

# Get the MOST from Financial Aid

(based on *Money Magazine*, Jan. 2006)

**January 1** marks the start of the financial aid season for the following school year, and it's also the day the federal government begins accepting submissions for Free Application for Federal Student Aid (FAFSA). Here are some tips to qualify for more financial aid and save yourself some of the headache associated with this ritual:

## **TIP #1: FILL OUT THE FAFSA.**

Don't assume you won't qualify. It's possible that a family with a six-figure income will still be eligible for some aid. Each family situation is unique and if you have other siblings in school or other circumstances, you might find yourself qualifying for more than you expected. Also, many school-sponsored merit scholarships require a submitted form, even if the scholarship isn't based on need at all. As the saying goes: it's better to try and fail than never try at all.

## **TIP #2: TELL YOUR PARENTS TO SPEND SOME MONEY.**

Schools typically count as much as 5.6% of assets in the parents' names (outside of home and retirement assets) toward your annual expected family contribution (EFC), the amount you and your parents are supposed to come up with each year to fund your schooling. This is key: you list those assets as of the day you file the form. In other words, now is a great time to pay down credit card debt, mortgages, and other loans that will help your parents reduce cash assets. You can even have your parents make some of the big anticipated college-related purchases now, before you fill out the form. After all, PCs, cars, furniture, appliances, and cell phones don't count as assets.

## **TIP #3: TELL YOUR PARENTS TO USE THEIR RETIREMENT ACCOUNTS WISELY.**

Money in IRAs and such don't count as assets, so be sure they make their contributions before you file. And avoid using your parent's retirement account balances to pay for school, as whatever they withdraw will be calculated as income next year (22% to 47% of income goes toward your contribution, depending on how much your parents make).

## **TIP #4: REMEMBER THIS NUMBER: 35%.**

That's the percentage of your assets that count toward your contribution. What does this mean? Any money you've been saving in your name—or that grandma and grandpa have given to you—will increase your expected contribution. What can you do? Use money in these accounts to pay for some of those previously mentioned anticipated expenses (see Tip #2) and reduce your cash assets. Also, make sure that grandparents or other generous relatives write any checks for school to you or—better—suggest they open a 529 college savings plan in their own names, with you as beneficiary.

## **TIP #5: WORK WITH THE SCHOOL (AND ASK THEM TO WORK WITH YOU).**

Schools issue financial aid offers in the spring. Once you get the offer, you can still ask for a "professional judgment review," wherein you can document special circumstances and ask them to consider factors such as a parent's job loss, medical costs, business setbacks, and tuition costs for siblings. Financial aid officers are generally amenable to hearing tactful appeals, and they will try to work with you.

And you thought taking a test was hard! Now it's really time to get to work: take a deep breath, get out that calculator, go to [fafsa.ed.gov](http://fafsa.ed.gov), and keep this cheat sheet handy. Good luck!



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