



STRATEGIES FOR INCREASING FINANCIAL AID FOR COLLEGE

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FILE THE
FAFSA ASAP

- The Free Application for Federal Student Aid (FAFSA) is a gateway to need-based student financial aid from the federal and state government and most colleges.
- You can't get aid if you don't apply.
- File the FAFSA as soon as possible on or after October 1 to avoid missing state and college deadlines. Some deadlines are very early or even on a first-come, first-served basis.
- Do not wait until after the student has been admitted by a college or after filing federal income tax returns to submit the FAFSA. It is okay to use estimated income and tax information. Use the IRS Data Retrieval Tool to update the FAFSA after filing federal income tax returns.

FILE THE FAFSA EVERY YEAR

1. File the FAFSA every year, even if you received no aid other than loans last year.
2. Financial aid increases with college cost, not just decreases in family income and assets. Even a wealthy student might qualify for need-based aid at an expensive college.
3. Changes in the number of children in college can have a big impact on the Expected Family Contribution (EFC). The parent contribution portion of the EFC is divided by the number of children in college.

PROOFREAD THE FAFSA THOROUGHLY

- File the correct year's FAFSA. From October to June there are two versions available, this year's and next year's. More than 90% of students want to file **next year's form**, for the fall term.
- Do not leave any field blank. Enter a 0 if the answer is zero.
- Spell names exactly as they appear on the Social Security card. Double-check to make sure the Social Security Number is entered correctly.
- Use the correct date of birth. Double-check the birth year.
- Review dollar amounts to ensure that there aren't any digit transpositions or extra digits.
- If a stepparent is married to the custodial parent, include the stepparent and his/her income and assets on the FAFSA, regardless of any prenuptial agreements.
- If divorced or unmarried parents live together, they are treated as though they are married on the FAFSA.

TWEAK DEMOGRAPHIC INFORMATION

- Increase the number of children enrolled in college at the same time to increase eligibility for need-based financial aid.
- Don't forget to count the student in household size. Also, count unborn children, stepchildren and adopted children. Do not include foster children, family members attending a U.S. military academy, or pets. Count children who receive more than half their support from the parents, even if they do not live in the household. If any of these children are enrolled in college, they may also be counted in the number in college.
- If the parents are divorced or separated and do not live together, it can be helpful to have the student live with the parent who has the lowest income.

REDUCE INCOME TO INCREASE FINANCIAL AID

- Every \$10,000 decrease in **parent** income increases financial aid by about \$3,000. Every \$10,000 decrease in **student** income increases financial aid by about \$5,000.
- Reducing parent income below \$50,000 might cause assets to be disregarded entirely on the FAFSA.
- Minimize income during the FAFSA's base year, which is the two tax years prior to the award year, and subsequent years. Avoid capital gains during the base year or offset them with capital losses. Offset business income with business losses. Defer bonuses until after the student's graduation from college.
- College savings plans should be owned by the student's custodial parent, not a grandparent, non-custodial parent or other third party. Distributions from a parent-owned plan are ignored on the FAFSA, while distributions from other college savings plans count as untaxed income to the student.
- Do not take retirement plan distributions, including hardship distributions, since those count as income on the FAFSA.
- Appeal to the college financial aid administrator when there are one-time events such as conversion of a traditional IRA to a Roth IRA, inheritances and life insurance proceeds that are not reflective of ability to pay during the academic year.

STUDENT VS. PARENT ASSETS

- Save in the parent's name, not the student's name, as student assets are assessed more heavily than parent assets.
- 529 college savings plan accounts, prepaid tuition plans and Coverdell education savings accounts are treated as though they were parent assets, if owned by a dependent student.
- Custodial bank and brokerage accounts, such as UGMA and UTMA accounts, are reported as student assets on the FAFSA and will reduce aid eligibility by 20% of the net asset value.
- Parent accounts are partially sheltered by an asset protection allowance (typically \$30,000 to \$60,000) based on the age of the older custodial parent. Any remaining parent assets are assessed on a bracketed scale that runs from 2.64% to 5.64%.
- Roll custodial accounts into a custodial 529 college savings plan account prior to January 1 of the sophomore year in high school. Liquidating the accounts may yield capital gains.
- Spend student assets first, before using the parent's money.

MINIMIZE THE IMPACT OF ASSETS

- Do not report retirement plans, such as 401(k) plans, 403(b) plans, pension plans, annuities, traditional IRAs, Roth IRAs, Keogh, SEP and SIMPLE plans, as investments on the FAFSA.
- Do not report the net worth of the family home or a family farm as investments on the FAFSA.
- Small businesses owned and controlled by the family (< 100 full-time employees) are not reported on the FAFSA.
- Pay down credit card, auto loan and mortgage debt to reduce reportable assets on the FAFSA.
- Trust funds must be reported as assets on the FAFSA, even if access to principal is restricted.
- Accelerate necessary expenses before filing the FAFSA. Carve out \$4,000 in tuition and textbook expenses to be paid with cash or loans to maximize the American Opportunity Tax Credit (AOTC). Tax-free distributions from a college savings plan cannot be used to qualify for the AOTC.

APPEAL FOR MORE FINANCIAL AID

- If the family has special circumstances, ask the college financial aid office for a professional judgment review or financial aid appeal. Ask about forms and requirements.
- Special circumstances include anything that has changed from last year to this year or anything that distinguishes the family from the typical family or impacts their cash flow.
- Examples of special circumstances include job loss, the end of child support or Social Security benefits, high unreimbursed medical expenses, private K-12 tuition for a sibling, high dependent care costs for a special needs child or elderly parent, and the number of parents enrolled in college.
- Provide supporting, independent third-party documentation for any appeal, as the process is driven by documentation.

**TELL THE TRUTH
ON THE FAFSA**

- If you purposely give false or misleading information on the FAFSA, you may be fined up to \$20,000, sent to prison, or both.
- About one-third of FAFSAs are selected for verification, based on a risk model. Some colleges verify all FAFSAs.
- Colleges have more experience in detecting fraud than families have in perpetrating it.
- The Internal Revenue Service (IRS) and U.S. Dept. of Education share data to detect fraud on the FAFSA.

Report financial aid fraud to the Office of the Inspector General at the U.S. Department of Education by calling 1-800-MIS-USED (1-800-647-8733).

INCREASE CHANCES OF WINNING A SCHOLARSHIP

- Search for scholarships ASAP using a free scholarship matching service, such as StudentScholarshipSearch.com. Students can apply for scholarships in lower grades and after enrollment in college, not just during the senior year in high school.
- Complete the scholarship matching profile as thoroughly as possible. Students who answer all of the optional questions tend to match about twice as many scholarships. These questions trigger the inclusion of specific scholarships.
- Apply to as many scholarships as possible, but only to scholarships for which you are eligible. Applying to more scholarships increases the chances of winning one, since winning a scholarship depends on luck, not just talent.
- Smaller scholarships and essay competitions are easier to win because fewer students apply.
- To avoid writer's block when writing an essay, answer the essay question out loud while recording the answer. Then, transcribe the recording and organize the thoughts into an outline. People write or type at about 30-60 words per minute, while they speak at about 200 words per minute, so the act of writing interferes with the flow of thought.
- Reuse essays, tailoring the essay for each new application.
- Proofread the essay before submitting the application.
- Look offline for scholarship opportunities, not just online. Look for scholarships in newspapers, on bulletin boards outside guidance counselor and financial aid offices, and near the jobs and careers section of the local library. If using books, check the copyright date to avoid using dated information.
- Maintain a professional online presence. Google yourself. Clean up your Facebook and Twitter accounts. Use a professional email address.

Helpful Websites and Books

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Good Books
• *Secrets to Winning a Scholarship*