



## 5 Myths of College Planning

### **Myth Number One. . .Only Students with Good Grades Get Financial Aid**

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This is a widely spread myth. Students with good grades may get accepted more quickly or receive academic scholarships but this has no bearing on financial aid. Financial Aid is determined by the ability of the family to pay for the cost of college. The financial aid process is determined first by the FAFSA (the federally standardized financial aid application) then by the school. The determining factors are the amount of income that a family will make. If the parents are married it takes into account their combined income, then the student's income is added. Additionally the assets within the family and how they are structured play an important role in the family's ability to pay.

If the parents are divorced they can, in most cases, choose the most advantageous parent to be listed on the FAFSA. Then the aid is determined by that parent's income and assets followed by the student's income and assets. If the parent is remarried it is determined by the new family income of both spouses.

We can help you structure your economy to maximize the amount of financial assistance you receive from the different colleges.

### **Myth Number Two. . .Private Colleges Are Only for the Rich!**

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The conception is that private colleges are only for the wealthy is totally wrong. This misconception holds true for out of state colleges as well. The fact is, even though the private school might cost more than the in-state public university, the actual out of pocket cost to the parents is not necessarily higher. These private schools might better suit the style of learning for your son or daughter and should be applied to in order to see what kind of assistance they offer. Many private universities and upper tier public universities use their own application that is more extensive than the FAFSA so you should be prepared to spend additional time to complete these applications.

The college decision for a lot of families is based on the published tuition rates by the universities. However, as a parent you should make your decision not on the published rates but instead on your actual out of pocket costs, which can be significantly less. Think of it like going to purchase a car. Is your final decision based on the sticker price on the window or on

the final negotiated price? By basing your decisions on your actual out of pocket costs you can focus your decision on colleges that will provide the best overall experience for your children, not just on the ones you think you can afford. Remember that every college is different. We have the formulas for over 3,000 colleges and can help you make educated decisions based on their own formulas.

### **Myth Number Three. . .My Income Is Too High to Qualify for Financial Aid.**

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Let's not confuse financial aid, government aid, and need-based assistance. These are the three areas that money is available, including grants, scholarships, work study, loans (both subsidized and non-subsidized), parent PLUS loans, Stafford loans, Pell grants and university endowment money. There are many areas that families can draw from to get assistance or free money for college that they need.

While income is a key factor for these formulas there are many ways to structure your assets to maximize your chances to receive help. There are different solutions and strategies you can utilize to pay for college, whether you are an employee or a business owner. Many high income families like the feel good solution of investing in college saving plans like 529 Plans, Coverdell Plans, UGMA (or UTMA) accounts, or state sponsored plans. These are plans that should be discussed with a professional who can communicate pros and cons of these plans for each situation. Some families should not participate in these plans because they could actually harm your chances of getting the free money for college through the need-based assistance from the university.

Most of the formulas use your AGI (Adjusted Gross Income) as the foundation to determine how much you are expected to pay for college. The way your assets and liabilities are positioned and the amount that you put into your qualified plan might have an impact on your ability to receive aid. The amount of money that your child earns and assets in their names will also have an impact on your ability to qualify for financial aid. In many cases it is possible for high-income families to qualify for financial aid by making the proper adjustments.

### **Myth Number Four. . .If My Child Gets Turned Down for Need-Based Assistance I Should Not Reapply.**

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Most parents look at the forms to fill out and get discouraged for spending time just to find out that they do not qualify for assistance. Changes in your family's income or even the economy can offer more opportunities for you to receive financial assistance. The number of children going to college can have a significant impact on your ability to qualify for financial aid. Additional factors can also have an effect like the value of your stock accounts, if college savings plans are being depleted, mortgage changes, divorce, and much more. The ability for you to receive aid is not just based on the first time that you apply. The FAFSA form is very complicated and honest mistakes are often made when filling out the form. Having a

competent professional review your application can reduce the chance of making mistakes that can reduce the ability for you to receive the aid that you deserve. There are also changes that you can make before you apply that will put you in a better position to get the help you need.

## **Myth Number Five. . .My Child Did Not Win a Scholarship, So No Money Is Available**

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Most scholarships are one-time awards that you apply for each year. They can be private or public, offered from the colleges or businesses. The scholarship money that is available to the students is a great resource but it is not the only way to get “free money for college.” Money is available from loan sources as well as endowment funds or grants. Many families are utilizing additional outside sources like grandparents to help pay for college.

More often families get money from work study or need-based assistance in addition to scholarships. While it is a good idea to try for as many scholarships as possible, it can also be very beneficial to have a team in place that can make sure that the schools do not change the financial package that they have offered you. These are all part of the process that should be considered when making college decisions.

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