The College Funding Dilemma

What Confused and Worried Parents Need to Know

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Disclaimer

The information conveyed herein is based on current laws and regulations and, as such, is subject to change. Furthermore, the information remains general in nature, as each family’s financial situation is complex and very different.

Due to the general nature of the information conveyed, we offer each family that has purchased this e-book and/or that has attended one of our workshops a free, no-obligation evaluation of their particular situation. Please contact us if you’d like to take advantage of this offer. Our contact information can be found at the end of this e-book.

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Author’s Note

Fellow parents:

I’ve often wondered, and I continue to wonder, whether I am and have been a good parent. You’ve likely wondered the same. Though other parents seem to think my wife and I have been good parents, who really knows? After all, our kids didn’t come with an instruction manual!

There are many ways to approach the college years - - abject denial, pure fear, extreme confusion, and random luck - - just to name just a few.

If you’ve downloaded this e-book, you may:

- Already have embarked on your college planning campaign;
- Be at the beginning of your campaign;
- Be thinking about starting your campaign; or,
- Be wondering why in the world you’re thinking about this now since your oldest is only a high school freshman (or younger).

Believe me, this entire experience arrives quicker than believed, bearing down upon you with the force of an unstoppable freight train.

You have every right to be confused and worried. The more you learn about the entire process, the more daunting it becomes and the more likely you will become paralyzed with indecision.

Some of you are searching for answers, others for guidance. I’ve assembled the following pages to provide a bit of both. What follows merely scratches the surface; however, I do believe it contains enough basic information to provide you with the starting point for which you’ve been searching.

Thank you for inviting me into your college planning campaign. I trust that the contents that follow will prove valuable in your journey.

With warmest regards,

John M. Baird

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Introduction

We hate seeing good families take unnecessary financial risks. We hate seeing them – both the students and, especially, the parents - take on excessive college debt. We hate seeing the kids miss out on their dream school due to financial reasons.

For these very reasons, my colleagues and I specialize in helping families of college-bound students (students in 1st – 12th grade) develop and navigate their family-specific college planning campaigns.

Parents and high schools tend to focus primarily on financial aid forms. Specifically, the focus is placed on the Free Application for Federal Student Aid (FAFSA), with schools often offering a FAFSA night for parents of high school seniors (now, most likely, for parents of high school juniors). Most high schools, however, miss the College Scholarship Service Profile (CSS Profile) required by a number of private institutions. And, many schools have their own financial aid form, as well.

While the FAFSA (and the other forms) is a very important part of the process, it’s only a piece of a very large puzzle. Parents shouldn’t focus on that single piece; though, we find they often do and, when they do, they tend to make poor, rather uninformed decisions regarding the amount they truly can afford.

Like the tax system or the legal system, the greater an understanding of the financial aid system parents have, the more opportunities they have to utilize the system to their advantage.

Parents, even as busy as they are, must take every opportunity to learn how the system functions, to understand how the pieces of the puzzle fit together, and to draw on that knowledge to maximize financial aid.

As you proceed through this book, while we address elements of college planning, we’ll confirm your sense of urgency regarding the annual cost-of-attendance, provide reasons why a 4-year degree is so expensive, and touch on campaign planning options you should consider.
Facts & Figures

While developing and navigating your college planning campaign, you should be aware of the following facts and figures:

- **4%** - the approximate percentage of high school athletes who will compete in any collegiate sport. Most will not receive a “full-ride.”

- **$80,000 - $300,000** – today’s cost for a 4-year college education.

- **57%** - the percentage of parents who will raid their retirement savings to pay for their child’s 4-year college education.

- **$18.2 Billion** – the amount of school debt held by individuals aged 65+.

- **80%** - the percentage of families who overpay for a college education.

- **$30,000** – the average 4-year overpayment per student.

- **28%** - the percentage of the United States population who have a Bachelor's Degree.

Thought-provoking numbers...especially when funding a college education is one of the five most expensive undertakings a family will ever face.

Keep them in mind as you continue reading...
Parents’ Biggest Concerns

When asked, the following were the biggest concerns of both mom and dad:

- Missing deadlines.
- Making mistakes throughout the entire process.
- Not having enough time to handle everything involved.
- Doing something to prevent receiving all possible financial aid.
- Doing something that hurts their child’s chances of admission.
- Falling for a financial aid or scholarship scam.

Completing a form inaccurately or with incorrect information, offering information that will negatively affect their child’s admission status and/or financial aid, missing an important deadline – it all boils down to a single failure...not having a plan in place.

The failure to develop and to follow a college planning campaign can, and often will, have the greatest impact on family’s ability to send their child to the best school available at the least possible expense. Equally and, perhaps, more importantly, that failure also will have the greatest impact on the parent’s ability to experience a comfortable, affordable retirement.
Protecting Your Family from Financial Aid and Scholarship Scams

Most college planning advisors are honest, hard-working professionals. But, as with any profession, there are less-than-ethical advisors. Unfortunately, too many of them make false claims regarding their services.

Too many claim they can help families receive thousands and thousands of dollars in unclaimed, free scholarships. They assert there are millions of unclaimed scholarships just waiting for someone to grab and they want to charge you a fee to find them for you.

We caution our students and their families to look for (and listen for) companies that use misleading marketing tactics, such as:

- “We’ve already secured full funding for your college and it costs just $39.95.”
- “A scholarship is guaranteed or your money back.”
- “You’ve been selected by a ‘national foundation’ to receive a scholarship.”
- “Status: Your student has preferred status.”
- “If you enroll on the spot at our seminar tonight, the cost is only $...”

And, if you encounter an advisor offering either of the following guarantees, walk away quickly. Do not engage their services. Read the guarantees. They sound great; but, as you can see, they are grossly misleading:

1. **Common Guarantee #1** – A promise of a minimum $2,500 in aid or they will refund your fee.

   This amount is a federal entitlement being passed off as a guarantee. In fact, the only action you need take to be guaranteed this $2,500 (which will be in the form of a student loan) is complete the FAFSA and have an EFC at least $2,500 less than the annual cost-of-attendance. This is dishonest and leaves us wondering about just what else the advisor is being dishonest.

2. **Common Guarantee #2** – A promise of 100% of the money you need in order to send your child to school.

   No one can promise this up front, at least not without fully exploring your situation on an individual basis and actually calculating your EFC. Most people will not be able to receive 100% of what they need in aid and they will need help in devising a strategy on paying the balance.
The High Cost of Education

Why is the cost of a 4-year college education so ridiculously high? The costs-of-attendance are so high for many reasons ranging from cutbacks in federal and state spending, to changes in technology, to keeping up with the schools (remodeling, new construction, etc.) they compete with for students.

Frankly, I would contend the most important reason why the expense of an education is so high is the involvement of the federal government in the funding process. If the government did not guarantee funding, schools might be operating under greater fiscal restraint.

While schools are not-for-profit institutions, don’t be fooled --- Schools are businesses. The business of any particular school is to influence mom and dad to send their student to that school for the largest out-of-pocket amount possible (and for the lowest award package possible).

Most families have had absolutely no discussion concerning what they can afford to pay. Perhaps this is no surprise, as most families have no idea whatsoever what they can truly afford.

I highly encourage and, frankly, it’s almost imperative for a family to assemble to discuss affordability. And, that discussion should begin long before junior and/or senior year of high school. Parents must know and understand what they truly can afford before allowing their children to randomly choose schools.

Don’t just look at the cost-of-attendance, usually published somewhere on each school’s website, and base your 4-year budget on that specific number. The “sticker price” has averaged a 6%-8% increase annually over the past 45 years.

Factor the average increase into your planning. Be sure you don’t run out of money or run out of the ability to borrow money before the degree is earned.
The Annual Cost-of-Attendance

What does it really cost to send your child to a college or university today?

With a full-time schedule, the annual cost-of-attendance ($20,000-$75,000) as calculated by each school will include the following:

- Tuition;
- Books;
- Room & board;
- Miscellaneous program fees; and,
- Miscellaneous expenses, such as those for a computer, transportation to and from campus, entertainment, phone, and other living expenses a typical student would encounter.

As the schools account for these expenses in arriving at their annual cost-of-attendance, you should as well. These expenses are eligible to be covered by financial aid. Most schools publish this number somewhere on their websites; sometimes, it's easily found, at others it's not.

An undergraduate education is a huge investment. If you have more than one child, that investment likely will be the largest you make in your lifetime. You may end up paying more to educate your children than you will end up paying for your house!
How Can a Family Afford the Expense?

The expense of an education is daunting. In fact, it’s paralyzing!

**Savings.** Traditionally, savings is the number one way to cover expenses. Unfortunately, and typically, savings are depleted rather quickly. With the expense of everyday life, saving anywhere near enough to cover the expense is practically impossible. 70% or more of families haven’t saved enough.

If you find yourself in that crowd – congratulations! You’re not alone. You may find this depressing. The good news?!? The earlier you start your campaign, the better off you can be.

**Loans.** The next step parents take is borrowing. School loans are like many other loans. All have different rates, fees, and repayment schedules. Take your time, do your homework, and take the loan with the best available terms.

**Private Scholarships.** Many parents ask about private scholarships. Just over 3% of aid comes from private sources. Should you search for private source scholarships? Certainly. Just don’t focus a large amount of your time on the smallest area of financial aid.

We recommend that families set up a student profile on fastweb.com, as it offers free private scholarship searches. Likewise, there is a smartphone app called Scholly that parents can use.

If your student does receive such a scholarship, you are legally obligated to notify the school you have received money from a private source. The school may then reduce the amount of financial aid for which you qualify by the amount of the private scholarship.

**Attend a Less Expensive School.** Should families consider a less expensive school? While it’s always a consideration, what parents don’t know and should understand is that “sticker price” rarely governs what parents will pay (unless the family is part of the 80% that will overpay for an education). In many cases, depending on the family’s financial structure, private schools actually may cost the same as, or less than, an “inexpensive” state school.

**Don’t Go.** Current data indicates that foregoing a 4-year college education will cost your child a minimum of $800,000-$1 million in lifetime earnings, and probably more. Not going really isn’t an option, is it?
As you research schools, be sure to understand a school’s past history on financial aid. Is it one that will offer large amounts of aid or one that won’t, regardless of the amount for which you may be eligible? One can always determine a way in which to cover expenses. But, the longer you have to develop, implement, and navigate a plan, the greater the likelihood of making this happen in a way most favorable to your family.
Financial Aid – Myth v. Reality

When parents think about financial aid, they usually think about need-based aid. They look at their income, believing they make too much to qualify for aid. Most don’t realize that not all financial aid is based on income and assets.

**Merit-based Aid.** This aid is NOT based on your income and assets. Rather, it is based on your student’s performance in high school. You can earn a 7-figure income and your student still can qualify, provided your family moves through the financial aid process correctly. Never assume that income will disqualify your family.

**Low Grades.** Don’t assume that low grades will disqualify your student from aid. An average student may not maximize merit-based aid at all schools; however, by targeting appropriate schools, such a student may qualify.

Grades are important. Grades and standardized test scores (ACT, SAT) do make a huge difference in financial aid offers. For example, 10 points on an SAT score can make a $2,000-$8,000 difference in offered aid, depending on the school. Again, be sure to consider the appropriate schools.

**Owning a Home.** Home equity always is a major concern for parents. Approximately 4,000 4-year institutions span the country. Each of those schools participate in the federal financial aid program and require that parents complete the FAFSA. The FAFSA is concerned with income and assets; it does not contain a single question about home equity.

Approximately 500 schools require an additional form – the CSS Profile. This form asks about home equity, as well as many other areas of your financial situation. Why ask for the CSS Profile? These schools have large endowments and, in exchange for awarding their own money to students, ask more detailed questions than the federal government will ask. These schools consider home equity as cash-in-the-bank. So, when completing this form, don’t overvalue your home; the more equity you volunteer, the less aid for which you qualify.

**It’s an Easy Process.** Frankly, if you’ve read this far, you likely have realized the process is far from easy and nowhere near as simple as it was 20-30 years ago.
How Much Financial Aid is Available?

The federal government involves itself with approximately 64% of all available aid. As most aid derives from a federal source – from your taxes – you should apply for it and, if you are eligible, you should take it.

Parents shouldn’t be concerned just with completing the appropriate forms. When families have students in school and they’re paying tuition or making student loan payments, they may be eligible for tax credits or deductions.

Find out what credits and deductions may be available to your family, which you qualify for, and which you may be best for you to take. Do this every year. Take advantage of the process and don’t miss out on any money!
Determining Eligibility for Aid

A financial aid officer at the colleges and universities to which your student applies will determine the amount of aid for which you will qualify at his/her school and how much you will be offered. You may not be offered all aid for which you qualify.

So, what formula do the financial aid officers use in calculating the aid for which your family qualifies? That formula is:

$$\text{COA} - \text{EFC} = \text{Need}$$

**COA** means the Cost-of-Attendance. Again, this figure is calculated each year and includes tuition, room and board, books, miscellaneous fees, computers, transportation, and miscellaneous personal expenses.

**EFC** means the Expected Family Contribution. This figure is based on the parents’ and student’s income, assets, ages, and number of family members attending an undergraduate institution.

**Need** means the amount of aid for which a family is eligible.

When your child begins to consider schools of interest, it’s very important to consider those schools that meet a large percentage of your financial need.

Moreover, once you know your EFC, we can determine the category of family in which your family falls. For simplification purposes, in our college planning practice, we utilize 3 categories of families.
The Families We Help

Category 1. The first category of families are those with total financial need. These families will have an EFC less-than-or-equal-to $5,000.

These families will receive need-based financial aid regardless of the schools their children choose to attend. However, the biggest mistake these families will make is to assume that, because they qualify for large amounts of need-based aid, they actually will receive it. This may not be the case.

A family in this category must be absolutely sure their children choose schools with very large financial aid budgets. The schools must have the ability to provide the amount of aid for which your family qualifies. If the schools don’t have the money to give, it won’t matter what amount your family may qualify for.

Moreover, these families must complete every stage of the process with 100% accuracy and on time to ensure the maximum amount of free money with the fewest loans.

Category 2. Most families will fall into this category. This category of family will have an EFC in the $5,000-$70,000 range.

These families will be eligible for some amount of need-based aid, based on the schools to which they apply; but, they also will have a sizeable out-of-pocket expense. Much depends on the schools chosen and how their income and assets are positioned or recharacterized.

A family in this category should: choose schools with good financial aid budgets; apply to those schools as early as possible; and, perhaps most importantly, develop a strategy by which the family (both parents and students) will cover the expenses.

If you fall into this category:

- Do you have enough income?
- Do you have enough in assets?
- Will you need to borrow?
- Will it be a combination of all 3 above?

Category 3. These families truly make too much money to qualify for and/or have a large enough asset base that they will not qualify for need-based
financial aid. Families in this category have an EFC greater-than-or-equal-to $70,000.

Thought these families will not qualify for need-based aid, they still must navigate the financial aid process in order for their children to qualify for merit-based aid. These families also must be concerned with paying for school in the most tax-favored and efficient manner possible, taking into consideration how their plan will impact all other financial and retirement goals they may have.

The number one mistake families in this category make is choosing not complete the FAFSA and/or CSS Profile.

Why don’t these families complete the financial aid applications?

These families see their EFC and, as it’s higher than the annual cost-of-attendance for any school to which their children may apply, they see no reason to apply and disclose their financial information to the schools.

Why should these families choose to disclose their financial information?

Not all aid is based on income and assets. Merit-based aid is not concerned with income or assets; it’s based on high school grades and standardized test scores. Merit-based aid derives from the schools’ own funds, not from the federal or state government.

Schools won’t offer their own money until they know your family will not qualify for federal or state aid. Schools only know you don’t qualify if you complete and submit the financial aid forms. If you fail to complete and submit these forms, it’s the same as sending them a letter or email that says, “I’m not going to apply for financial aid; so, just send me the bill and I’ll send a check.”

If you’re in this category of families and you complete and submit the financial aid forms, you may be pleasantly surprised. Especially if you apply to the right schools.

Regardless of the category in which your family falls, you’ll want your kids to apply to and be accepted by at least 6-8 schools. This seems to be the magic number for aid purposes. Why? If you apply to only 1-2 schools and they offer an award that appears to be less than fair, you will have nothing to compare and no leverage should you request a review of the offered award. Essentially, the schools will have no incentive whatsoever to maximize the offered financial aid award.
Where Will We Find the Money?

The most likely places for a family to find some of the money they need are the federal government, the state government (where applicable), and the institutions themselves.

Once you’ve completed and submitted the financial aid forms – the FAFSA (for all schools), the CSS Profile (for those schools requesting it), and the schools’ own aid forms (where applicable) – award letters begin arriving between the beginning of February and April 15th. Each letter contains the offer of aid from each particular school and will break down the aid awarded by category, allowing your family to choose among the categories awarded.

Federal Government.

Grants and Scholarships. These awards - Pell Grants, SEOG Grants, Institutional Awards (e.g., Chancellor’s Scholarship) - are comprised of free money and need not be repaid. Definitely accept these awards.

Work/Study. College work/study is a federally-backed program. Schools that participate in this program tend to award it; however, it is based on need. If this is offered as part of the award, accept it and apply for it as soon as possible – a job is not guaranteed. Work/study is not labor-intensive; studying is the top priority. In this case, the student receives the funds.

Student Loans. There are 3 categories of student loans – Stafford Loans (both subsidized and unsubsidized) and Perkins Loans. All 3 are need-based and all 3 are considered financial aid even though the qualifying student will need to repay them. These are in the student’s name and will not need a co-signer.

If you choose the subsidized Stafford Loan and/or the Perkins Loan (this loan type is disappearing), the loans are interest-free while your child remains a full-time student. No payments are required while the student remains in school; however, once the student graduates or drops below full-time status, there is a 6-month grace period before the loan moves into repayment status.

The unsubsidized Stafford Loan is offered to all regardless of need. It’s not interest-free, so why consider it? It’s in the student’s name, with no need to
co-sign. Other than home equity, it’s likely the least expensive way to borrow. And, payments on the loan can be deferred until 6 months after the student graduates or drops below full-time status.

Parent Loan for Undergraduate Students (PLUS Loans). Although shown on the award letter, this is not considered financial aid. This is the school’s way of telling parents to write a check for this amount or apply for a loan.

PLUS loans have a 10-year repayment schedule. It’s not a single loan for all 4-years of school; rather, you’ll need a new loan for each year your child is a full-time student.

In addition to the amount you’ll need to borrow, be sure to add around 4 points. Similar to a mortgage, the lender immediately will take 4% or more of the amount you borrow. So, if you need $15,000 and can’t cover the points out-of-pocket, you’ll need to borrow the remaining cost-of-attendance plus the points.

Interest rates and fees aren’t the lowest; but, they aren’t the highest when compared to personal loans.

State Government.

While 5.7% of available aid derives from the states, not all states provide financial aid. Moreover, programs in the states that do offer aid often are target-specific, meaning that specific criteria must be met in order for your child to qualify.

Colleges and Universities.

Whether schools admit it or not, academic performance matters. It matters quite a bit. GPA, class rank (though not as much as one might think), standardized test scores, the essay, community service – all are considered and all are factored into the aid award calculation.

If your child takes the SAT, even if they earned a high score, he or she should take the test 1-2 more times. The highest score from each section will be considered. Give your child the chance to maximize the result. A difference of 10 points on an SAT score has cost families $2,000-$8,000 in financial aid. Likewise, if your child takes the ACT, give him or her the chance to maximize the score.

Not all schools provide merit-based aid; but, for those that do, the bulk of merit-based aid is awarded to those students in the top 25% of the incoming class each year. If your child isn’t in the top 25%, it doesn’t mean he or she won’t receive merit-based aid; it means the aid they do receive will be lower.
Be sure your kids look at schools based on their academic performance in high school. With thousands of schools to choose from, choose the right schools and your kids likely will receive merit-based aid – if you apply for it.

**Private Source Scholarships.**

While we have addressed private source scholarships earlier, I want to reinforce the fact that a family should not focus a huge amount of their time on applying for scholarships for which thousands of students will apply and only one will win. Remember, these funds represent the smallest portion of the financial aid funds available each year.

So...here you are. You didn’t plan. You didn’t budget. You let your child apply to whatever school they chose. Then, unbelievably, your child was accepted by a school you never believed would accept him or her.

You don’t have the heart to tell him or her they can’t attend the school of their dreams because you can’t afford it, especially after telling them for years they can attend any school they choose.

Your family doesn’t qualify for state-based aid and private source scholarships are awarded to other equally-deserving students. Your kids qualify for some merit-based aid, but it’s nowhere near enough to cover the remaining expenses.

The PLUS loan is easy to obtain. Heck, the school recommends it. Your child attends his or her dream school and the “can is kicked down the road.”

You borrow $20,000 at today’s rates and your monthly payment is $240. No big deal; you can cover that. Then next year, you borrow another $20,000. Then, you borrow the same amount for years 3 and 4. Suddenly, your monthly payment is $1,000 or more.

Every time you want to refinance, to buy a car, to take a vacation, or whatever, the PLUS loans appear on your credit report. Since the federal government is the bank, you can’t declare bankruptcy.

70% of students who start school will take 5 or more years to graduate. Why? Their parents run out of the ability to pay by their first child’s junior year in college, forcing the student to drop to part-time status and take longer to complete their degree requirements.

Will your student be able to graduate in 4-4.5 years? Have you developed and are you following a plan designed to maximize the amount of aid received and minimize the amount borrowed so your family does not run out of money?
Applying for Financial Aid

Each family that applies for financial aid will be required to complete from 1 to 5 different financial aid forms. Depending on the school and the particular family circumstances, one or more of the following forms will be required:

**Free Application for Federal Student Aid (FAFSA).**

The FAFSA should be completed as early as possible. Aid is awarded on a downward slope – the earlier you complete and submit the application, the larger the award offered likely will be.

The rules governing submission of the FAFSA changed in October 2015. Now, the 2015 tax year will count as the base year for financial aid purposes for both 2016 and 2017 high school seniors. The 2016 tax year will count as the base year for 2018 high school seniors, and so on. The earliest filing date for 2016 seniors was January 1st. For all others, the earliest filing date has moved to October 1st.

Even with the emergence of high school FAFSA nights during which parents receive instruction on completing the FAFSA, statistics show that almost 75% of the forms submitted contain errors and inconsistencies.

The FAFSA asks what a family has in savings and investments. Many parents overlook the fact that qualified retirement plans - 401k, 403b, 457, IRA, permanent life insurance (not term) - fall in neither category. None are considered savings or investments. Unfortunately, they may be mistakenly included in the calculation and, if so, will negatively impact financial aid.

Home equity is not included on the FAFSA; however, if inadvertently or mistakenly included, it also will negatively impact financial aid.

**College Scholarship Service Profile (CSS Profile).**

Completion and submission of the CSS Profile typically will be required before the FAFSA. Be sure to identify each school’s filing date, as it may be different at each school to which your child applies.

In December 2015, the CSS decided to follow in the FAFSA’s footsteps. The CSS will use the same base year used by the FAFSA. This likely means that those private schools that currently do not require this form may begin doing
so sometime in the near future, adding it to the mix of forms required. Each school will make its own determination on usage of this form.

The CSS asks about home value, retirement plans, money in the student’s name, money in siblings’ names, and multitudes of other financially-based questions. The CSS considers home equity as “cash in the bank.” The form will ask what you paid for the home, when you purchased it, and what its value is today. Be sure you understand how to answer these questions to your advantage.

The CSS is very complicated; mistakes can’t be made. The information submitted on the CSS must be identical to the information submitted on the FAFSA. If there are errors or inconsistencies, processing of the forms and awarding of financial aid can be delayed.

If you’re proficient in completing forms, the FAFSA can be completed in 30-45 minutes, while the CSS can be completed in approximately 1.5 hours. Most parents take much longer to complete the forms.

**Institutional Forms.**

Many schools require completion of their own aid forms, repeating questions found on the other forms. These forms are not standardized; you’ll need to check with each school to which your children apply to determine if they have a form and identify the filing deadline. The information supplied on this form must match the information supplied on the other forms or the aid process could be delayed.

Schools typically use these forms, and the student essays, to identify students who might qualify for donor-specified scholarships and awards.

**Business/Farm Supplement.**

In the event you own a business or a farm and are required to complete this form, you’ll need to value your farm or business. There is a right way and a wrong way to assess value. Be sure the value is determined by someone who understands how the financial aid system will view it.

**Divorce/Separation.**

In a divorce situation, it does not matter who legally is required to pay for the college education, the family with whom the student lives more than 50% of the time will complete the FAFSA. So, if dad is to pay, but student lives with mom and mom is remarried, mom and step-dad complete the form.
If applying to private schools, the school may ask for a copy of the agreement. At that time, everyone’s income and assets will be considered. If looking at private schools, be sure to inform all parties.

If you’re staying together to get the kids through high school and into (and through) college, you need to rethink your plan. It may not be the best strategy and it may cost you thousands in financial aid.

Based on national statistics, parents and students complete 11-15 forms for financial aid, spend 21-25 hours doing so, and still submit almost 75% of them with errors and inconsistencies.

**Case Study.**

One of my colleagues discussed our services with a Category 1 single mother. This family qualified for 100% need-based aid. She chose not to engage his assistance with their college planning campaign. Unfortunately, she transposed one of the numbers in her son’s Social Security Number on one of the financial aid forms and submitted it with the error.

The family did indeed qualify for the maximum in need-based aid and would have received it. Unfortunately, due to the error, the award letter never arrived (the student name and SS# did not correspond) and, when they finally discovered what had happened, the award was $20,000 less than expected.

The mother finally was able to acquire the needed $20,000 through a loan from her uncle and the son made it through year 1. The submitted information for year 2 was completely accurate and the award timely received. However, the award was $20,000 less than expected. When she inquired about the discrepancy, the financial aid officer indicated that she had demonstrated the ability to obtain the funds last year and the expectation continued.

So...

Just how important is it for all financial aid forms to be properly, accurately, and timely submitted??
Which Schools are the Best?

Sure – school name and reputation are important; but, by far, the schools that meet the greatest percentage of your financial need are the best schools for your family. Especially if they meet that need with “free” money rather than loans.

Some schools meet 100% of financial need, while others will meet 50%-80% of financial need. Some schools meet the majority of the need with “free” money, while others meet it with work/study programs and loans.

As we’ve learned earlier, Cost-of-Attendance less the Expected Family Contribution results in the family’s Need (COA – EFC = Need). For example, assuming the COA is $20,000 and the EFC is $10,000, need would be $10,000. If the school meets 60% of need, the award offered would be $6,000. This would leave an additional $4,000 to be covered by the student or his/her parents. Therefore, the COA would increase to $14,000.

When we ask parents whether they would send the children to a private school with an annual cost-of-attendance of $60,000 or to a public school with an annual cost-of-attendance of $24,000, most parents immediately say the public school. A few hesitate, but invariably choose the public school. All are surprised by the following case study comparison.

Case Study Comparison

<table>
<thead>
<tr>
<th>Private University</th>
<th>Public University</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost: $60,000</td>
<td>Cost: $24,000</td>
</tr>
<tr>
<td>EFC: $10,000</td>
<td>EFC: $10,000</td>
</tr>
<tr>
<td>Need: $50,000</td>
<td>Need: $14,000</td>
</tr>
<tr>
<td>Need met: 100%</td>
<td>Need met: 50%</td>
</tr>
<tr>
<td>Gift Aid: $44,500</td>
<td>Gift Aid: $1,500</td>
</tr>
<tr>
<td>Self-Help: $5,500</td>
<td>Self-Help: $5,500</td>
</tr>
<tr>
<td>Amount Paid:</td>
<td>Amount Paid:</td>
</tr>
<tr>
<td>EFC: $10,000</td>
<td>EFC: $10,000</td>
</tr>
<tr>
<td>Self-Help: $5,500</td>
<td>Self-Help: $5,500</td>
</tr>
<tr>
<td>Unmet: $0</td>
<td>Unmet: $7,000</td>
</tr>
<tr>
<td></td>
<td>$15,500</td>
</tr>
<tr>
<td></td>
<td>$22,500</td>
</tr>
</tbody>
</table>

Assuming all factors remain the same during the 4-year period of attendance, most parents change their minds, indicating they would choose the private school. While every family situation is different, “sticker price” should not control the decision.
Financial Aid Leveraging

Financial aid leveraging is the process utilized by colleges and universities to determine the least amount of financial aid to be awarded a family to ensure a particular student will enroll. According to Money Magazine, at one point, 65% of private institutions and 27% of public institutions engaged in financial aid leveraging.

You should have an idea, even before your child applies to a specific school, what the approximate value of an award from the school will be based on your EFC, the history of the school’s financial aid awards, and the history of aid based on academic performance.

While it’s difficult to identify just which schools engage in this practice, once you receive and review the award letter and have determined its fairness – keep in mind that 80% of families overpay for a 4-year undergraduate education – your family has two options. Your family can either accept the award as offered or you can negotiate the award.

Please don’t call the school and tell them you want to negotiate; it isn’t like buying a car. Most schools have an appeals process.

There are three reasons why you may wish to appeal an award.

First, it’s possible the school made a mistake in its offer. Schools process thousands of awards over just a few months period – mistakes get made. If it’s likely a mistake and you were underfunded, appeal the award. If it is a mistake, school’s usually have no problem increasing the award.

Second, a lower-budget private school may under-award to see if you’ll accept the award as offered. If you do and you don’t know you’re qualified for more, the school saves money and moves on to the next student.

Finally, and this is why we earlier recommended 6-8 schools, schools do compete with each other. Find those schools that compete and apply to them. If the award offered by your number one choice is less than that offered by its competitors and you appeal, the number one choice will either meet or exceed its competitor’s award or it won’t. If it doesn’t, the choice is yours – either attend an equally great school for less or your number one choice for more.

What leverage will you have should your children apply to only 1-2 schools?
**Aren’t the Financial Aid Rules Stacked Against Me?**

Depending upon your family’s particular financial situation, by following the legally established rules and regulations, you may be able to rearrange your affairs in order to increase your eligibility for financial aid.

Parents receive an asset protection allowance (APA). The actual allowed amount is based on the age of the older parent; the older the parent, the higher the allowance. The APA has ranged as high as $50,000; however, recent trends show a rapid decrease in the allowed amount.

If your family’s APA is $20,000, this means the first $20,000 of your assets does not count at all, even if indicated on the financial aid forms. This amount is excluded from the calculation. Any amount exceeding the APA, however, counts against you at almost 6% (perhaps much more, depending on the school) and will reduce eligibility for aid by a corresponding amount.

Your children will not receive an APA. Money saved in their name counts against them at 20% from dollar one. Money saved in this manner, while having a positive impact on the parents’ annual tax return, can have a negative impact on eligibility for financial aid.

While 529 Plans have become the rage, they do impact eligibility for financial aid. Such plans may or may not be appropriate for your particular situation. Each family should determine if the tax break received (perhaps the only reason to establish a 529 Plan) exceeds the amount that may be lost in financial aid.

Although the value of the 529 Plan is assessed at almost 6% for federal purposes, private schools can assess these plans in any way they desire. Moreover, even if you have established a 529 Plan for each of your children, the amounts are aggregated and considered a single parent-owned account.

During the years encompassing your college planning campaign, you should be as conservative as possible, protecting these assets to the greatest degree possible. You should protect them not just be from the financial aid calculation, but also from market correction. Most families can’t afford to lose money right before it’s needed for college expenses.

There are a number of laws and tax regulations that impact the college funding process. The system changes frequently. Stay on top of the changes. You may be eligible for something one year, but not the next. Or, vice versa. This is a long-term process, not a one-shot deal.
When Should I Start Saving for College?

When is the right time to begin saving for college? Considering the expense of a 4-year education today - perhaps kindergarten, perhaps earlier.

If you have a child in high school right now, whether you choose to believe it or not, you're in “crisis-planning mode.” If your student is a high school junior or senior, you’re well past crisis-planning; you’re in the “how the hell do we cover these expenses and still look forward to an affordable, comfortable retirement?” stage.

If your child is a high school junior or senior, you have a very short window in which to ensure you’re moving in the right direction. It doesn’t mean it’s too late; it does mean, however, that you’ll need to address the issue as soon as possible.

If your child is a high school sophomore or younger (especially middle school or younger), start your college planning campaign early – start it NOW! The time-tested adage applies perfectly – the earlier, the better!

In the event you engage the services of a financial advisor and/or the services of a tax professional, be sure each is completely aware of the required integration and coordination necessary between your personal tax and college funding scenarios. Be aware of the possibility, for example, that saving $1,000 on your annual tax return could cost your family $3,000 in financial aid.
**Won’t the High School Guidance Counselor or the College Financial Aid Officer Help Us?**

While each state establishes different requirements, some states permit guidance counselors to handle up to 600 students each. The national average ratio of high school students to guidance counselors is 476:1. Further, the average length of time a guidance counselor spends with a student discussing college-specific items is 38 minutes.

Counselors handle many responsibilities superbly. Those responsibilities include, but aren’t limited to:

- Developing the appropriate curriculum for students;
- Running events like FAFSA Nights, College Fairs, Parent Nights, and more;
- Monitoring the completion of college prep exams;
- Organizing and/or obtaining letters of recommendation;
- Ensuring transcripts are sent timely and accurately;
- Keeping all students on the proper academic track;
- Playing hall monitor, lunch monitor, bus monitor, etc.; and,
- Maintaining communication with distracted parents.

Counselors usually are ill-equipped to assist families understand and address the financial aspects of the college planning campaign – which schools offer the best aid formulas, how a family should save for college, developing a loan repayment strategy, and more.

A college financial aid officer represents the school. Typically, he or she is charged with identifying the largest amount mom and dad will pay for their child to attend his or her institution. Asking for assistance in increasing financial aid is like asking an IRS agent to calculate your taxes!

Nevertheless, if you are unsure if a guidance counselor or financial aid officer can be of assistance, ask them the following questions:

- Can you show us how to lower our EFC and maximize eligibility for aid?
- Can you help us choose schools with the best aid packages?
- Can you help us complete all required financial aid forms line-by-line?
- Will you help negotiate if I receive a less than fair award offer?
- Can you show us how to pay for the education on a tax-favored basis?

Most often, the answers to those questions will be “No.” It’s not what they do.
What are the Options?

Realistically, your family has three options from which to choose.

**Option 1 – Do it Yourself.** Just about any person can become an expert on anything, if they are willing to devote the time and spend the money needed in order to become an expert. If you’re willing to devote several hours per week over a number of years, you can do this yourself. Colleges will appreciate your efforts!

Before heading down this path, however, ask yourself this question – do you solve your own legal, medical, or dental problems? Or do you engage the services of a professional?

Are you willing to gamble tens of thousands of dollars and, perhaps, your children’s futures?

**Option 2 – Engage your Accountant or Financial Planner.** Just like tax formulas differ from financial aid formulas, tax returns differ from financial aid forms. Accountants tend to apply accounting principles to financial aid, which can negatively influence results. For example, accountants applying a tax-savings strategy, such as placing money in a child’s name, will end up reducing your family’s eligibility for financial aid and increasing the amount you’ll end up paying the school.

Financial planners typically assist families in planning for “sticker price.” Most do not understand the financial aid process, even if they’ve been through the process with their own children. College planning is not included as one of the courses needed for a Certified Financial Planner designation.

Be very careful when relying on your accountant or financial planner for assistance with your college planning campaign.

**Option 3 – Engage the Services of a College Planning Advisor.** We consider this the best option available! It’s time-saving and cost-efficient.

Seriously, be sure to engage the services of a professional. Whether engaging our services, or the services of another advisor, know and understand exactly what you’d like done for your family.
Don’t rely on luck (or the good graces of a college financial aid officer), especially when considering the cost of a 4-year education. Should you do so, you may find your family one of the 80% who overpay for a college education.

If you’re like most families, you have 5-8 advisors assisting you with your financial decisions. Those advisors include: your accountant; your attorney; your mortgage broker; your home/auto insurance agent; your banker; your financial planner; your 401k representative; and, of course, your brother-in-law or uncle.

We’re confident they’ve helped your family make the best possible decision each time you’ve met or spoken with them. However, our experience suggests that each decision has been made in a vacuum, without an understanding how each decision impacted the overall plan.

We’ve found that our college planning clients not only need, but they prefer, a quarterback who understands how each decision will impact their overall campaign and who can guide them through the maze of decisions. Especially in the years prior to, the years during, and the years following the period of time their children are receiving their 4-year college education.
The Three Buckets of Money

We believe there are three buckets of money when considering family finances. We label those buckets as follows: Savings; Lifestyle; and, Transferred.

**Savings.** This bucket of money captures a family’s savings, whether it be in checking/savings accounts, qualified retirement plans (e.g., 401k, 403b, 457b, IRAs, or 529 Plans). These funds are what remains after a family’s income is used for Lifestyle and Transferred expenses.

**Lifestyle.** This bucket of money typically captures lifestyle expenses, such as those for food, vacation, entertainment, and any other expense not included in the Transferred bucket.

**Transferred.** This bucket of money captures a family’s non-discretionary expenses, such as the mortgage payment, auto payment, insurance payments, utility payments, etc. We include college tuition payments in this bucket. And, we include funds made available by the schools and the government.
Traditional Planning

Traditional planning methods, which we're all conditioned to use, sees us placing our money in banks, retirement plans, the stock market, real estate, and college savings plans. What results have we seen?

- Negligible interest rates.
- Restricted access to funds.
- Market corrections combined with administration and transaction fees.
- Fluctuating real estate values.
- Little growth and loss of funds needing protection.

Traditional planning does not address: reducing a family’s portion of the overall expense; reducing or eliminating the need for debt; or, reducing the number of years needed to pay off the accumulated debt. Rather, traditional planning tackles one brick wall at a time – how do we pay for college, then how do we pay off the mortgage, then how do we save enough for a comfortable, affordable retirement. Focusing solely on the next obstacle limits the ability to see the big picture.

The typical family, one of the 80% of families that will overpay for a 4-year college education, is advised by its accountant or financial planner to alter its lifestyle and retirement planning in order to prepare for and cover the “sticker price” of a 4-year undergraduate education. Traditional planning uses a family’s money first, the government’s money second, and the school’s money last.

We respectfully suggest that traditional planning is not the best way to proceed.
**The CPS Way: Non-Traditional/Unconventional**

As you’ve likely surmised, when it comes to the college planning years (at the very least, 7th-12th grade, though we’d prefer even earlier), we don’t agree with traditional planning methods. In fact, we strive to reverse the order in which a family’s money is used.

Our planning involves the school’s money first, the government’s money second, and the family’s money last. Our plans are designed to protect and increase the money allocated to your Savings and Lifestyle buckets. We focus on the end result while confidently addressing the speedbumps in life.

As college planning advisors, we believe in the following:

- Guaranteed savings and investments versus unnecessary risks.
- Challenging the standards of 529 Plans and excessive college debt.
- Planning ahead for college versus “winging it.”
- Engaging professionals rather than relying on luck.
- Valuing higher education – the best education your money can buy.

We can assist your family by:

- Designing a campaign that spans from grade school through college, depending on your family’s particular situation.
- Providing strategies best suited to your category of family, both in funding and debt reduction.
- Identifying the best schools for your family based on location, size, and gifting formula.
- Reducing fear of “sticker price” by showing a truer cost-of-attendance for your student.
- Providing assistance and guidance until the youngest child graduates from college.

Sounds a bit more favorable, doesn’t it?
Develop Your Family-Specific College Planning Campaign

I’m sure, by now, you’ve realized that: CPS is not a scholarship service; we don’t deal in helping families find student loans; and, we don’t handle 529 Plans. Rather, I trust you’ve realized that we help families develop a college planning campaign designed to see them through the college planning years and into an affordable, comfortable retirement.

By now, I hope that I’ve impressed upon you the absolute need for a plan, a plan that doesn’t start just when you are in crisis-planning mode but, rather, starts long before you truly believed it should.

There are no right decisions, no wrong decisions, no good decisions, and no bad decisions; there are only actions and consequences. If you’ve acquired this e-book, whether you acknowledge it or not, you need to take action. If you choose to take the “no action” route, what consequences do you think will occur?

Please take a moment to contact us to schedule a meeting, whether it be in-person, by phone, or by electronic media (e.g., Skype, Go-to-Meeting, etc.).

We can’t work with everyone; some families we can help, others we can’t. If, during or after our evaluation, we feel we can help your family, we’ll tell you. Then, you can decide if you’d like to work with us. If we feel we can’t help your family, we’ll tell you that as well.

Sound fair?

To paraphrase Benjamin Franklin:

“By failing to plan, you are planning to fail.”
Who We Are

John M. Baird, JD - President

john.baird@collegeplanningstrategiestoday.com

A combination of 3 events occurring over my lifetime led me to investigate and, eventually, to jump whole-heartedly into the college planning arena.

First, just after my junior year in college, my parents told me they no longer had any money to put toward the remaining cost of my education. I had little cash and all the scholarships I could get – academic and baseball, and I was still $2,500 short. My only option – asking my school for help. My school loaned me $2,500, to be paid back over 5 years following graduation. Like most other families, my parents ran out of money during my junior year in college. And, I had 2 younger brothers.

In 2013, during Spring Break with other families, a friend commented that his children would “…each graduate from college $60,000 in debt and that's just the way it is.” I thought there had to be a better way, though I knew a college education was expensive.

While attending a baseball skills evaluation camp with my son 4 months later, I heard a gentleman speak about college planning, how the process works now, what expense can be expected…and more. What he said struck home, energizing my entire soul.

I now knew there was a better way, a way that would not subject our children (and ourselves) to overwhelming debt and a fractured, uncomfortable retirement. Immediately thereafter, he and I discussed the college planning business. Within the week, I had engaged his college planning services on behalf of my son and he became my mentor.

I received by Bachelor of Arts in Business from Walsh University (1988) and my Juris Doctor degree from the University of Toledo College of Law (1991).

I reside in Indianapolis, Indiana, with my wife and my youngest of three children. My oldest child is a junior attending the University of Denver and playing volleyball. My middle child is a freshman attending Brown University and playing baseball. And, my youngest is a high school sophomore nearing the end of her volleyball recruiting process.

Daniel R. Carr, CRC® - Vice President

daniel.carr@collegeplanningstrategiestoday.com

I graduated from Hamilton Heights High School (Arcadia, IN) and received my Bachelors of Science degree from Indiana University (Kokomo, IN).

I have spent over 10 years helping families navigate their financial futures. I spent 5 years as a retirement consultant to financial advisors across the mid-west, designing customized retirement income plans and creating family estates.

As a college planning specialist, I enjoy opening doors of opportunity to families, opportunities they may never have known. I help college-bound children find the right schools for which
they qualify, that fit their needs, and that have the best financial packages available so they can afford college regardless of advertised cost. I am committed to educating those who want to secure a future for their children.

I am the Young Advisor Chairman and a member of the Board of Directors for National Association of Insurance and Financial Advisors East Central Indiana. I assist with training new insurance and financial advisors. I handle ongoing group meetings and mentoring for new advisors, ensuring they remain on pace for success.

I love to watch football, especially the Indianapolis Colts. I also enjoy high school and collegiate wrestling. I am an avid outdoorsman and still shoot in archery competitions. I also love to boat and water ski. When I am not enjoying sports and the outdoors, I am usually watching a movie with my family.

I moved back to Noblesville, Indiana in 2010 where I now reside with my wife and daughter. My daughter will soon graduate from Frankton High School and is the process of figuring out who she wants to be and where she will want to go. In the mean time I am enjoying the last few years of having her at home.

David L. Colburn  
**College Planning Specialist**

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I am enjoying my encore career as a college planning specialist, assisting families with the financial aspects of paying for a college education. More importantly, however, I find great satisfaction in helping high school students (and their families) make one of the first, and extremely important, life decisions – where to attend college.

I have over 30 years of experience in a values-based, performance-driven culture as a Claims Manager with one of America’s largest property and casualty companies. I place great value in personal and professional development through ongoing training opportunities, both for myself and those with whom I work.

I grew up on a small farm just 10 miles down the road from a major university in Ohio. Although my parents never attended college, my siblings and I all benefitted from higher education opportunities. I graduated from Cedarville University (Cedarville, Ohio).

Each of my 3 children have received an undergraduate education. I truly and deeply wish that I had known and had access to the information I now share with the families engaging our services. It would have saved me unbelievable amounts of time, aggravation, and money.

Tammy Hancock  
**College Planning Advisor**

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As a simple farm gal, I appreciate the hard work folks endure as they plan for the future and I enjoy working with those investing in their family’s future.
Over 18 years ago, after hearing complaints about Medicare and the Medicare Supplement, I discovered Medicare professionals weren’t giving folks needed information. I became Medicare-certified with ALL carriers and I began helping my Mama’s friends with their insurance problems.

While helping these folks with their health insurance issues, I found they often lacked coverage in other areas. It became my goal to help them handle their financial obstacles and plan for unforeseen situations. Quite often lately, I’m helping families plan for college funding and retirement – keeping them out of the Poor House!

My college funding plan was raising a little herd of calves. What I earned for raising and selling them paid for degrees from two different universities - it was certainly an adventure! Late nights and hard work and I graduated each time, on schedule, without Mama, Daddy, or me going broke.

These days, college planning is quite a bit different. Strategic planning with a College Planning Advisor can help families provide a higher quality education for their children than they ever thought possible. With the tools I have available, I help families realize their goals are obtainable – they just need to work the plan we put in place!

It’s an exciting adventure! And, one that can be quite a bit less stressful with a plan in place. Let me help you reduce and/or remove that burden so you can experience this adventure with your children successfully.