

FINANCIAL AID TIPS from FinAid

Updated 01/11

1. Save money in the parent's name, not the child's name. Or use a savings vehicle that is treated like a parent asset, such as a 529 college savings plan, prepaid tuition plan or Coverdell Education Savings Account.
2. Pay off consumer debt, such as credit card and auto loan balances.
3. Parents should go back to school to further their own education at the same time as their children, or have multiple children in college at the same time. The more family members in college simultaneously, the more aid will be available to each. (Note: This strategy is not as effective as it once was, as whether the parents count is now an item subject to professional judgment review. The school will want to see documentation that the parent is genuinely pursuing a degree, since this is prone to fraud. Many schools will merely reduce income by the amount the family spends for the parent's education, instead of increasing the number in college figure.)
4. Spend down the student's assets and income first.
5. Accelerate necessary expenses, to reduce available cash. For example, if you need a new car or computer, buy it before you file the FAFSA.
6. If you feel that your family's financial circumstances are unusual, make an appointment with the financial aid administrator at your school to review your case. Sometimes the school will be able to adjust your financial aid package to compensate using a process known as Professional Judgment.
7. Minimize capital gains.
8. Maximize contributions to your retirement fund.
9. Do not withdraw money from your retirement fund to pay for school, as distributions count as taxable income, reducing next year's financial aid eligibility. If you must use money from your retirement funds, borrow the money from the retirement fund instead of getting a distribution.
10. Minimize educational debt.
11. Ask grandparents to wait until the grandchild graduates before giving them money to help with their education.
12. Trust funds are generally ineffective at sheltering money from the need analysis process and can backfire on you.
13. Prepay your mortgage.
14. A section 529 college savings plan owned by a parent has minimal impact on financial aid, and one owned by a grandparent has no impact on financial aid.
15. Choose the date to submit the FAFSA carefully, as assets and student marital status are specified as of the application date.

For more tips and information, go to FinAid's website: www.finaid.org/fafsa/maximize.phtml.