TOP 15 FINANCIAL AID PLANNING STRATEGIES

Source: www.finaid.org/sitemap/

1. Family should actively search for non-need scholarships (merit, private donor, local).

2. Submit the FAFSA, either on-line or by paper, by the deadline specified by your state on the front page of the application. Regardless, you cannot file the form until January 1. It is advantageous to file as soon as possible, so FAFSA suggests you use "estimated" figures, then update when your base year taxes are completed.

3. For financial aid purposes, the tax year prior to your student's high school graduation is the reporting ("base") year. Use base year for income, FAFSA submission date for assets.

4. Save money in the parents' name, not in the student's name.

5. Maximize contributions to retirement plans and insurance plans.

6. If possible, do not accept "extra" money (bonuses, tax refunds, etc.) during the base year.

7. Pay down your mortgage and other debts to reduce reportable assets (cash).

8. Spend down the student's assets and income first, before the parents'.

9. Accelerate necessary expenses to reduce reportable cash. For example, if you need a car or computer, buy it before you file the FAFSA.

10. If you feel your family's financial circumstances are unusual, i.e., if your income and/or assets are/were substantially affected during the base year, write a short, succinct, letter of explanation to each college's financial aid officer. Follow this up with a phone call or in person conversation. Sometimes the college will adjust your financial aid package to compensate, using a technique called, "Professional Judgment".

11. Do not invade your retirement fund to pay for college. If you must use some of the money, borrow rather than withdraw it. Be cautious of early withdrawal penalties.

12. Minimize educational debt, but if you choose to borrow, govt. loans administered by colleges are low interest and have excellent repayment provisions.

13. Ask grandparents to wait until the grandchild graduates from college before giving them money to help with their education.

14. Trust funds like UGMA's, are generally ineffective at sheltering money from the financial aid formula and can backfire on you, as sole ownership reverts to the recipient at age 18.

15. Prepaid tuition plan (MET) is reported as a parent asset (investment) on the FAFSA.
    Education savings plan (MESP) is reported as a parent asset (investment) on the FAFSA.
    Coverdell plan is reported as a student asset (investment) on the FAFSA.
    Uniform Gift to Minors Account (UGMA) reported as a student asset (investment) on the FAFSA.

6/6/10