



## COLLEGE PLANNING SOLUTIONS

### Chapter 1

## The 10 Deadly Mistakes Most Parents Make When Applying for College Funding and How to Avoid Them

We're going to start by talking about the ten deadliest mistakes almost every parent makes when trying to get money for their child's college education. If you make any one of these mistakes, it could end up costing you thousands or even tens of thousands of dollars in lost funding that you might have been eligible for.

I do not want to see you making these mistakes. That's why I have decided to devote this chapter to teaching you how to avoid these common mistakes and make sure you get the maximum amount of money from every school your child applies to.

So without further ado, let's discuss:

#### The 10 Deadly Mistakes Most Parents Make When Applying for College Funding

**Mistake #1: Assuming, as a middle and upper-middle class parent, that you won't be eligible for financial aid because you own a home and make over \$40,000 per year.**

**Reality:** Most families with incomes ranging from \$40,000 - \$100,000 per year who own homes are eligible for some form of financial aid. There are over 30 billion dollars available each year from the federal government, the states, colleges and universities, and private foundations and organizations. You just have to know how to get your "fair share". Unfortunately, most parents give up before they even start and assume they will not be eligible. This is exactly what the government hopes you will do so they can keep more of these funds. Don't make this mistake! If you fall into this category, make sure you apply; you will probably be eligible for **some** money.

**Mistake #2: Focusing your time and energy on a private scholarship search instead of spending your time trying to qualify for "need-based" financial aid.**

**Reality:** Private scholarships make up only 1% of the money available to you to help pay for your child's college education. The other 99% comes from the federal government, the state you live in, and the colleges and universities your child is applying to. Therefore, you are much better off spending your time and energy going after the 99%, rather than spending your time on the 1%.

**Mistake #3: Assuming only minority students, athletes, and academically gifted students get financial aid.**

**Reality:** Nothing could be further from the truth! "Need-based" financial aid is solely awarded based on "financial need" which is calculated by taking the cost of attendance at a school and subtracting the family contribution (the minimum amount the government feels you can afford to pay based on your income and assets and your child's income and assets). Whatever is left over after you subtract these two numbers is your "financial need" or eligibility for financial aid at a particular school. If you haven't noticed, this has nothing to do with a student's ethnic background, athletic ability, or grades. It is purely based on this simple formula:

COA (Cost of Attendance)  
- EFC (Expected Family Contribution)  
= FN (Financial Need)

**Mistake #4: Picking colleges and universities without paying attention to how your student compares to the rest of the student body.**

**Reality:** To increase your chances of receiving the best possible financial aid packages, it is imperative that you pick schools where your child lies in the top 10% of the incoming freshman class with respect to their GPA and SAT/ACT scores. Although schools give financial aid based on your calculation of "need" at their school, they will definitely give preferential packaging (i.e. more FREE money, less loans) to students who lie in the top 10% of the incoming class. The reason they do this is to attract the better students to their school. Use this to your advantage by applying to only to those schools where your child would fit into the top 10% category.

**Mistake #5: Assuming all schools are created equal and will be able to give you the same amounts of money.**

**Reality:** All schools are not created equal and will not be able to give you the same financial aid packages. Some schools are well endowed and get a lot of money from alumni and corporations. These schools have more money to give out and are generally able to meet most or all of a student's financial need at their school. Other schools, like state universities, get no private funds and rely solely on state and Federal funds to help fill a student's need at their school. In many cases, these schools leave students short by giving them less money than they are eligible to receive. It can actually end up costing you more to send your child to a "cheaper" school if they don't have the money to meet your need. It is very important that you know each school's history of giving money before you ever apply, so that you are not blown away when you get a bad financial aid package from your child's top school choice.

**Mistake #6: Not understanding the difference between "included assets" and "excluded assets" for purposes of filling out financial aid forms.**

**Reality:** Certain assets are counted much more heavily in the financial aid formulas than others. For example, savings accounts, CD's, stocks and bonds are all included and asked about on the federal financial aid form. However, it does not ask about the value of annuities or cash-value life insurance anywhere on that same form.

**Mistake #7: Thinking, “It doesn't matter where I keep my money, it's all counted in the same way.”**

**Reality:** Nothing could be further from the truth. Where you keep your money could mean the difference between you getting \$10,000 in financial aid or getting nothing! For example, money in the child's name is weighted much more heavily than money in the parent's name. If you don't know how to legally and ethically position your money properly for purposes of financial aid, you could end up losing thousands in financial aid!

**Mistake #8: Thinking, “My CPA or tax preparer is qualified to fill out my financial aid forms, I'll let them do it.”**

**Reality:** Unfortunately, CPA's and tax preparers are experts at tax planning and preparation, not financial aid planning. For example, a CPA or tax preparer might suggest that you put some or all of your assets in your child's name to save money on taxes. While this advice is well meaning, it will usually kill most or all of your chances of getting financial aid. Also, CPA's and tax preparers are not trained in filling out financial aid forms. In many cases, they will unknowingly fill out these forms improperly (i.e. using pen instead of pencil, using white-out to cover mistakes, omitting social security numbers, etc). These "minor" mistakes will bump your financial aid forms. If this happens, you will have to re-submit these forms all over again, and you will probably end up losing thousands in financial aid since it is awarded on a first come, first served basis.

**Mistake #9: Waiting until January or - even worse - after January of your child's senior year of high school to start working on your college financial aid planning.**

**Reality:** Since financial aid is based on your previous year's income and assets, it is imperative to start your planning as soon as possible before January of your child's senior year. If you want to legally set up your income and assets so you can maximize your eligibility for financial aid, you must start working on this, at least, one year in advance - preferably in the beginning of your child's JUNIOR year of high school. The longer you wait and the closer it becomes to your child's senior year, the tougher it gets to set up your financial picture without creating a "red flag" for the colleges and universities. It is also important for you to know what your "Expected Family Contribution" is so you can start saving for it. Also, you should also know which schools can give you the best packages before you start visiting and applying to them. My advice is, if you haven't started planning, **do it now!**

**Mistake #10: Going through the financial aid process alone because it's "cheaper".**

**Reality:** If this describes you, the colleges and federal government are going to love you! This allows them to keep control over the process instead of you, the parent, understanding how the financial aid process works and having control. It always amazes me that people will readily use a doctor when they get sick or a lawyer when they get sued, but, suddenly, when they are going to send their child to college and spend between \$10,000 - \$28,000 per year, parents want to save themselves a couple of dollars by going through the financial aid process themselves. Unless you spent the last 5 - 10 years of your life studying and understanding the financial aid process, there is no way you are going to know how to get the maximum amount of money from each school. And, if you do try it yourself, you will probably spend countless hours trying to figure the process out. "Don't be penny wise and dollar foolish!" Use an expert who can help you through this process and make sure you get everything you are entitled to.