

SPECIAL REPORT



10 MYTHS ABOUT PAYING FOR COLLEGE

Written by College Benefits Research Group

MYTH #1

MY FAMILY MAKES TOO MUCH MONEY TO RECEIVE FINANCIAL AID.

THE TRUTH: Every college bound student MUST fill out the Free Application for Federal Student Aid (FAFSA) in order to qualify for any Federal Aid. This form needs to be filed every year the student is in college. Even if the deadlines have passed, it is still important to get this application submitted.

We tell our families, “It is important to keep in perspective how each particular school gives money – some schools give lots of need-based aid, some schools give merit-based aid, some give neither, and everywhere in between – and the FAFSA is the starting point.” Once that’s done, the family should look for any additional financial form requirements at each school where their child applied.

MYTH #2

THE FAFSA IS THE ONLY PLACE TO GO TO RECEIVE NEED BASED AID.

THE TRUTH: The FAFSA is the primary resource used by the colleges and the government so filing it correctly puts you in the best position for receiving this type of aid.” Grants can become an option. A grant is monetary aid that does not have to be paid back. It is based off the financial needs of an individual and their capacity to afford higher education.

As we say to our clients, “There are several types of grants; those sponsored by the federal government, those sponsored by the state governments, those provided by the schools themselves and those offered by private or non-profit organizations.”

MYTH #3

529s ARE THE ONLY WAY TO SAVE MONEY FOR OUR CHILDREN'S COLLEGE EDUCATION.

THE TRUTH: Although cleverly named "College Savings Plans" 529 plans are only one strategy people use to fund college educations. One of the biggest misconceptions is that these accounts protect or guarantee your savings. The reality is that they are investment products which can lose value and they are specifically included in the FAFSA calculation.

529 Plans offer tax-free growth when the funds are used for qualified educational expenses, however, 529 plans do not provide any investment guarantees. Some offer age based allocations which lower equity exposure as your student nears college age. Others are straight up investments which leave the responsibility to you. You may want to consider the 529 plans of Michigan, Maryland, Massachusetts and New York. These plans typically have lower fees, greater breadth of investment options and managers, low initial contribution amounts and high plan maximum account values. Whichever plan you choose, the investment allocation of a 529 should be reviewed on at least a semiannual basis.

MYTH #4

IF THE SCHOOL DOES NOT OFFER MY CHILD ANY FINANCIAL AID, THEN WE HAVE NO OTHER PLACE TO TURN.

THE TRUTH: Financial aid opportunities are everywhere. The first place to start is the website for the [Higher Education Student Assistance Authority \(HESSAA\)](#). There you can find information about the Tuition Aid Grant (TAG), a need-based award that could run as high as \$9,000 at some New Jersey public universities and almost \$12,000 at some New Jersey private schools.

There is also the Educational Opportunity Fund Grant (EOF), a need-based award that also considers capability and motivation. The amounts can range from \$200 to \$2,500 per year. *We suggest looking at programs that are not need-based. There are still many resources available regardless of how late in the game you are.* Last, you can seek scholarships through the internet by simply using your favorite search engine.

MYTH #5

MY DIVORCE WILL HAVE NO IMPACT ON MY CHILD'S FINANCIAL AID.

THE TRUTH: Divorce does play a factor and here is why. It is NOT who takes the student as a dependent on their tax return that matters to the Government or the colleges; it is who is the custodial parent that counts! *Deciding which parent retains full custody will have a significant impact on financial aid.*

A divorce agreement should clearly explain who is paying, how much is specifically being paid, and which types of schools are being considered -- for each child *individually*. Assets that are agreed to be used to pay for college should be segregated into custodial accounts for each child separately. Such specificity prevents costly conflict in the future. It also ensures that the funds will be used appropriately and as agreed upon.

MYTH #6

IT DOESN'T MATTER WHICH ASSETS OR PRODUCTS THAT I HAVE MY MONEY IN WHEN IT COMES TO FINANCIAL AID.

THE TRUTH: If your student places well (in the top 20%) at the schools they are applying to and if the colleges provide need and merit based aid, then how you have your assets positioned can have serious consequences and impact. Some types of assets have to be reported when applying for financial aid while others do not. What is asked for can vary depending upon which financial aid forms each school requires.

Some mistakes people make without realizing it until it is too late is using qualified retirement distributions to help pay for college. Not only do the monies withdrawn now show up as reportable assets, they also count as additional income in the calculation. Parents need to realize that while some college savings plans such as 529s and UGMAs have many benefits, they can also have drawbacks.

MYTH #7

ONCE I FILL OUT THE FAFSA, MY FINANCIAL AID SEARCH IS COMPLETE.

THE TRUTH: The Free Application for Federal Student Aid ([FAFSA](#)) makes student eligible for aid, however, there are other options in addition to the FAFSA to consider. The College Scholarship Service Profile (CSS), for example, allows students to be considered to receive financial grants from hundreds of schools and scholarship programs around the nation. There can be college specific financial aid forms as well. Families must be financially qualified to receive loans.

Remember, whatever financial aid or loan arrangement is chosen; it must be enough to cover all four years. Each school may have different deadlines depending on how you have chosen to apply, make sure you note these deadlines and submit your forms on time. ***FAFSA goes live October 1st!*** Please remember our motto; “Early is on time”—financial aid is given out on a first come first serve basis—don’t lose out because of a late submission.

MYTH #8

ONCE MY CHILD RECEIVES HIS/HER FINANCIAL AID PACKAGE, THAT'S ALL THE MONEY WE CAN HOPE FOR.

THE TRUTH: When the financial aid award letter arrives and it's less than expected, it can really demotivate some students from attending school. What many families and students don't realize is these awards can sometimes be appealed. The first step in filing an appeal is simply having a valid reason. Next one should follow the school specific protocol published for appealing a financial aid award. *We tell our families, that, if possible, students should attempt to appeal their awards in person. To meet in person shows interest on the student's part and can carry more weight than a letter. It is more difficult to refuse someone in person than on paper.*

Finally, students should look beyond financial aid to see what other help the school can provide. One of the key things to remember is that students should be asking for help, not for money. There are many ways a school can help and it is never too late to revisit your financial aid award if you're concerned about the amount you been offered. Remember, as students confirm their spots for enrollment, some aid may become available.

MYTH #9

JUNIOR YEAR IS TOO EARLY TO START THE COLLEGE PLANNING PROCESS.

THE TRUTH: 11th grade or junior year of high school is the game-changer. It finally seeps in to both student and their family that one year from now – they will be receiving acceptances into colleges. And how that process will go **PEAKS RIGHT NOW!** There's just one little problem – **STUDENTS** and **PARENTS** are overwhelmed and need a plan to get to the starting gate.

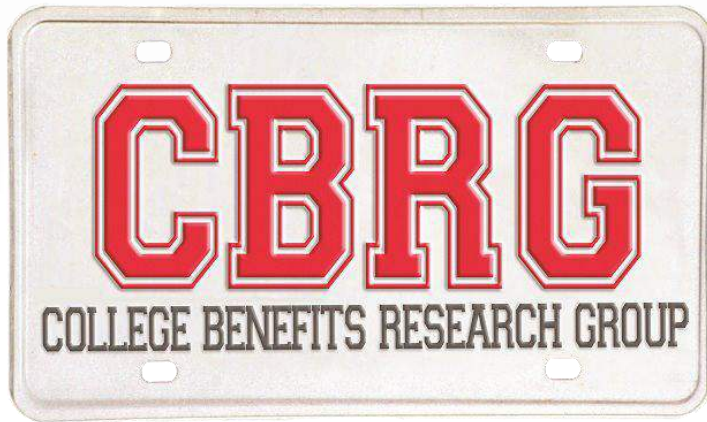
The student should continue to stay focused with his or her classes and grades. Parents should ensure that the child is meeting with counselors and fulfilling all graduation requirements. The student should then take the PSAT, which is the test that qualifies you for the National Merit Scholarship Program, and is good practice for the SAT. *Decide whether you are taking the SATS, ACTS, or both. Typically, we suggest taking each test at least once, and retaking the one in which you score higher again in your senior year.* College fairs should be attended and a realistic college list should be created by the student. With this list, both students and parents can know what to expect in regards to financial aid options.

MYTH #10

SENIOR YEAR IS TOO LATE TO MAKE ANY REAL DIFFERENCE.

THE TRUTH: IT'S NOT TOO LATE TO FILE – There may still be ways to minimize how assets are counted in the financial aid process. Ask yourself if the schools on your list will give you money based on your financial and/or academic standing, or if you should add a couple more options that will ensure affordability. Get your financial aid forms in order. Be aware of the financial aid forms required by your chosen colleges. It is not too late for a high school senior to make a financial contribution to his/her college education. They can look for a summer internship that offers college credit. These can be applied towards a timely graduation and save money on tuition.

Of course, the student can also look for a summer job where they can make money to use towards their college expenses. Additionally, the student needs to consider how they will be applying to each school: early decision, early action, regular, or rolling admissions. Be mindful that applying early decision is binding! If accepted from early decision the student **MUST** attend the school, often before financial aid is offered. Once bound to the school, it is much more difficult to negotiate for additional aid.



ABOUT US

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Our mission is to serve college-bound students and families by demystifying the process of searching for a proper college “fit”, and by providing outstanding support during the application and aid processes.

We’re dedicated to providing the best coaching, tools, and information to our clients. We interact with our clients in an atmosphere of mutual respect and trust.

Our extensive research takes you behind the scenes and allows you to make more informed decisions. Our process allows for flexibility to meet the myriad of familial and student needs.

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