their first year***.

Think about how costly that is. At one of the cheapest public colleges, you will almost literally be throwing away over $2,000 if your child drops out in the first semester. Over $4,000 if they drop in the second semester!

Now think about the cost of a private school. You are looking at an average of $12,500 per semester. I think this is why parents instinctively say, "My kid isn't dropping out or

I'll kill 'em!" They know subconsciously that it will really hurt their pocketbook if they do; and to the tune of $25,000 or more at a private school. Yet the numbers show that 1 in 4 students do each and every year. Why?

I'm about to tell you, but first let's examine Fact #2- ***The average college student now takes 5.4 years to get a 4-year degree***.

Let me say that another way in case it didn't sink in. You have probably somewhat accepted for the daunting task of paying for four years of college, but statistically you won't get to stop at four years. You will need to keep paying for almost an extra year and a half!

Let's once again look at the numbers. At a state school an extra 1.4 years will cost your family over $9,200 on average. At a private school you are looking at a whopping $35,200 on average. Again, this is not some college students…this is the AVERAGE college student!
So what is the biggest reason that over 25% of college freshmen drop out after their first year and why the average student takes 5.4 years to get their four-year degree?

They do not complete a career planning assessment.

Statistics at the US Department of Education show that if your child is diligent about doing a career planning assessment, it will significantly lower his or her odds of dropping out and taking longer than four years to complete a four-year degree.

Therefore, all you need to do is complete a credible career planning assessment and you will easily beat the odds we discussed and save your family thousands of dollars.

So what exactly is a career planning assessment? It is the process in which your child matches his or her interests, hobbies, likes, skills/aptitudes, and values to a potential career path.

The best assessment programs then use that data to show your child what schools will make the best fit for your student and then guide them toward a career path they will most likely succeed in.

How can you find a good assessment program? You could do a Google search for "career planning programs" to get you started in the right direction. You can also ask your school counselor or local college planner if they offer any or recommend one.

However, the one that I recommend most to my clients is Career Dimensions. They can be found online at www.careerdimensions.com. Please understand that each family is different, so you should do your own research before making a final decision, or consult your nearest Certified College Planning Specialist, but I've had great success using their program.

No matter what program you decide to use, the important thing is to make sure your child is diligent about completing one.

To ACT or SAT, That is the Question

Is there a chance that your child will attend a private school or a prestigious state college? If so, you really need to pay very close attention to this section. I'm about to reveal one of the most overlooked ways to get a few thousand extra dollars in scholarship money.

This technique will also work extremely well if you make too much money to qualify for any need based Financial Aid (don't worry, we'll discuss need based Financial Aid later).

So what is this technique?

Let's take a look at the two Financial Aid awards letters below. These are actual Financial Aid award letters received by identical twins who applied to the same school. Keep in mind, their family's financial information is exactly the same. Their incomes and assets are the same, but yet the awards are VERY different. Take a look on the next page…

Twin #1 Award Letter

ST. JOHN
FISHER
COLLEGE

FINANCIAL AID OFFICE

March 14, 2009
STUDENT ID: 35

)
NY 13

Dear

Congratulations on your acceptance to St. John Fisher College. We have reviewed your financial aid application for the 2009-2010 academic year and have given full consideration for all the financial aid programs for which you are eligible . We are pleased to offer the following financial assistance:

	Fall 2009	Spring 2010	TOTAL
Presidents Schl	5,000.00	5,000.00	$10,000.00
Direct Sub. Loan	444.00	444.00	$888.00
Direct Unsub. Loan	2,306.00	2,306.00	$4,612.00
Direct PLUS Loan	10,335.00	10,335.00	$20,670.00
Total	$18,085.00	$18,085.00	$36,170.00

Twin #2 Award Letter

ST. JOHN
FISHER
COLLEGE

FINANCIAL AID OFFICE

March 14, 2009
STUDENT ID: 39

NY 13

Dear

Congratulations on your acceptance to St. John Fisher College. We have reviewed your financial aid application for the 2009-2010 academic year and have given full consideration for all the financial aid programs for which you are eligible . We are pleased to offer the following financial assistance:

	Fall 2009	Spring 2010	TOTAL
Cardinal Grant	1,250.00	1,250.00	$2,500.00
Room Grant	600.00	600.00	$1,200.00
Federal Work-Study	750.00	750.00	$1,500.00
Direct Sub. Loan	1,750.00	1,750.00	$3,500.00
Direct Unsub. Loan	1,000.00	1,000.00	$2,000.00
Direct PLUS Loan	12,735.00	12,735.00	$25,470.00
Total	$18,085.00	$18,085.00	$36,170.00

Did you notice a difference? I know, sometimes these things can be confusing. Let me break it down.

Let's start with the first award letter. Do you see the line that says "Presidents Schl" for $10,000? This means that Twin #1 is getting a $10,000 Presidential Scholarship. Keep in mind that a Scholarship does not have to be paid back, it's free money.

Now take a look at the second award letter. Do you see the line that says "Cardinal Grant" for $2,500 and the line that says "Room Grant" for $1,200? This means that Twin #2 is getting a total of $3,700 in Grants. Grants are the same as Scholarships in that they don't have to be paid back, it's free money.

So, let's do the math. Twin #1 is getting $10,000 in free money and Twin #2 is getting $3,700 of free money. That's a difference of $6,300 of free money per year! Over four years that is a difference of $25,200.

So let's be very clear. Bottom line, it will cost their parents $25,200 more to send one of their children to the same school! To be a fly on the wall at dinner that night when those letters came in.

Anyway, so why does Twin #1 get to go a lot cheaper than Twin #2?

In this particular case, there is one main reason only:

SAT/ACT Scores.

Can you believe it? You'd better. There are many schools that base their scholarships on a combination of grades and SAT/ACT scores. While you may have the grades to qualify for a large scholarship, if your test scores are not as high as they could be, it will cost you out of your pocket.

Most parents do not know that something as simple as an SAT/ACT score can cost them thousands of extra dollars on college costs each year like the example above.

The good news is, there is an easy solution:

Your child should take SAT/ACT preparation courses.

I find this is one of the most overlooked areas of college planning, yet it may have the biggest financial impact. At a given school, having just a few extra SAT or ACT points can result in thousands of dollars in increased Financial Aid.

So what SAT/ACT preparation courses should you take?

That's a great question. With thousands of different options, it can be very difficult to decide.

Let's go through all of your basic four options and discuss their good and bad points.

Buying an SAT/ACT Review Book.

I usually don't recommend this option since statistically it provides the worst results. The main problem with review books is that they are just too general. You see, most students tend to struggle on the tests in a particular area or two, so they should really focus on those areas rather than wasting time with the areas that they are already good at. The good news is that it is the least expensive option out there. However, this is one of those times that I believe you get what you pay for.

A General Review Class.

This is a class where there are usually 10-20 kids in a classroom learning from a teacher. While I personally have seen them work much better than a review book, they still have their weak points. For example, they too will waste time in areas that you child really doesn't need help with. Plus I've had several complaints about them being distracting, especially if the students boyfriend or girlfriend is in the class. And you know as well as I do, that's the class they want to be in. So while general review classes will certainly provide some help, it really is not a great value for your hard earned dollar.

A Private Tutor.

A private tutor will provide the best results statistically. They will work on your child's weaknesses and give them 100% of their attention. There is usually little distraction, and they probably have a good amount of experience. The bad news is however, it is by far the most expensive option out there. If you have the money to pay for it, by all means go for it! Overall though, I really don't think that a tutor will give you the best "bang for your buck" result.

Online Prep Course.

An online preparation course is almost like having your own private tutor online without the high cost. It learns what your weaknesses are and will tailor a study program to help you most effectively increase your overall score. Some online courses even guarantee results!

So what is the best option? In my opinion, if you can't afford a private tutor, or are looking for the best "bang for your buck," you should use an Online Prep Course.

So what program should you use?

You can find several programs if you do a Google search for "online SAT prep". You can also ask the guidance counselor or your local college planner what they recommend.

I recommend E-Prep to most of my clients. If you would like to research them, they can be found at www.eprep.com. Again, you should use your own judgment when selecting a prep course, but if your child is going to a college that looks at SAT/ACT scores, you want to use something. If not, your child could be looking at an extra $25,000 in college costs just like the example above.

You Need Good Form

Okay, it is now your child's senior year in high school. Your child has the perfect college picked out thanks to a great career planning program that not only found the right major for your child, but the right college too! He has taken the SAT's and ACT's and scored as high as he possibly can so that his scholarships and grants will be maximized. You are now feeling pretty good knowing that you have probably saved about $10,000 to $20,000 in expenses already.

Now what?

It's time to fill out Financial Aid forms. Sounds like fun, doesn't it? For those of you that complete your tax returns, you are really going to love Financial Aid Forms! Not only are they more complex in general, but unlike a tax return, if you make a mistake you don't get to go back and fix it the next year. Sounds great, right?

Well fear not.

While I can't walk you through all possible mistakes you can make (and believe me, I could write a book of such a size on the subject that would make the final Harry Potter book jealous), I am going to help you prevent the most costly.

First things first though. Do you know what forms need to be filled out? Well, everyone should at least fill out what is called the FAFSA Form (**F**ree **A**pplication for **F**ederal **S**tudent **A**id). Now there may be others to complete too, like your own state's form, the colleges own form, verification forms, a CSS Profile Form, even Business/Farm or Divorced Supplements, but we'll get into that later.

Let's start with what I believe is the absolute biggest mistake that is made in the entire college planning process. In other words, if you were only going to read one part of this entire book, this would be the one to read. And for the record, this is where I personally lost $23,000 of free money when I went to college. So what is this big mistake?

- **Having Exposed Assets**

Here is the deal. When filling out the FAFSA form, there are certain assets that are counted when calculating your Financial Aid and other assets that are not. Those that are counted are called Exposed Assets.

I feel compelled at this point to mention that this section won't apply to everyone. To my readers that have income in excess of about $350,000 per year, I will give you permission to skip ahead to the next section, although I still think it will be beneficial to understand the concepts. Don't worry though, "The Tax Man" section will be very beneficial to you.

Okay, back to the point.

Exposed Assets can dramatically reduce the amount of Financial Aid you receive. So what qualifies as an Exposed Asset? Basically anything above your Asset Protection Allowance that is not your home or in an IRS qualified retirement account would qualify.

I know what you are thinking…WHAT? You lost me. Well don't worry, I'll explain.

All Federal Financial Aid is based on need. Or in other words, if you don't need it, you won't get it. Simple right? Also, a good portion of scholarship and grant money given out by the colleges is based on need too.

This is called need based Financial Aid (you see, I told you I'd get to it). Here is how it is calculated:

COA – EFC = NEED

Got it? Believe it or not, it really is as simple as that. Here are the details…

COA stands for **C**ost **O**f **A**ttendance. This is the total cost that the college calculates for your child to go there. It includes tuition, room & board, travel expenses, fees, and miscellaneous expenses.

EFC stands for **E**xpected **F**amily **C**ontribution. This is the amount of money that the Department of Education calculates that your family can pay for the luxury of your child going to college, based on the information you provided in the FAFSA form. I can assure you, just like your income tax, the number is higher than you think it should be. This number never changes based on the cost of the college.

Now, if you are not a math person (or even if you are) I'm going to reveal what this means.

The lower the EFC, the more need you are eligible for, and therefore the Financial Aid you will receive. Period.

Let's go over a few examples just to make sure you've got it:

Let's suppose your EFC is $15,000. Your child applies to your local community college that costs $7,000 per year. How much free money can you hope to get to go there? If you said $0, you are right ($7,000 - $15,000 = sorry, no need). Now, what if they applied to Harvard? Harvard's COA is about $50,000. How much free money can you hope to get there? If you said $35,000, you got it ($50,000 - $15,000 = $35,000 of need)!

The whole point here is that you want to make your EFC as low as possible so that you can qualify for the most free money!

Ok, so back to those Exposed Assets we were talking about.

Some assets that you have are going to increase that EFC number and some will not. Remember, we don't want to increase that EFC number if we don't have to because it will reduce the free money that you will get.

So, you can have all the money you want in an account that the IRS considers tax qualified and it will not reduce your Financial Aid. These are mostly accounts that you currently don't pay tax on, such as a 401(k), 403(b), IRA, ROTH IRA, qualified annuity, insurance cash value, and the house you live in.

Most of your "other assets" however, like savings accounts, checking accounts, CD's, stocks, mutual funds, 529 Plans, bonds, investment property, rental property, and money in your freezer can significantly increase your EFC. And in case you skimmed over it or thought I made a mistake, yes, 529 college savings plans DO count toward your EFC (I bet your advisor didn't tell you that, huh?).

There is one caveat. Depending on your age and whether you are a single parent or not, the Department of Education allows you to have a certain amount of these "other assets" that will not count in your Financial Aid Calculation. This amount is called your Asset Protection Allowance. Once you go above that number, your child's Financial Aid will start to be reduced.

There is a specific table that calculates your Asset Protection. Although it's not an exact science, a good rule of thumb to get an idea of what your Asset Protection Allowance is, take the age of the oldest parent and add three zeros to the end of it. So if the oldest parent is 48, your Asset Protection Allowance will be somewhere near $48,000. If you are a single parent, cut the number in half. No, that is not a typo. The rumors you've heard are false…single parents get PENALIZED in this system, not rewarded.

If you are really interested in finding out your exact family's Asset Protection Allowance, send an email to gary@innovativecollegeplanning.com and someone will be happy to look it up for you.

So here is the point. If you have exposed assets above your Asset Protection Allowance, you are probably missing out on thousands of dollars of free money.

Now I hate to make matters worse, but there is something else you need to be aware of here that adds to your EFC even faster and worse than your exposed assets above the Asset Protection Allowance.

This is the mother of them all; the #1 free money killer if you will.

This one doesn't seem to be as much of a secret as it used to be, but yet parents still lose scholarships and grants by the thousands because of it.

So what am I talking about? I'm talking about your child's exposed assets.

Any money in your child's name will increase that EFC number by 20% starting with dollar one. That's right, they don't get an Asset Protection Allowance like you do.

So if you have money in the bank with your child's name on it, or set up an investment account and find the term UGMA, UTMA, or Custodian on it, you are probably costing your child thousands in free college money.

So what can you do if you or your child has exposed assets?

The answer is, of course, reduce or eliminate them. But how?

Please understand that there can be numerous penalties and tax implications if you reduce or eliminate your exposed assets improperly. However, when done right you will most certainly be getting much more free money for college.

There are some things you can do on your own to help reduce them that I'll get to in a minute, but my best recommendation is that you should consult with your investment professional, tax advisor, or Certified College Planning Specialist first. Now I need to be perfectly clear here, not every investment professional or tax advisor can help you do this! There is one very easy way to tell if they are qualified. Call them up and ask them the following EXACTLY as it appears below:

"Hello (advisors name here), I won't take up much of your time, I just have two questions that I need answered for me really quick. What is my Asset Protection Allowance and where can I fill out a CSS Profile Form?"

If they don't know the answer right away, RUN! This advisor won't be able to help you and may actually cost you money in the process.

Look, your primary care physician didn't fit you for your glasses did he? He probably wouldn't perform open heart or brain surgery for your either if you needed it.

What I'm trying to say is that you really should consult with a specialist on this one.
Would you like to know how I lost out on $23,000 of free money for college? My mother, who was a single parent that made about $20,000 a year when I went to college, met with a financial advisor that was a friend of a friend.

He explained that she should save money for me in my name because there would be better tax savings on the investment. What? She made $20,000 per year, she didn't pay any tax! And the money in my name didn't allow me to qualify for Pell Grants or scholarships at the school until it was used up in the third year (please note, there wasn't enough to even pay for a year but my mother tried to “stretch it out” which costs us even more). You see, we didn’t know it was hurting us, but most importantly the advisor didn’t either.

So the whole point of that story was not to feel bad for me (although if you do and feel compelled to help, I’m accepting donations to help pay off my student loans…yes, I’m STILL paying on them!), it was to make you aware that not all financial advisors or tax professionals can help.

If you think you may have Exposed Assets I would highly encourage you to contact a Certified College Planning Specialist (CCPS) in your area. They have the additional training to ensure you properly reduce or eliminate them. To find a CCPS in your area visit www.niccp.com, click on the parent section, then click on “find a CCPS advisor,” select the area that you live in and then find the closest by.

Now, if you are only a little over your Asset Protection Allowance, or are the type that absolutely insists on doing everything yourself (although I don’t advise performing open heart or brain surgery yourself as I listed above), there are a few things you can do to reduce or eliminate them.

First, you need to use up the money in the UGMA, UTMA, and Custodial Accounts for the benefit of your child. Even though this money is considered a gift to your child, you have full discretion to use it as you see fit on their behalf. For example, use it to buy a computer, or a car, or go on vacation, or buy them a copy of this book. DO NOT just sell the account and put it in your name. If you do, you have committed tax evasion and can be penalized by the full extent of the law.

Next you can start working on your money. Maybe you have credit card debt you can pay off, or make some extra payments on your car or house. You could prepay your life insurance, give some to your parents and have them set up a 529 plan for your child, put more in your retirement accounts, or even buy a bunch of my books and give them to your friends for Christmas and Chanukah!

Remember, you still want access to enough of the money to pay for college, so there is a bit of a balancing act there. But with the right planning, you'll have more in your pocket rather than the college!

Okay, onto the next biggest mistake when filing the Financial Aid forms…

- **Missing a Financial Aid Deadline**

If you didn't know, Financial Aid at colleges is awarded on a first come, first served basis and there is only so much aid to go around. If you wait too long to complete your Financial Aid Applications, or miss a deadline all-together, you could easily be giving up thousands of dollars in lost Financial Aid.

As mentioned above, there can be several different Financial Aid Forms that need to be completed for each college your child applies to. Again, these are the FAFSA Form, CSS Profile Form, your own state's Financial Aid Form, Dependant Verification Worksheets, the college's own Institutional Form, and Business/Farm and Divorced Parents Supplements.

If you don't know what forms are required at each school and when they are due, you could easily be costing your family thousands of dollars in lost Financial Aid.

So here is what you need to do…

First and foremost, you need to file your FAFSA form as soon after January 1st of your child's senior year in high school as you can. This form does require actual tax return data, but you can file estimates so that you are first in line for Financial Aid. You can then return to your form when your tax returns are complete to put in the actual data.

Second, find out from each college what other forms are required and when they are due. Each school will usually have all of this information on their website on their Financial Aid Page. If you can't find it, call the Financial Aid Office. Yes, it's that important. Then make sure you complete them by their due date.

A word of caution: Some colleges have deadlines before January 1st of your child's senior year, so don't procrastinate! Ok, another word of caution: Don't wait until your child gets accepted before filling these forms out. If he is planning to apply there, get all the Financial Aid forms done that the school requires by the date they require it.

That's really it. There is not much to this section, but you'd be surprised at how many parents I have frantically call me because they had no clue a particular form was due and are now scrambling because they lost out of free money. In fact it happens so often I made it part of this book, so that should tell you something.

Now to the last part of this section. As you may imagine, I get hundreds of phone calls every year from people all throughout the country. Most of those phone calls are due to our next big error…

- **Careless Filing of Financial Aid Forms**

As I mentioned earlier, some Financial Aid Forms can be more complicated and more exhausting than completing your US 1040 tax return. But again, unlike a 1040, you cannot go back and make corrections to a previous year's Financial Aid Form.

Take a look at the following Financial Aid Award letter on the next page. This is part of an actual Financial Aid Award Package that I reviewed. In particular, notice the amount of the "Parents' Contribution" and "Total Scholarship/Grant Aid."

Cornell University
Office of Financial Aid and
Student Employment

203 Day Hall
Ithaca, New York 14853-2801
t. 607.255.5145
f. 607.255.5022
e. cornellu_fin_aid@cornell.edu
http://finaid.cornell.edu

MAY 9, 2005 ACADEMIC YEAR 2005-2006

EMILY Award Notification

ESTIMATE OF COSTS:		ESTIMATE OF RESOURCES	
Tuition & Fees	$31,467	Parents' Contribution	$25,000
Room & Board	10,300	Summer Savings Expectation	2,060
Books & Supplies	680	Student Assets	0
Personal Expenses/Travel	1,419	Other Resources	0
TOTAL BUDGET	$43,866	TOTAL FAMILY RESOURCES	$27,060

FINANCIAL NEED $16,806

TOTAL SCHOLARSHIP/GRANT AID (AS DETAILED BELOW): $ 5,767

CORNELL GRANT 5,767

Based on this letter, the student is only getting $5,767 of free money to help pay for college.

After reviewing this award package and meeting with the client I discovered he made just one error on his FAFSA form. Fortunately it was early along in the process and we were able to fix the mistake.

Here is a copy of the updated Financial Aid Package once we made the correction. Again, notice the amount of the "Parents' Contribution" and "Total Scholarship/Grant Aid."

Cornell University
Office of Financial Aid and
Student Employment

203 Day Hall
Ithaca, New York 14853-2801
t. 607.255.5145
f. 607.255.5022
e. cornellu_fin_aid@cornell.edu
http://finaid.cornell.edu

REVISION LETTER

FEBRUARY 6, 2006

FMIIY

ESTIMATE OF COSTS:		ESTIMATE OF RESOURCES	
Tuition & Fees	31,467	Parents' Contribution	21,200
Room & Board	11,100	Summer Savings Expectation	2,060
Books & Supplies	680	Student Assets	0
Personal Expenses/Travel	1,411	Other Resources	0
TOTAL BUDGET	44,658	TOTAL FAMILY RESOURCES	23,260

FINANCIAL NEED 21,398

REVISED FINANCIAL AID PACKAGE:

TOTAL SCHOLARSHIP/GRANT AID (AS DETAILED BELOW): $11,417

CORNELL GRANT	6,567
MISCELLANEOUS OUTSIDE SCHOL	550
CORNELL GRANT (A)	3,800
NYS MERIT SCHOLARSHIP 2005-2006	500

Do you remember our conversation about EFC? In this Financial Aid Award Letter the "Parents' Contribution" is part of their EFC. Now, remember that the lower the EFC the more potential for free money? Keeping that in mind, look what happened.

The amount of the "Parents' Contribution" was reduced from $25,000 in the first letter down to $21,200 in the second letter.

Because of that reduction, look at the effect it had in the "Total Scholarship/Grant Aid" part (this is the free money section).

<u>This family is now getting $5,650 more in free money!</u>

This proves that just one careless error can cost you thousands of dollars in lost Financial Aid.

In this particular case, the parents attempted to fill out their own Financial Aid Form (which you will soon get my opinion on who should dot that) and read the directions wrong. They included their IRA account when they filled out the form. Remember I mentioned that IRA accounts don't go on the FAFSA form? Without our Financial Aid review, this family would likely have lost out on that money!

Unfortunately this happens all of the time. Many parents don't have any idea that they have lost out on lots of free college money. Lucky for you, you have this book, so you won't be making a mistake like that, right?

So how can you prevent this from happening to you?

There are a few things you can do. First and foremost, don't rush when completing the forms. Parents just want to get it done and over with. Let me ask you this, when you bought your house, did you just rush and try to get it done and over with? Of course you didn't. Well guess what, college could cost just as much as your house if you're not careful! Take a few days to get it done and follow all of the directions to a tee. As a general rule, if you complete your own taxes and know what a schedules A and D are, you can probably do it yourself if you don't rush.

However, if you don't complete your own taxes I recommend having a professional do it. You don't need to be as careful finding an expert as you did with having exposed assets, but you want to at least find an accountant, tax professional, or CCPS that does a few dozen a year.

Hiring a professional will not only save you hours of time, but it will better insure that your forms are completed properly so you won't lose out on the Financial Aid you are entitled to.

SHOW ME THE MONEY!

Whether you knew it or not, Financial Aid forms are normally completed months before your student ever sets foot on campus. In fact, the information you provide in them will even be from a previous year's tax return. So how can colleges possibly provide you an accurate and up to date Financial Aid Package?

The answer will astound you. Are you ready for it? The truth is, they can't!

What's worse is that they may even make mistakes when putting your Financial Aid Package together!

Okay I'm going fast here, but stay with me.

Take a look at the following example on the next page. It is part of an actual Financial Aid Award letter one of my clients received from Cazenovia College. Do you notice anything wrong with it?

Cazenovia College
Financial Aid Award Letter

Please indicate your response by checking accept or decline next to the offered program, sign the certification below and return a copy to the Admissions and Financial Aid Office.

Financial Aid Estimates:

Accept/Decline			Fall	Spring	Total
____	____	Presidential Leadership Schol.	$ 3,900	$ 3,899	$ 7,799
____	____	NYS Tuition Assistance	1,866	1,865	3,731
		Total Financial Aid Offered	**$ 5,766**	**$ 5,764**	**$ 11,530**

I accept or decline this award as indicated above and affirm that the financial aid received will be used solely for the cost of attending Cazenovia College.

Student Signature

Date

Well? Does it look good to you?

Are you saying to yourself, "How should I know?" Well, that is actually my point. How are you supposed to know if it's good or bad?

I'll tell you what…take a look at the revised version on the next page and see if it at least looks a little better to you than the first one (the one above)…

Cazenovia College
Financial Aid Award Letter

Please indicate your response by checking accept or decline next to the offered program, sign the certification below and return a copy to the Admissions and Financial Aid Office.

Financial Aid Estimates:

Accept/Decline			Fall	Spring	Total
____	____	Cazenovia College Grant	$ 850	$ 850	$ 1,700
____	____	Presidential Leadership Schol.	3,900	3,899	7,799
____	____	Federal Pell Grant	1,400	1,400	2,800
____	____	Federal SEOG Grant	100	100	200
____	____	NYS Tuition Assistance	1,866	1,865	3,731
____	____	Direct Subsidized Loan*	1,313	1,312	2,625
		Total Financial Aid Offered	**$ 9,429**	**$ 9,426**	**$ 18,855**

* Loan funds will be less any origination fees.

I accept or decline this award as indicated above and affirm that the financial aid received will be used solely for the cost of attending Cazenovia College.

Student Signature ____________________ Date __________

Do you notice some of the differences? If not, that's okay. Let me walk you through it.

The revised letter (the second letter) offered my client $4,700 more in free money (they added a Cazenovia College Grant for $1,700, a Federal Pell Grant for $2,800, and a SEOG Grant for $200). Do you see it now?

So why did they do that? Well, Cazenovia made a mistake putting his Financial Aid Package together. With an understanding of the Financial Aid System, we politely made them aware of their error and they took the proper steps to fix it.

What? I know, I know. How are you supposed to understand the Financial Aid System and then politely let the college know? It's a valid question, but let me assure you, I will answer that soon. For now, let's keep going.

Do you notice anything wrong with this next actual Financial Aid Award Letter?

R·I·T

2006-2007 Financial Aid Award

Office of Financial Aid and Scholarships
56 Lomb Memorial Drive
Rochester, New York 14623

585-475-2186 Voice
585-475-6909 TTY
www.rit.edu/financialaid

Michael 03/14/2006

Award	Summer	Fall	Winter	Spring	Total
RIT Grant		$666	$667	$667	$2,000
RIT Presidential Scholar		$1,000	$1,000	$1,000	$3,000
RIT Computing Medal Sch		$1,000	$1,000	$1,000	$3,000
Estimated TAP Award		$166	$167	$167	$500
Subsidized Direct Loan		$875	$875	$875	$2,625
Federal Perkins Loan		$1,000	$1,000	$1,000	$3,000
Federal Work Study *					$2,100
Total Financial Aid		$4,707	$4,709	$4,709	$16,225*

All aid is subject to change if additional data requested conflicts with information originally submitted on your financial aid forms.

Don't worry. If you didn't notice anything, that is good. Why? Because by itself, it doesn't really mean anything. But now take a look at the revised letter on the next page and notice the $2,000 increase in grant money (free money) listed as "RIT Grant Increase."

Amendment

Office of Financial Aid and Scholarships
56 Lomb Memorial Drive
Rochester, New York 14623

585-475-2186 Voice
585-475-6909 TTY
www.rit.edu/financialaid

R·I·T

2006-2007 Financial Aid Award

Award	Summer	Fall	Winter	Spring	Total
RIT Grant Increase		$666	$667	$667	$2,000
RIT Grant		$666	$667	$667	$2,000
RIT Presidential Scholar		$1,000	$1,000	$1,000	$3,000
RIT Computing Medal Sch		$1,000	$1,000	$1,000	$3,000
Estimated TAP Award		$166	$167	$167	$500
Subsidized Direct Loan		$875	$875	$875	$2,625
Federal Perkins Loan		$1,333	$1,333	$1,334	$4,000
Federal Work Study *					$2,100
Total Financial Aid		$5,706	$5,709	$5,710	$19,225*

All aid is subject to change if additional data requested conflicts with information originally submitted on your financial aid forms.

Why did RIT give $2,000 more free money in the revised letter? Because the information that RIT had in order to put this package together was outdated. They were unaware of a current business loss my client had suffered. We politely made them aware of the situation and they generously offered more grant money.

The point I'm trying to make is this:

If you are qualified to appeal for more Financial Aid and you don't, or do so incorrectly, you will be giving up thousands of dollars in lost Financial Aid.

So here is the solution:

If you are entitled to it, you need to Appeal your Financial Aid Award correctly for more money.

Let me explain. If you have properly identified the amount of money you should be getting from a college (don't worry, we'll discuss that soon enough), and your Financial Aid Award Letter is less than that amount, you should appeal.

There is a right way and a wrong way to appeal, of course. For example, which one of the following two appeal letters do you think would produce better results?

Letter #1

March 1, 2008

ABC College
Financial Aid Office
123 Any Street
Anytown, NY 12345

RE: John Q. Smith, Student ID: 12345

Dear Financial Aid Committee,

We have reviewed your financial aid offer for the 2009/2010 school year. The amount that you gave us will not be enough.

Our family doesn't make much money so we feel that we should be able to get more free money at your school.

Also, my salary was cut this year so money will be even more tight.

Please let us know how much more money you can offer us.

Thank you,

Mr. and Mrs. Smith

Letter #2

March 1, 2008

ABC College
Financial Aid Office
123 Any Street
Anytown, NY 12345

RE: John Q. Smith, Student ID: 12345

Dear Financial Aid Committee,

We have reviewed your financial aid offer for the 2009/2010 school year. While we are very appreciative of $3,100 Class of 1956 Scholarship and $2,000 Heritage Award, due to our family situation, we will most likely be financially unable to afford to send John to ABC College. Can you help us?

The estimated cost of attendance at your school is over $28,200. Our family contribution, according to the U.S. Department of Education, is $3,177. Therefore, our need is in excess of $25,928. The package you offered me contains aid totaling $13,403, or only about 50% of the total need. Can you please consider this?

According to the CollegeBoard, we noticed that the average freshman last year received $9,785 in scholarship/grant awards. John received $5,100 in scholarship/grant money. Is there any chance that this could be reviewed?

In addition, Mr. Smith's salary was cut by $10,000 this year due to the state of the economy. We have enclosed the documentation showing last year's wages and this year's wages for your review.

Any further monetary efforts made would be deeply appreciated. We thank you, in advance, for your time and consideration of this matter. If you need to contact us for any reason, please do not hesitate to call at (315) 555-1234.

Best regards,

Mr. and Mrs. Smith

Obviously Letter #2 will better improve your chances for getting more aid over the first letter.

By properly appealing for more aid, you could save thousands of dollars on college costs, just like the examples shown above.

However, as noted above, how do you really know if you got a good deal? And how do you really know how to properly appeal?

There are two ways to find out:

1- Do extensive research on the subject yourself

2- Seek the advice of a trained professional

This is one of those times where I would highly recommend consulting with a professional. You don't want to run the risk of actually losing any aid and you want someone with experience and a track record of successful appeals.

Here's is how you do it:

Go to www.niccp.com and click on the parent section. From there find the link that at the top that says "find a CCPS advisor." Next, select the area that you live in and then find the closest Certified College Planning Specialist near you. A Certified College Planning Specialist has gone through the proper training and has passed several tests in order to be able to handle such a task.

However, if you are the type that simply MUST do all of the college planning stuff yourself, here is what I recommend. Start with this article by Don Betterton, former Director of Financial Aid at Princeton University:

http://www.simpletuition.com/pay-for-college/plan/financial-aid-award/the-financial-aid-appeal-process/

Then go to your local bookstore, or on Amazon.com and buy the most recent copy of the following guide put out by the CollegeBoard: "Getting Financial Aid."

Use the book to find out what the average awards are at the school you are applying to and compare it to your award. If it seems substandard based on your EFC (which is explained in the book and in the article I suggested) you may want to appeal.

However, without a professional, proceed at your own risk.

The Tax Man

While this section applies to all parents, it will have the biggest impact on those readers that I mentioned in the "You Need Good Form" section; those parents that make over $350,000 per year in income alone. In fact, if I may take 12 seconds to toot my own horn here, by using one of the methods I discuss in this section, I was able to save a client over $685,000 in expenses over the seven years his children went to college. To this day he is still saving almost $100,000 per year thanks to some of the tax strategies I'll be discussing soon…so listen up!

I've observed over the past decade that most people either complete their tax returns themselves, or drop them off at their tax preparer's office and wait for the phone call when they are ready to be picked up.

While this may not be a major problem most of the time, it can cost you big time in lost deductions and credits when your child is in college.

There are several Federal and State tax deductions and credits that you can take on your tax returns when it comes to college. Even some that reduce your income reported to the IRS.

If you use Turbo Tax, or another tax software program, it only knows the information that you actually put into the program. If you don't put your college cost information in correctly, it can't possibly give you the best deductions and credits. It also can't compute two tax returns simultaneously…meaning that you may have been better off using the deduction or credit on your child's tax return rather than yours. Heck, you may even be better off (if you're married) to file married filing separately.

Most accountants and CPA’s do hundreds to thousands of tax returns each year. They usually don’t take the extra time to review your college cost information to see how to position your tax deductions and credits for the next four years (or more).

I can’t tell you how many tax returns I’ve seen where there are no education deductions or credits at all! Why? The college may not have issued a 1098T tax form or it was mailed to your child and it never got to you.

My point is already proven if you said, “What the heck is a 1098T form.” So you know, it’s the form the college issues showing the amount you paid and how much you received in free money.

Tax software and tax preparers need to have this form in order to claim some deductions and credits. Since parents are not familiar with these different forms, they don’t even think twice about it. Had you heard about a 1098T before I mentioned it? That is just one example.

Business owners are the biggest culprits, especially those who earn too much income to qualify for Financial Aid. There are so many allowable tax deductions and credits for college, but with over 40,000 pages of tax code, they don’t know which ones to take. Their tax preparer is, in most cases, too busy doing other returns or may not even know about these deductions themselves.

Most business owners I meet with have never heard of some, or any of these deductions, credits, and tax strategies:

- Health Reimbursement Plan
- Health Savings Account (HSA)
- Hiring your Child

- Deducting a Child's Car (this is a very little know technique)
- Change of Entity
- Education Assistance Plan or Tuition Assistance Program
- Gift and Leaseback Program
- Appreciated Asset Gifting
- Section 1.163-10T(0)(5)

These are just some of the biggest examples. If you and your tax preparer have not discussed these tax deductions and credits, or if you have never heard of them, you are probably spending thousands of additional and unnecessary dollars each year on taxes.

For example, spending just $10,000 a year on insurance premiums can result in an additional $1,500 in taxes without a Health Reimbursement Plan. Hiring your child can shift income to a lower tax bracket and allow you to even deduct his or her vehicle from your business potentially saving you thousands. A Tuition Assistance Program can allow you a deduction of up to $5,250 per year in college tuition costs. Section 1.163-10T(0)(5) can allow you to deduct home interest as a business expense which can help save thousands with a child going to college.

Again, these are just some examples.

In fact, the business owner I mentioned earlier that saved over $685,000 while his children were in college ended up changing his entity type, hired his children, deducted their cars, set up an education assistance plan, incorporated a Health Reimbursement Plan, and gifted appreciated assets away.

Now what if you don't own a business, make over $350,000 in income, complete your taxes with your preparer who ensures you have your 1098T form, and are getting all the deductions you're entitled to?

Well, there are several things you could probably do to be more efficient, but there is one technique in particular that may save you thousands if you are still paying on your house (or any house that you have). In fact, you don't even have to make over $350,000 to use the technique. All you need is a mortgage and an excess income of $1,000 per month that is just sitting in a checking or savings account.

I'll get to what that is in just a bit. For now I'm getting ahead of myself.

So, how do you make sure to get the college deductions and credits you are entitled to? Here is what you need to do. For those parents who are not business owners, you need to keep track of all of your college expenses each year. When it comes time to complete your taxes, MAKE SURE you have a 1098T form from the college. If you don't, you need to call the school's bursars office and find out why.

Be sure to carefully enter the information into your tax program if you are using one, or give all of this information to your tax preparer. When you review your return, check to see that there is an education deduction on your return somewhere.

If you are a business owner, I recommend you review the 3 online videos on this web page:

http://parents.niccp.com/video-presentation.asp

They discuss some of the tax deduction and credit strategies I mentioned above. You will see that it is not uncommon to save over $10,000 to $20,000 each year. In fact, the clients I save the most money are always business owners.

You may also want to find a CPA that is well versed in this field. You can start by doing a Google search for “CPA in ‘your town’ college planning.” Of course I’m biased, but you could always use our affiliate, United Financial Services. They can be found on the web at www.unitedfinancialservices.org and prepare returns for business owners and individuals all around the country.

Now, for those of you with an extra $1,000 a month going into your savings/checking account and are still paying on a mortgage, there is a way to shave thousands of interest expenses (for those of you that this doesn’t apply to, you can feel free to head to the next section, but heed my warning, you may be missing some of my famous witty humor).

First, don’t get caught up in how simple this plan is. This plan actually has sold for thousands of dollars during late night infomercials. What it does is take advantage of the well known fact that when you pay off a loan, you pay mostly interest at the beginning.

So here is what you do. And again, don’t make it harder than it has to be. Go and get a home equity line of credit (HELOC) for at least $12,000. Take that $12,000 and apply it to your mortgage “principal only.” Each month take your extra $1,000 that went into your saving/checking account and use it to pay your HELOC. In about a year when the HELOC is paid off, repeat the process. Every year or so just keep repeating the process until your mortgage is paid off.

What did I tell you? Simple. Yes, again, the plan sold for thousands of dollars. Do you know why?

IT WORKS! And in a big way too. For example, a $225,000 30-year mortgage at a 5.5% interest rate will, after interest, will cost you a grand total of about $460,000. Using the plan outlined above it will cost you about $310,000 and it will be paid off in just under 11 years! So, this "simple" plan will save you about $150,000 in interest costs. I don't know about you, but I'd pay pretty hefty to save $150,000 and knock off over 19 years of mortgage payments.

Laughing All The Way to the Bank

Let's face the facts. The majority of parents do not have enough money saved for their children's college education. So what does this mean?

It means that they will ultimately have to rely on loans to fill the cost gap.

Sure, so far I've given you the tools necessary to save between $30,000 to $50,000, but odds are that you will still need to take out some sort of loan. So, now I'm going to tell you how to save money on that too.

There are several loans available to students and families. Although I will admit they are a little harder to come by after the financial meltdown in 2008. Some of these loans include:

- Perkins Loans
- Parent Plus Loans
- Subsidized Stafford Loans
- Unsubsidized Stafford Loans
- Home Equity Loans
- Alternative or Collegiate Loans

After all of these choices, I can see why parents get so confused, since each one of these loans has their strengths and weaknesses.

In fact I recently received a call from someone who had taken out an Alternative Loan. She said that she had good credit and received an offer from a loan company to borrow $13,000 for 15 years at an 11.24% interest rate with a 5% Origination Fee. She asked me if this was normal for someone in her situation.

After reviewing her information, I determined that it was not a good loan offer. Including the origination fee, she would have paid $27,600 over 15 years.

After completing a loan review, we were able to get her the same loan with a 7.74% interest rate and no origination fee. Over the life of the loan it will save her $5,588. Since she will need to borrow $13,000 each year for four years, her total savings will be $22,352!

By choosing the right loan, you can save thousands of dollars of loan interest, just like the example above.

So how do you select the right loan?

The majority of the time you want to take these loans first, in this order:

- Perkins Loan
- Subsidized Stafford Loan
- Unsubsidized Stafford Loan

If these loans do not cover the cost, there are other loans available. Due to the current interest rates, most of the families that I have worked with have been opting for either an Alternative Loan or HELOC.

An Alternative Loan is a loan in the child's name, but usually must include a credit worthy cosigner also. It can be deferred until the child graduates or drops below half-time.

The best place to find and compare Alternative Loans is www.simpletuition.com. In fact this is the website we used to help the woman in the example above.

If you don't want the loan in your child's name, or don't like the thought of a variable interest rate, you can opt for a parent plus, but just know that as of right now, it will probably cost you more than an Alternative Loan or a HELOC.

Please note: If you are a parent that does not have good credit, and get denied for a Parent PLUS loan, your child may be able to receive an additional $4,000 in an Unsubsidized Stafford Loan. Contact the Financial Aid office at your child's college if this happens to you and they will show you how to get the extra $4,000.

For more information and some free guides that the US Department of Education has that go into detail on all of the college loans available, visit their website at www.FederalStudentAid.ed.gov.

Even Men Should Ask for Directions

The main difference between those who receive maximum college funding and those who don't is often a matter of knowing what to do, and when to do it. Many experts even claim that when it comes to the cost of a college education there are two prices, one for the informed and one for the uninformed.

As you can see from the preceding sections, if you don't use the college funding systems in place, legitimately and within the required time frame, whether you're interested in a four-year public school, a four-year private school, a community college, or a school specializing in some particular field, you will most likely be wasting thousands of unnecessary dollars on college expenses.

The book *Paying for College without Going Broke* points out that, "A good financial aid consultant will do far more than simply fill out forms. Anyone can throw together numbers on paper. Principally, you hire a consultant to examine your entire financial situation ahead of time and make recommendations to increase your aid eligibility. A good consultant will know the specific rules that govern aid in your state, will be up to date on the constantly changing regulations that govern tax law and financial aid, and will assist you to complete the forms to maximize your aid eligibility."

The College Board also notes, "The more information you are able to provide up front about your family's situation, the easier it will be for the financial aid office to identify and address your need and eligibility for assistance. Missed deadlines, incomplete or inaccurate answers, and messy or illegible forms can hurt you… Very few families pay the full 'sticker price' for education beyond High School. Financial aid programs and financing options help supplement the amount a family is able to pay toward the total cost of college….To improve your chances of getting the financial help you need, you must know what you have to do, when you have to do it, and how to do it right—the first time."

I've found over the years that parents don't know what they don't know. Now, go back and read that line again until it becomes clear.

So here is my final piece of advice for this book:

When you are embarking on something of great importance, it usually pays to seek out the advice of an expert. When you are buying a house, you will most likely use a Real Estate Agent. When you complete a Last Will and Testament you will most likely use an attorney. When you have an involved tax return, you will surely call a CPA. I can't imagine then, when you are talking about the future of your child and the potential great expense it will cost, that you wouldn't at least speak to a college planning expert.

In most cases, an initial consultation and a review of your current college plan won't cost you a penny. And also keep in mind, this book only discusses the biggest mistakes that I personally see. There are still several other pitfalls that parents make that end up costing their family money as well.

So I highly recommend that you at least speak with a college planning specialist. Again, there are many available, but I suggest you find one that is certified.

What is a Certified College Planning Specialist (CCPS)? By definition, a CCPS is a financial planning professional who has demonstrated his or her knowledge by meeting the requirements of the National Institute of Certified College Planners (NICCP).

These requirements include passing a series of three tests on college-related topics including: investments for college, tuition tax credits and deductions, tax planning, and student grants, loans, and scholarships. CCPS designees must refresh and expand their expertise regularly by obtaining 12 hours of continuing education credits in college planning every year.

Again, if you would like to find one in your area, visit www.niccp.com, click on the parent section, and then click on "find a CCPS advisor."

Final Thoughts

Fortunately there are thousands of families that effectively maximize their college aid money and minimize their costs. However, there are millions out there that haven't been helped; many wasting thousands of dollars each year in unnecessary college expenses.

It happened to me personally, spending over $23,000 in unnecessary expenses, and it gets me frustrated every time I see a parent go through the same thing.

I want to help as many families as I can not make the same mistakes I did, or so many other families do every year.

That is why I wrote this book, why I teach families across the country about the process, and why I volunteer to help different communities and organizations understand the process.

I'd like you to know that my office can be reached with any questions you may have at: info@innovativecollegeplanning.com

Other Resources

If you are looking to get more information on the college funding process, you may find the following websites helpful:

College Planning Help

www.niccp.com

www.savingforcollege.com

www.finaid.org

www.FederalStudentAid.ed.gov

College Searches and Advice

www.collegeboard.com

www.petersons.com

Career Planning

www.careerdimensions.com

SAT/ACT Prep

www.eprep.com

Free Scholarship Searches

www.collegeboard.com

www.fastweb.com

References:

The College Board, Trends in College Pricing 2008, Trends in Higher Education Series, 2