

# STRATEGIES TO REDUCE COLLEGE COSTS v.2.2

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by

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## INTRODUCTION

*Strategies to Reduce College Costs* and its companion PC software, College Aid Calculator (tm), are designed to help students and families bring down the high cost of college. *Strategies* will explain the college financial aid system, how individual finances fit into the aid picture, and ways to improve your chances of receiving financial assistance. The differences in the aid process between public and private colleges are highlighted,

College Aid Calculator (CAC) will calculate approximately how many dollars a college will expect the parent and/or student to contribute to educational costs. CAC features a "What IF ?" capability. Choose an idea that you think might help you qualify for more financial aid. Then test the effect it would have on family contribution and on the amount of taxes owed. Find out how much will be left for you.

Forms for aid at private colleges ask what dollar amount parents intend to contribute to college costs. CAC provides a basis for your answer to this question. It will also calculate an estimate for the question regarding the amount of federal income tax.

CAC and *Strategies* are designed to help families to be on a level playing field with others competing for limited college financial aid dollars. Knowing the rules of the process makes it possible to plan ahead. Like taxpayers who understand the tax system, those who educate themselves about student aid can make better financial choices.

As an electronic book, *Strategies* offers an advantage. You can make bold the parts that apply to you and then add your own comments and ideas. Or, you can save it to a new file name, such as "MYPLAN," and then use your word processor to choose and reorganize items as you build your plan. You can list "What IF ?" strategies to test with CAC. We recommend both printing *Strategies* and saving it to a new name.

## **1 --CHAPTER ONE --BASICS OF COLLEGE FINANCIAL AID**

College tuition costs have been rising faster than inflation rates and faster than family incomes, so that it is increasingly important to stretch financial aid dollars. Federal loans and grants make up well over half of total student aid. As Congress looks for ways to trim the budget, many basic educational assistance programs may be threatened. State aid is supported by federal funds, so it is also affected by the cuts. Even when programs are left intact, uncertainties remain because government may not vote sufficient funds to fully implement them.

The ratio of grants to loans is changing, so that more and more student financial aid is in the form of loans rather than grants. If the federal government cuts back further on grants and subsidies, students and parents may face a greater loan burden. Interest rates are an important part of the picture. Higher rates cause the students to owe more when they graduate.

With total yearly college costs in the \$10,000 range at a large number of public colleges and approaching \$30,000 at some private colleges, many sources are needed to help foot the aid bill. The dollars come from government, private scholarships, and the colleges themselves. Aid packages consist of grants, loans and work-study jobs. Their purpose is to enable students to attend college by supplementing what their families are judged to be able to afford.

### **1A --Family Contribution**

The amount that a family is expected to provide for a student's education is called the Expected Family Contribution (EFC). If the student is dependent, the EFC will be the total number of dollars expected from the parents and from the student. The process of calculating the EFC is called Need Analysis. Parents and students fill out personal financial data forms and submit them to an analysis service. Complex formulas which change yearly are applied to the information. These (along with the application of income tax formulas) are what College Aid Calculator (CAC) software uses to help you obtain an early estimate of your family contribution. CAC lets you play "What If ?" to find out how the formulas would treat changes in your income and asset allocations, so that you can plan ahead. CAC uses the federal formulas and the College Scholarship Service's institutional formulas (see Disclaimer at end of this book).

Methodologies and Forms

There are two basic approaches to finding out what the family's expected contribution will be. The first is known as Federal Methodology (FM). It is used for allocating most federal funds. The form required is known as FAFSA (Free Application for Federal Student Aid). The form is "free" because there is no charge for using it. Processing of the FAFSA is performed at several service centers. The FAFSA is available at high school guidance offices and colleges and is the only form required by many public colleges. It must be filled out by all aid applicants, because it is used to award federal funds at both public and private schools. No aid will be awarded at any college until the aid officer knows whether the student is eligible for federal programs.

The second method of deciding how much the family is expected to contribute is called Institutional Methodology (IM). It is used by colleges which have private funds to award. The colleges can use FM to award the government money and IM to award their own money. IM is used by most private colleges. It is also used by some public colleges which can provide their own funds. The colleges that use IM want more information than FM's FAFSA form provides. They may have their own forms and may also require data to be submitted to Profile, a need analysis system administered by the College Scholarship Service (CSS) of the College Board. Profile registration forms are available at colleges and high school guidance offices.

Profile replaces the older CSS form (which was called the FAF) with a computerized process which can be individualized according to the financial information required by each college. The student lists the chosen colleges, pays a fee for each, and is sent forms requesting the data those colleges need. You can take a look at a current Profile registration packet in your high school guidance office to see the list of colleges which require or accept this service. At some schools the student needs to submit the FAFSA the Profile, and the college's own form.

### How the Formulas Work

There are similarities between the two ways of judging the family's ability to pay college costs. Both Federal Methodology (FM) and Institutional Methodology (IM) consider the assets and income of parents, stepparents, and students. When parents of dependent students are divorced or separated, data must be provided for the parent with whom the student lived for most of the previous 12 months or who gave the most financial support. Allowances are made to protect parental assets and income. The formulas look at the age of parents, the number of dependents, and at how many family members are attending college at the same time.

A big difference between the two approaches is that FM does not count the value of the family's home equity. IM does. Private colleges are spending their own institutional funds to help students. They want a larger contribution from families with high home equity. IM schools may also inquire into the finances of noncustodial parents. Colleges which use Institutional Methodology share broad guidelines, but each school has policies of its own. Look at the printed information provided by schools (especially if they have their own aid form in addition to FAFSA and Profile) to find out as much as possible about which income and asset items they count when awarding financial aid. Then ask any questions left unanswered.

Your EFC

College Aid Calculator (tm) will help you estimate your Expected Family Contribution (EFC) according to FM and IM. How do you confirm the amount of your EFC? The FAFSA (FM) form may be filed as early as January first of the year in which the student will enroll in college. Filing the form generates a Student Aid Report (SAR) which is sent to you within four weeks of application. It tells whether a Pell Grant was awarded and gives an EFC number. The number will be at the top right of the form. For example, if you see "EFC: 11065," the family contribution is \$11,065. To find out the EFC computed by Profile (IM), you need to contact the financial aid office of a college entered on the form. However, aid officers at IM colleges can use and interpret the EFC number according to the school's guidelines.

The total Cost of Attendance (COA) will be different at every college. COA includes tuition, fees, room and board, books and supplies, transportation, and personal expenses. The financial aid officer at a college will subtract your Estimated Family Contribution from the college's COA. The result is the amount of your "need" for aid. In other words, COA minus EFC equals Need. A high figure for "need" will bring a larger aid package. A high figure for family contribution means you "need" less aid and the package will be smaller.

Depending on your financial situation and the loan/grant mix that you are offered, it may not cost more to attend a \$30,000 per year college than a \$10,000 per year college. Since your EFC remains the same no matter what the cost of the school, you have a larger "need" at expensive schools. The costly college often has the largest endowment, so it is best able to meet the full "need" of aid applicants. The same high tuition is set for everyone. Some students are judged able to pay a higher portion of the full amount, subsidizing those judged to have more "need" for aid. Those who pay less receive, in effect, a discount. A family could be offered little aid at a school which offers only government aid programs and offered a good aid package at a college with institutional funds and a high sticker price.

College Aid Calculator (tm) software is designed to help you become familiar with how colleges view your data and to help you estimate (early in the process) what your Expected Family Contribution will be. When you know how aid rules work, you can plan ahead to qualify for more aid. CAC shows the amount of your contribution two ways--according to FM--used to award government funds, and according to IM--used to award a college's private funds. The expected contribution is calculated for independent students, parents and dependent students. Having an early estimate of your EFC will help you answer a question on the Profile aid application form needed for many private colleges. It asks for dollar amounts that parents and other relatives intend to contribute toward college expenses. Profile also asks for the amount of your federal income taxes, a time-consuming calculation. If you haven't yet prepared your taxes, CAC will provide an estimate to enter on your Profile form.

## **1B --Independent Students**

An independent student needs to report only his or her own income and assets and, if married, those of the spouse. Can a student declare financial independence so that the parents' assets and income will not be counted? A student won't be considered independent because he or she has been filing separate tax returns or living apart from parents. Federal guidelines state that a

student can be considered independent if at least one of the following applies: the student is at least 24 years old, is married, has legal dependents other than a spouse, is an orphan or ward of the court, or is a veteran of the US Armed Forces. Special circumstances may be taken into account, so ask questions if you feel that your situation warrants being considered independent.

Independent status according to the federal guidelines will make the student eligible, if she or he has enough need, for federal Pell Grants and Subsidized Stafford Loans at public or private colleges. Public colleges may follow the federal (FM) rules in deciding whether a student is independent. However, when a private college is awarding aid from its own institutional resources (IM), the definition of independent student will be much stricter. Private colleges are likely to look at the parental finances of all students. If the student begins school as dependent, a change to independent is unlikely, even if conditions change to meet the requirements.

### **1C --Who Is Entitled to Financial Aid?**

To be eligible for most aid programs a student must be a US citizen or eligible noncitizen, be enrolled as a regular student studying toward a degree in an eligible program, be registered with the Selective Service if required, make satisfactory academic progress, and have financial need. Some colleges, especially the most selective colleges, will state in their literature that financial need is the only criterion for awarding aid. Aid is available to those with high, as well as low, income. Depending on such variables as cost of attendance, asset values, and number of children in college, families with income in six figures may qualify for aid, including grant money.

For the definition of noncitizen eligible for financial aid, look at the instructions for completing the FAFSA form. The aid applicant should be a US national or a US permanent resident with an Alien Registration Receipt Card (I-151 or I-551) or be an eligible noncitizen with a Temporary Resident Card (I-688) or an Arrival-Departure Record (I-94) showing certain designations. Individual colleges may offer aid to students who don't qualify according to the federal rules.

Many schools use criteria other than need when they award aid. They offer scholarships and superior aid packages to attract students who earned a high score on the college entrance exams or to attract students who are star athletes. There are rewards for the students who do well in school and who develop their own special talents. Students who excel are more likely to be accepted by the schools of their choice. They are more likely to receive better aid packages with more grants and fewer loans.

## **2 --CHAPTER TWO--COMPONENTS OF AID PACKAGES**

What are the items that make up a financial aid package? Where does the money come from? Descriptions of the major programs and sources of money for aid packages follow. Government programs are subject to change, so stay informed. Part of the package will be "self-help," including loans that must be repaid and including a work-study allotment. The best part of any aid package will be grants, which do not need to be repaid.

### **2A --Federal Funds**

## Pell Grant

Every applicant for financial aid at any US college must submit a FAFSA form, which generates a Student Aid Report with a dollar amount for the Expected Family Contribution (EFC). The financial aid officer at the college will look at the EFC amount to see if a student qualifies for federal funds. The lower the expected contribution, the higher the family's need for aid. The federal government's largest student grant program is the Pell Grant. For the 1995-6 award year Congress voted a maximum Pell of \$2,340 for full-time students.

The Pell is an entitlement program, but in order to be eligible for 1995-6 aid a family needed to have an EFC of \$2,140 or lower. A full-time student would subtract the family's EFC from \$2,340 to find out the amount of the grant. Pells currently have a minimum of \$400, so there would be no award if the Pell minus the EFC were under \$400. It's important to apply early-- Congress may not vote enough funds to cover all of the award or provide grants to all who qualify.

In order for a student to be eligible to receive any type of need-based financial aid, federal or private, the FAFSA form must be filled out. Aid officers begin their work by checking whether the student qualifies for a Pell Grant.

## SEOG

The Supplemental Educational Opportunity Grant is a federal program administered by the colleges, using federal guidelines. It is a smaller program than the Pell. SEOGs are given to students with high need, primarily recipients of Pell Grants. The amount of the grant can be between \$100 and \$4000 per year. When the school has used the money received from the government for SEOGs, no more grants are available for the year.

## Federal Work-Study

The Federal Work-Study program provides the colleges with a lump sum to help students who have financial need. As with the SEOG, the colleges decide which students will qualify and for how much. The government money pays part of the student's wages, which is very appealing to employers. The student can work up to the dollar amount allotted by the financial aid office. The money earned is subject to income tax, but in calculating a student's expected contribution from income, work-study earnings will not be counted. Therefore, work-study wages are worth much more than earnings from other jobs. Students usually work on campus for 10 to 15 hours per week until they earn the sum granted. Earnings can be spent as the student wishes toward meeting the cost of attendance. Use College Aid Calculator (tm) to see the value of work-study income. CAC will calculate how many more dollars of regular income a student can earn without owing more than the school's expected contribution and how much more can be earned without owing additional federal income tax.

## Perkins Loans

Federal Perkins Loans are administered by the colleges and are for students with exceptional financial need. Perkins Loans have an interest rate of 5% and favorable payback terms. The student does not begin repayment while enrolled at least half-time and no interest is charged while the student is in school. The maximum loan is \$3,000 per year and \$15,000 total for college study. Unlike other federal loans, there is no initial charge (origination fee) for borrowing. There are many circumstances which allow deferment (postponing repayment) or partial cancellation of Perkins Loans. Among the conditions for partial cancellation are service as a volunteer in the Peace Corps, teaching in certain fields and work in law enforcement or nursing. Some colleges have more Perkins funds than others, because they have the best collection rate on past Perkins loans.

### Stafford Loans

Stafford Loans are backed by a federal government guarantee. Interest is subsidized for those borrowers that qualify on a need basis. Congress does not need to make a yearly appropriation, though it could cut back on benefits. The Stafford is an entitlement program. Any eligible student who has applied through the FAFSA form has the right to borrow up to the limit of \$2,625 for freshmen, \$3,500 for sophomores and \$5,500 each year for juniors, seniors and fifth-year college students, with a total maximum of \$23,000 for dependent students. However, the student will not be allowed to borrow more than the cost of attendance less other financial aid.

The interest rate for Stafford Loans is adjusted yearly on July first for the upcoming academic year and reached the program's current maximum of 8.25% for the 1995-96 academic year. When funds are paid out, a fee of up to 4% is deducted. Part of the fee goes to the government to support the program. The loans are made to the student and do not require a credit check. Payment need not begin until six months after the student completes school or drops below half-time enrollment. There is a choice of repayment plans.

Staffords come in two varieties, subsidized and unsubsidized. The FAFSA form, which uses Federal Methodology to judge need, must be filled out for either variety. The FAFSA will determine whether the student is eligible for a subsidized Stafford, an unsubsidized Stafford, or a combination of subsidized and unsubsidized Stafford Loans.

Subsidized Staffords have better terms than Unsubsidized Stafford Loans. The government pays interest on the loan while the student is in school at least half-time and for six months thereafter. If payments are deferred, the government will pay interest during the deferment period. But interest on unsubsidized Stafford Loans accumulates from the time that the money is paid out, including during deferment periods. The student may choose to pay interest while in school or after completing school. Waiting means that the borrowed amount will be larger, as interest is continually being added to the amount of the loan.

Independent students may borrow up to an additional \$4,000 per year in the first two years of study and up to an additional \$5,000 per year after the first two years. However, the additional amounts will be unsubsidized. The maximum loan will be \$46,000 with no more than \$23,000 in subsidized funds. As with dependent students, the total amount borrowed cannot be more than the cost of attendance minus other financial aid.



With subsidized or unsubsidized loans, application can be made to defer payments if the student meets certain conditions, such as economic hardship or enrollment in graduate school. Repayment assistance may be given for military service. When Stafford Loans are made through banks and other private lenders, they come under the Federal Family Education Loan Program (FFELP). Certain colleges participate in the Direct Lending Program. At those schools Stafford loans are made through the college, come under the name Ford Federal Direct Loan Program (FDLP), and have additional repayment options.

## PLUS Loans

The Federal Parent Loans for Undergraduate Students, known as PLUS Loans, are federally sponsored loans for parents of undergraduates. They are like unsubsidized Staffords in that they are not based on need and can be used to pay family contribution. As they are not need-based, one might conclude that unsubsidized Staffords and PLUS Loans should not be part of an aid package, but they have federal backing, and many colleges do include them in aid packages. The college brochures will not give this information, so ask whether unsubsidized loans are included as aid.

PLUS Loans are less desirable than unsubsidized Staffords. Obtaining a PLUS depends on the parents' credit. Repayment of interest and principal begins within 60 days of the time that money is first paid out. Delay of repayment of principal can be requested on the basis of economic hardship or if the borrower is in postsecondary school at least half-time. Remember that the parent, rather than the student, is the borrower. With delay of repayment, interest continues to accrue. The interest rate for PLUS Loans is adjusted yearly. On July first of 1995, the rate of 8.98% went into effect, near the program's maximum of 9%.

The FAFSA form does not need to be filed for a PLUS Loan. Most families will be filing the FAFSA in any situation, because they will want to find out whether any aid is possible and because it is required for even the unsubsidized Stafford Loan. A PLUS loan cannot exceed the cost of attendance minus any other financial aid for which the family is eligible. The parent can only borrow up to the credit limit allowed by the lender. If parents do not qualify for a PLUS Loan, a student can borrow higher amounts through the unsubsidized Stafford, as if he or she were an independent student. As with Staffords, PLUS loans are administered either through private lenders or directly through schools which participate in the Direct Loan Program. A fee of up to 4% is charged when funds are paid out.

Note: In addition to federal loans, there are many other loan programs available through states, colleges and banks. When you compare them, you will find that some loans have much better terms than others. When thinking about future payments, the ideal is to strike a balance between borrowing as little as possible and realizing that the college degree will enable a student to earn higher pay. A student who borrows \$25,000 and repays it over 10 years at 9% will owe a monthly payment of \$314.33. If the loan is unsubsidized and if interest is deferred and added to principal, the total amount owed will increase substantially.

## **2B --State Aid**

The major benefit that states provide is subsidized tuition for residents at their own state colleges and universities. Nonresident tuition may be substantially higher, and nonresidents may receive less aid. State tax dollars can provide need-based, and sometimes merit-based, aid. Every state has an agency to oversee grants and loans for higher education. To find information that applies directly to you and is up to date, contact your high school guidance office and your state agency. If the college of interest is in another state, check with the agency there.

Regional agreements may allow students to pay low tuition at public colleges in neighboring states. There may be arrangements for students to pay adjusted tuition at an out-of-state school which has a program which is not available at home. Some states help students who attend private, as well as public, colleges. This is done by equalizing tuition costs between in-state private and public colleges or by giving residents money toward tuition at private colleges in specific other states.

States may offer such benefits as work-study. They may sell tax-exempt bonds for college savings. Low-interest state loans may be available to public and private college students and to students going elsewhere or coming in from another state.

Qualifying for state aid may require filling out the FAFSA form, a college's own form, or a special state form. Individual state-based merit award programs will require their own application forms. States may award aid according to Federal Methodology, Institutional Methodology or by their own individual process. Funding levels for state programs may vary from year to year.

If applying to state schools in other states, ask questions. What is the cost for out-of-state students? Are there any special agreements with your home state? Will the college give financial aid to residents of other states? How much? To actually become a resident of the other state could be difficult. Check out the state's rules--it could take years. The entire family could be required to move and establish a residence.

## **2C --Private Sector Funds**

Scholarships based on merit or association are the private sector's way to help with college costs. Many people assume that an outside scholarship will reduce your Expected Family Contribution. It doesn't work that way. If your college does not meet your full need, the scholarship can directly help you. But if the college has met your full need, an outside scholarship would mean that your expected contribution and the aid already awarded would add up to more than the cost of attendance. Outside merit funds are usually subtracted from your aid package.

Private scholarships are most valuable for students who don't qualify for aid or who will attend a school that doesn't meet full need. Some colleges that do give full aid will allow a percentage of the award to be deducted from the loan or job portion of the aid package. Even if a student doesn't receive monetary value from a scholarship, winning an award gives honor. And private scholarship dollars help colleges give more assistance to all students

## **2D --College Funds**

In an ideal world, all college admissions policies would be need-blind. The family's ability to pay would not influence the admissions decision. However, not all colleges do eliminate financial considerations when deciding which applicants to admit. Students should still apply to the colleges of interest to them and apply for financial aid. The amount of family contribution may be enough and the college may find the qualities of the student attractive. Need may be met.

Colleges, especially private colleges, have funds to award and have distinct goals and guidelines for making use of those funds. Some colleges provide grants based on need and also offer merit awards. Merit may be judged by SAT scores, high school grades, athletic ability, or other attributes. The college may want to attract high achievers to raise the academic level of the entering class and improve the school's reputation, or the goal may be to have a better football team. Talent in the arts or other fields may be rewarded. The student who develops special abilities and chooses a school where he or she is at the top of the applicant pool is more likely to be admitted and win an award. If the student does not need financial aid, the merit award should be money in the pocket, unless the school chooses to make it purely honorary. When the winner is an aid applicant, the merit award may reduce grant aid or self-help.

The most selective colleges usually state that their aid is not based on merit. It is based on need only, and they often promise to meet full need. Like other colleges though, they look at all the attributes of their applicants. They are impressed by special talents and activities. Extra study and effort can pay off with a greater likelihood of admission to a school with a generous aid package.

Colleges may offer loan programs. Rates and terms can be better than loans available through federal and state government and through banks. Check into what is available and compare.

## **3 --CHAPTER THREE--THE AID PACKAGE**

### **3A --Making Up the Aid Package**

Grants, scholarships, loans, and work-study are the basics of aid packages. Sources of the funds are federal, state, private and college money, as described above.

Every applicant for aid at public or private colleges will complete a FAFSA, the form used for Federal Methodology. (FM). Financial aid officers begin every aid package by looking at the FAFSA's Student Aid Report to see whether the student is eligible for a Pell Grant. When possible, the college will award campus-based Supplemental Educational Opportunity Grants, Perkins Loans and Work-Study based on federal guidelines. Every student who has completed a FAFSA form is entitled to a Stafford Loan. If the student has enough need, the Stafford will be subsidized.

If a college has its own funds in addition to government programs, Expected Family Contribution (EFC) will be calculated by Institutional Methodology (IM). All IM schools consider home equity and there are general guidelines for IM, but each school has its own policy

toward counting individual items in the financial picture. Aid officers also have leeway to use their own judgment to decide the family's "need" for aid and the contribution expected.

What are the total resources that the student and family are bringing to the IM school? First is the Expected Family Contribution (EFC), then any federal aid, such as a Pell Grant or Stafford Loan, any state aid, and outside scholarships. Each school will decide how much "self-help" will be included in the package. This will consist of work-study and loans. Then the aid officer will determine how much to grant from the college's private funds. This is the best part of a package, money that doesn't need to be paid back. Some schools are better able or more willing to be generous with grants than others.

Ask about aid policies at IM colleges that are of interest to the student. First, read the information provided by the school. Ask questions to find out as much as possible. What is the usual ratio of grant aid versus self-help (jobs and loans)? What will be the interest rate and payback period for loans? Can outside scholarships be credited toward self-help components of the aid package? How much is the student expected to contribute each year from summer earnings? Keep in mind that financial aid officers sometimes have the power to create "preferential packaging," giving chosen students aid offers that include fewer loans and more grant money.

Picture an aid officer at a selective private college with a cost of attendance of \$28,000. She looks at the Profile need analysis report, goes over the aid application and then decides how to assemble the aid package. The aid officer uses the EFC from the Profile report as a guideline--it is not set in stone. If the Cost of Attendance (COA) exceeds the EFC chosen by the aid officer, the student has need. So, the officer starts the package with a standard dollar amount of self-help, perhaps \$5,500 consisting of a \$1,600 work-study award and the remainder in the form of loans.

Then the officer takes the cost of attendance and subtracts the family contribution, the self-help (loans and work-study), federal and state grants, and merit awards. Any remainder is provided as a grant from the school's own funds. The student's need has been fully met. At other private colleges, aid officers may begin with a set loan amount or a set grant amount. They may meet full need or part of the need. They may award academic scholarships of \$4,000 or \$6,000 to top applicants, so that those students can be offered a package with fewer loans and will be more likely to enroll.

At a state college with a Cost of Attendance for residents of \$9,000 including room, board, fees and books, a student might be awarded only state and federal funds. If the aid officer is looking only at the FAFSA-generated EFC, home equity will not be taken into account. Again, just as at the private college, the family contribution is subtracted from Cost of Attendance to calculate need. The need is met by work-study, federal grants, state grants, and loans. Outside private scholarships may help make up for unmet need. Total need will be smaller because of a lower cost of attendance, especially in the student's home state.

The stated Cost of Attendance may be lower at a public college, but, depending on the circumstances, a private college could actually cost less. Family income and assets may be too

high to qualify for government assistance other than an unsubsidized Stafford Loan. If the student is eligible for federal funds, he or she will qualify for them at private, as well as public, colleges. A private college that is generous with aid packages could be affordable.

When an aid package is not sufficient to meet need, aid officers can give approval for federal PLUS loans. Parents can use PLUS loans to help pay the family contribution. However, a PLUS loan cannot be made for more money than the cost of attendance minus financial aid that has been awarded. And the loan is made on the basis of the parents' credit. States, colleges and banks offer additional loan programs.

Unless there are big changes in the family's financial situation, most colleges try to keep a student's aid package similar from year to year. After freshman year, students may be required to contribute a higher amount from earnings and loans may be larger. Stafford Loan levels are higher after the first year, so a smaller grant can meet the same need. If the student has won a single-year outside scholarship, an adjustment may be made.

### **3B --Comparing and Appealing Aid Offers**

When you receive an aid letter, make sure that you are looking at the final offer, not a preliminary one. If outside scholarships are awarded after the package is made up, there may be a change. Verify that there were no mistakes in the information used. When you compare aid offers, remember that the cost of attendance varies according to the school. Even if the EFC remains the same, the need for aid will be different. Check the real costs for your situation. For example, in figuring the cost of attendance, a distant school may have a maximum allowance for transportation, and it may be less than your actual travel cost.

Make a list showing what each aid offer shows for size of the family contribution, debt load, job expectations and any unmet need. Compare terms of loans. Part of an aid package can be refused, for instance a job offer. To replace a refused component, the family will have to come up with its own funds or use a loan. Turning down part of a package can create doubt as to whether the family really needed the amount awarded.

Once the final financial aid offer has been made, the college will not withdraw it before the deadline for acceptance. If the aid offer from the preferred school means hardship for the family, it is worth a call to the financial aid officer. Major changes in the family finances will be considered. Some colleges state that they will not allow appeals. Others have printed appeal forms and expect to negotiate. An appeal is most likely to work if two factors apply: the student is a strong applicant at the school, and a significantly better aid offer has been made from a similar college.

Call soon after receiving the offer, before other families have negotiated away available funds. Be prepared to explain what you want. You can ask for more grant dollars and fewer loan dollars. If an outside scholarship has been subtracted from the award, ask that it be allowed to reduce the loan portion of the package. Be prepared to document financial data or to send copies of competing offers. You may need to wait for the answer, but don't let the deadline for acceptance expire. Your funds could be awarded to another student. Accepting an award does not commit the

student to attend the school.

## **4 --CHAPTER FOUR--HOW COLLEGES VIEW YOUR FINANCES**

### **4A --Overview**

How will colleges decide how much your family can contribute to education costs? Can you do anything to make your contribution lower and qualify for more aid? College Aid Calculator (tm) (CAC) has separate workscreens and summary pages for parent and student. CAC calculates your contribution two ways, according to systems for awarding government funds and for awarding private funds. The data you enter also makes it possible for CAC to estimate the effects of "What IF ?" strategies on contribution and taxes. This chapter outlines how colleges will look at your financial picture.

As described earlier, Federal Methodology (FM) is a Congressional formula used to decide a family's Expected Family Contribution (EFC) when federal funds are being awarded. At all colleges, public and private, federal money will be distributed by FM guidelines. Institutional Methodology (IM) formulas are used to allocate a school's own institutional funds.

If the student is independent, the methodologies look at the assets and income of student (and spouse if any). If the student is dependent, they look at the assets and income of the student and parents (and stepparents if any). Parental and student contributions are added together to form the total expected family contribution.

Your first base year is the calendar year prior to college enrollment. If the student begins college in the fall of 1997, the base year begins on January first of 1996. With the base year as a starting point, the formulas determine how much of your income and how much of the value of your assets should go toward paying for college. Allowances to protect income and assets are used by both formulas. However, Institutional Methodology looks into more details of family finances, so the contribution expected will be different from the FM contribution. Each IM college has its own policies and way of using the EFC figure. Similarities and differences between FM and IM are described below.

### **4B --Stepparent and Noncustodial Parent**

Aid application forms ask for information about the income and assets of stepparents. The data will be taken into account when the family contribution is decided. This holds true even if the parent and stepparent were not yet married during the calendar year preceding college enrollment.

The federal form, FAFSA, will only ask for financial information about the parent (and any stepparent) with whom the student lived with most of the time during the past 12 months. If the student did not live with one parent more than the other, then information will be from the parent who provided the most financial support. Financial aid will be much higher if the parent who takes the tax deduction for the student is the one who fills out the aid form.

Colleges which use IM usually ask for information from the noncustodial parent. They provide a form called the Divorced/Separated Parent's Statement. Some schools will ask for the Statement only if the custodial parent has not remarried. The noncustodial parent sends information directly to the college. The financial aid officer considers child support, assets, and income; then decides which parents are expected to contribute and how much the contribution will be. Don't assume that divorce decree arrangements will affect the college's decision.

#### **4C --Business/Farm Ownership**

Aid formulas are kinder to your business assets than to your personal assets. Both Federal and Institutional Methodologies only count 40% of the net worth of a business or farm up to \$80,000. The other 60% is not put into the formula. Above \$80,000, the discount drops to 50%, then further as net worth goes up. College Aid Calculator (tm) (CAC) will make these calculations for you and show you the dollar amount of your assets that may be sheltered.

Federal Methodology will not count a family farm if it is the principal place of residence and the family operates the farm. Institutional Methodology will assess farm value.

At colleges using IM, aid applicants who own all or part of a business or farm will be required to submit a Business/Farm Supplement detailing assets and income. It will be sent directly to the school. Some IM colleges will require that depreciation and business losses (deducted on IRS forms) be added back to income before the aid formulas are applied. If the family has ownership in more than one business or farm, a Supplement for each one will be needed.

#### **4D --Asset Treatment**

##### Parent Assets

For parents both Federal and Institutional Methodology calculations will consider the following as assets: cash, savings and checking accounts, investments including trust funds, money market funds, mutual funds, CDs, stocks, bonds, real estate other than the family home, mortgages or loans owed to you, and business assets. These items will be listed on the CAC worksheets. Federal Methodology gives homeowners a break. It does not count home equity (the value of your home less any amounts owed on it). Colleges that use Institutional Methodology to award private funds will want to know home equity. IM schools may ask (but not all do so) about cars, boats, annuities, cash value of life insurance, retirement funds and the financial status of a noncustodial parent. Find out which items are counted by the IM colleges that interest you.

Both FM and IM take into account that parents need to save for retirement. They provide a parental asset protection allowance based on the age of the older parent. If the older of two parents is 47 years old, the parental asset protection allowance is \$41,300 by the federal formula and \$40,900 by the institutional formula. (Beyond age 47, IM gives more generous asset protection allowances than FM.) After deducting the allowance, remaining assets are considered to be Discretionary Net Worth (DNW). The DNW is changed to an income figure by multiplying it by a 12% asset conversion rate. (Presumably this converts your assets to the income that you

would be expected to earn if they were invested.) For the sake of clarity, College Aid Calculator (tm) calls the resulting number "College Assets," so that you will know exactly what portion of your assets is considered by the formulas. (FM calls it "Contribution from Assets" and IM calls it "Income Supplement.") Later CAC will add "College Assets" to "College Income" as explained below under "Parent Income." The total of "College Assets" and "College Income" is used to calculate the contribution expected from parents.

### Dependent Student Assets

Dependent students will be expected to contribute 35% of their assets the first year and 35% of remaining assets in each of the following years. The college will expect that the student will still have the remaining assets to make the additional contributions yearly after the first year. If the student accumulates additional assets, they will be added to the expected student contribution at the same rate of 35% each year. It is clear that, for most families, the first strategy will be to save for college in the name of the parents rather than the child, since the parents' maximum annual contribution rate from assets is 5.64%.

### Independent Student Assets

Independent students rate an asset protection allowance, as do parents of dependent students. The younger they are, the lower the allowance. At age 25, the allowance is zero. "College Assets" are calculated in the same way as described above for parents of dependent students.

## **4E --Income Treatment**

When you prepare to fill out college aid forms, you will need more than your tax returns. The IRS only wants to know your taxable income. Colleges look at both taxed and untaxed income sources. Allowances given by aid formulas are also different from IRS deductions.

### Parent Income

Parental income for Federal Methodology (FM) and Institutional Methodology (IM) starts with Adjusted Gross Income from your tax return and adds untaxed income and benefits and living allowances. (Refer to your CAC screens with pop-up notes which explain the sources of untaxed income.) Subtracted from total income are federal taxes, Social Security taxes, and an allowance for state and other taxes. Then the formulas deduct an income protection allowance based on the number of family members and the number of students in college. The idea is to leave a basic floor of income for living expenses. For a family of four with one in college, the FM allowance is \$17,650. The next deduction from income is an employment expense allowance for a single working parent or two working parents. This takes into account the costs of going to work. The amount is the lesser of \$2,600 or 35% of the income of the parent who earns the least. Child support paid for a child living outside the parent's home because of divorce or separation is also subtracted from income by FM and IM.

The income remaining after the above changes is called "Available Income" by FM and IM. College Aid Calculator (tm) calls it "College Income," to make it clear what portion of your



income the colleges will use in their formula. "College Income" is added to "College Assets" (see Parent Assets section above for explanation) to come up with "Adjusted Available Income" (AAI). For the final step, a formula is applied to the AAI to calculate the parents' expected contribution.

On CAC's screen titled "Sheltered Assets and Estimated Contribution," are the two figures described above, "College Income" and "College Assets." The screen shows how much of your income and assets the formulas look at when calculating how much you can contribute. In addition, you will see how much of your assets are sheltered by the formula. The contribution figure is the estimated parental contribution. The next step is to enter data for the dependent student to find out the estimated student contribution. The parental contribution plus the student contribution will equal the expected family contribution (EFC).

Institutional Methodology allows parents to exclude items not allowed by FM. Most schools give an allowance up to \$5,594 paid per eligible child for private elementary and secondary school tuition for the student's younger sisters and /or brothers. Parents may also exclude from countable income any medical and dental expenses that exceed 4% of total income. The medical expense amount includes health insurance premiums. Some schools may consider disability-related expenses and child care or elder care. IM colleges may also allow parents to subtract from income the amounts paid on their own college loans and on loans they owe for their children's college education. If the loans are in the name of the children, the payments are not excludable, even if the parent makes the payments.

If a family has two children in college, the parental contribution will be divided in two by FM and IM. If there are three children, the parents' contribution will be divided in three, and so on. The parents contribute the same amount, no matter how many children they have in college. (Remember, though, that aid packages include loans and may not meet full need.) The student's portion of the EFC is not changed by the number in college. FM colleges allow parents enrolled at least half-time in college to be counted as part of the number in college. If a parent and child are both enrolled in college, the parental contribution will be divided between them. At IM colleges, only the children in college can be counted.

### Dependent Student Income

Dependent students benefit significantly from Federal Work-Study income. Work-study is subject to social security tax and it is subject to US income tax if it and other income earned exceeds the student's \$3,900 IRS 1040 Standard Deduction. However, work-study is not counted as income by aid formulas and will not increase the student's expected contribution. This is a substantial benefit, as can be seen on CAC's Dependent Student worksheet.

Federal Methodology (FM) doesn't have a specified contribution expected from student earnings and it provides a standard student income protection allowance of \$1,750. The FM student contribution is calculated by deducting from income the \$1,750 allowance, federal taxes, a state tax allowance, and social security taxes, then dividing the remainder by two. CAC calculates this for you and figures out the optimal amount to earn and save. Note that any earnings that the student saves will be counted again, as an asset, and assessed at the 35% rate.

IM colleges do not provide an income protection allowance. The student will be required to contribute from annual earnings (usually a summer job) a minimum of \$900 for freshmen, \$1,100 for others. Individual schools may require more, sometimes twice the minimum amount. To find out what the student owes from earnings above the minimum, add all income, subtract allowances for taxes, then divide by two. As with FM, earnings that are saved are counted again and are subject to the 35% assessment of assets. If the student has not earned enough, it may be possible to obtain a loan to meet the expected contribution. Ask your IM school if there is a standard amount of earnings expected from each student and, if so, what the amount is.

College Aid Calculator (tm) will help students decide how much to earn and what kind of income is best. A pop-up message tells the student how much more he or she can earn without paying additional contribution or federal taxes. In addition, CAC shows the effect of different scenarios in the student "What IF ?" module.

The student contribution from assets and income is added to the parental contribution. The result is the Expected Family Contribution (EFC).

### Independent Student Income

Both IM and FM give independent students an income protection allowance and an employment expense allowance based on whether they have dependents other than a spouse and whether a spouse works and/or is enrolled in college. IM requires a minimum contribution of \$1,500 for independent students with no dependents. If there are dependents, the minimum contribution is \$900 for freshmen and \$1,100 for others.

"College Assets" and "College Income" are calculated and entered into a formula in the same way described for parents above. CAC's screen titled "Sheltered Assets and Estimated Contribution" will show what the college views as the student's assets and income, what amount is sheltered by the formula and the resulting contribution. As mentioned earlier, independent students aged 25 have zero asset protection allowance. Federal Work-Study earnings are not considered by the aid formula. IM will allow the student to exclude from counted income any medical and dental expenses over 4% of income.

### Dependent and Independent Student Income

Dependent and independent students both receive a break from the IRS. Grant and scholarship income, to the extent that it is used to pay for tuition and necessary fees, equipment and books, is tax-free. Any portion that goes toward room and board, or other expenses not directly related to education, is taxable by the IRS. Colleges, however, will not count either the taxable or nontaxable grant and scholarship income in aid formulas.

### **4F --Simplified EFC and Zero EFC**

Federal Methodology's simplified EFC formulas do not count assets when calculating Expected Family Contribution (EFC) for those who qualify. To use this formula for dependent students,

parental income must be below \$50,000, and the student and parents must not be required to file an income tax return or must file (or qualify to file) IRS Form 1040A or 1040EZ. These short tax forms cannot be used by self-employed individuals or taxpayers who itemize deductions. For independent students to be eligible for the Simplified EFC treatment, the income of the student (and spouse, if any) must be below \$50,000 and the student must not be required to file an income tax form or must file (or qualify to file) IRS Form 1040A or 1040EZ.

Institutional Methodology always counts assets, no matter what type of tax return you file or qualify to file. However, even at a private colleges, the simplified formula can help, because it is the federal EFC which is used at all schools to decide eligibility for Pell Grants and the subsidized variety of Stafford Loan.

Under FM, no family contribution at all (zero EFC) is required from dependent students whose parents earn \$12,000 or less and file (or qualify to file) 1040A or 1040EZ forms or who are not required to file a tax return. Independent students with dependents other than a spouse also qualify for a zero EFC if the income of student and spouse is \$12,000 or less and the student either is not required to file or uses (or qualifies to use) the short form. Of course, a student with a zero EFC will still have work and loans included in any aid package.

#### **4G --Your Data**

The government requires verification of approximately one-third of financial aid forms, but it is standard for colleges to ask every aid applicant for tax returns so that data can be checked. If you have not completed your returns, you may be asked for a copy of the previous year's return. Or, you may be allowed to estimate and follow up later with copies of the actual returns. Profile doesn't limit itself to asking about the base year. It has questions about the prior year and wants income estimates for the upcoming year.

Find out whether and when your colleges require FAFSA, state forms, Profile, individual college forms, the Business/Farm Supplement, the Divorced/Separated Parent's Statement, tax returns etc. The FAFSA and Profile registration blanks will be available at high school guidance offices and at colleges. When you have registered for Profile and receive your forms, there may be specific questions which were requested by certain colleges. Only the schools that asked those questions will see the answers to them.

Tax return copies and all forms other than the FAFSA and Profile forms themselves are to be submitted directly to the colleges. If they are sent to the FAFSA or Profile processing centers, they will be destroyed. Documentation may be required to verify assets or untaxed income. Data on all forms must match. Copy all forms for your records and file them where you can find them, because you will need to refer to them if follow-up questions are asked and when filling out next year's aid forms.

You will want to be ready by the earliest deadline required by any of the colleges on your list. FAFSA cannot be filed earlier than the first day of the January preceding college enrollment. Register early to request your individualized Profile forms, then fill them out early so that you will have plenty of time to file by the first deadline. The date for regular admission candidates

may be early in January. Being on time is important because aid funds may run low. Your college may offer electronic filing of FAFSA to speed the process.

#### **4H --Summary**

Business assets are discounted. Students are expected to contribute 35% of their assets each year. Parents of dependent students are given asset protection allowances. The maximum parental contribution from assets is 5.64% per year.

Aid calculations look at income that the IRS doesn't tax. Income is protected by an allowance based on family size and the number of family members in college. Federal Work-Study income is taxable, but neither it nor grants will affect the amount of aid a student will receive. Under Federal Methodology, students benefit by being allotted a \$1,750 income protection allowance and by having no minimum contribution. Institutional Methodology offers no allowances and requires a minimum contribution.

Federal Methodology allows asset protection for families earning less than \$50,000 who file (or are eligible to file) IRS 1040A or 1040EZ forms. Home equity is protected by Federal Methodology, but not by Institutional Methodology, which is used to award a school's own funds.

IM provides allowances for high medical and dental expenses and for elementary and secondary school tuition. IM also may add back business losses and depreciation that were allowed by the IRS. It may look into the finances of noncustodial parents.

How will the FM contribution compare to the IM contribution? Income, assets, home equity, business assets and losses, medical expenses and private school tuition are all part of the picture. Families with a very low expected contribution and a high need may receive enough help from federal funds to pay a good portion of expenses at an in-state public college. When the EFC is high and need lower, a private college with funds to grant may be a good choice. Government funds are available at public or private schools for the low-EFC student.

Now that you know the basics of how the formulas calculate your family contribution, you can go on to the next step. The following chapter outlines ideas for maximizing college aid.

### **5 --CHAPTER FIVE--PLANNING STRATEGIES**

Chapter Four showed how aid formulas calculate Expected Family Contribution (EFC). If you are using College Aid Calculator (tm), you have an estimate of your own expected contribution and a good idea of how your data fits into the college aid picture. This chapter explains strategies which can help reduce your contribution and help you qualify for more aid.

Have you started forming your plan by using your word processor to save this book to a new file, name it, and organize the portions that apply to you? If not, this is a good time to start. College Aid Calculator's "What IF ?" feature will answer your planning questions. For each scenario

you want to test, enter the new number and CAC will immediately estimate your change in family contribution, tax effects, and how much is left for you.

### **5A --Saving for College**

The reward for saving is flexibility. When college bills are due, there will be fewer loans, less worry about financial stability, and less need to use current income to pay for college. If savings are in the parents' name, the family will benefit from the lower contribution rate and the parental asset protection allowance. Families with savings have good credit for loans. Saving for college, like saving for retirement, requires a plan, and discipline. This works best over a long time frame so that invested funds can multiply.

### **5B --Save in Whose Name**

We noted that up to 5.64% of parental assets are expected to be contributed each year, while dependent students are expected to contribute nearly six times as much, 35% of assets each year. Parents who expect to qualify for aid should not save in the child's name.

A relative wishing to help fund a child's education can start a special account in the name of the parents or in the relative's own name. Giving money to the student would subject it to the 35% per year requirement from student assets. Relatives can make loans to the student at very low interest or can repay student loans after college. A direct payment of tuition for another person is not subject to the IRS tax on gifts over \$10,000.

In the past, it was common tax planning strategy to set up short-term trusts for children in order to shift income to their lower tax rates. New legislation has changed this by taxing all but the first \$600 of the child's unearned income at the parents' tax rate until the child is 14 years old. Families that are unlikely to qualify for financial aid may decide to save in the child's name or in a trust for tax reasons. The services of a financial advisor are recommended.

The institutional Profile form asks for information on trusts for the student, whether or not income or principal is actually available. Aid forms from individual private colleges may also ask about trust funds benefiting parents or siblings. To cover all bases, some schools may even ask about money saved by parents in the names of the student's siblings or whether the student has an interest in assets held in another person's name.

### **5C --Assets and Income--Timing**

The aid officer's initial view of your family finances will be at the end of your first base year. This base year ends on December 31 of the year preceding college enrollment. The base year for a student entering college in the fall of 1997 begins on January 1, 1996 and ends on December 31, 1996. The FAFSA form cannot be submitted earlier than January first, the day after the base year ends.

The higher your income has been during the base year and the higher your assets are on the day you fill out the aid form, the less you will qualify for in financial aid. While the student is in

college, every year will be a base year for the next year's aid. The first year will set the scene for following years. Those who know early about base year will be able to plan ahead.

Colleges ask for copies of your tax return for the base year. If you have not completed your return by the date that you file the aid form, you will be asked for a copy of the previous year's form to be followed later by a copy of the base year return. Profile asks for the prior year's Adjusted Gross Income, income tax paid, itemized deductions and untaxed income. For the year following the base year, Profile asks for an estimate of expected parental income, other taxable income and untaxed income. This provides a three year snapshot of income potential. Certain IM schools may ask for a complete tax return for the year prior to the base year, so be prepared.

### Capital Gains

A capital gain may count as income and the additional cash may count as an asset. It could be wise to wait until a student is out of college to sell stocks, real estate, ownership in a business or other assets which will bring a gain. Check to see how your college treats capital gains. Some schools consider capital gains only as an exchange of assets.

### Simplified Needs Test

If you file (or are eligible to file) the IRS short form 1040A or 1040EZ and your income is close to \$50,000, keeping income under that amount in a base year could enable you to meet the Simplified Needs Test. With Simplified Needs, your assets would not be counted by the FM formula. Instructions on the FAFSA form will tell you what to do if you qualify for this status. With Institutional Methodology, on the other hand, assets are always counted.

### Assets

Does the value of your assets exceed your asset protection allowance? What will your assets look like on the day you fill out your aid application? Will they be in categories heavily counted by aid formulas? College Aid Calculator (tm) can help you view your assets as the formulas do. Remember that Federal Methodology (FM) formulas don't look at home equity. Would it be wise to pay down the mortgage with money that is sitting in a savings account or CD? Colleges see savings accounts as available for the family contribution. But home equity is invisible to the FM formula, so paying on the mortgage would move money out of the view of the formula. IM, on the other hand, does count home equity, so reducing the mortgage would create no benefit.

Business assets should be listed in the business category since the aid formulas give a discount on business net worth according to value. Below \$80,000 of net worth, only 40% of value is counted. If income from rental property is a significant portion of your total income and you work at managing it as a business, the colleges may treat the property as a business asset.

Before filling out aid forms, reduce liquid assets by paying as many bills as possible during the base year, even if they are not due until the following year. Bills that may be paid early include taxes, mortgage payments, tuition bills, and large credit card bills, etc. It may be possible to concentrate medical bills into a single year. If they exceed 4% of income, the family qualifies for

an IM deduction. Health insurance premiums count as medical expenses.

## Income

How can base year income be reduced? The less income that falls into the base year, the more aid eligibility you will have. It may be possible to control the date to receive a bonus so that it doesn't fall into a base year. If you own your own business, try to bill customers so that money will come in before the base year begins or after it ends.

### **5D --Retirement Funds**

In any base year, income used to make a contribution to a retirement account, as listed on the IRS form, will be included as untaxed income by aid formulas. Cash on hand to make the contribution will also appear as an asset to FM and IM schools unless the contribution is made after the base year ends and before filing the aid application. The IRS allows until April to make contributions for the previous calendar year. Contributions may be made as early as January first for the current year. (Each year is a base year for the next, so the early contribution would be counted as income and asset for the next year, but could help for the first base year.) A few schools using Institutional Methodology do ask for the number of dollars parents hold in retirement funds. In that case, the aid officer may decide that a high amount in such funds puts the family in a better financial position, so that it could pay a somewhat higher contribution toward college costs.

### **5E --Divorced Parents**

If the custodial parent has remarried, financial information about the stepparent will be required. This is true even if the custodial parent and stepparent were not yet married during the base year (calendar year before the student enrolls in college).

The custodial parent should be the one that takes the income tax deduction for the student. If this has not been the case, an IRS form can be submitted for the noncustodial parent to give up the deduction. The figure given on aid forms for family size will affect income formulas, income protection allowances, and whether the family contribution can be divided among more than one student in college at the same time. The amount of aid involved may be significantly higher than the value of the tax deduction.

### **5F --Value of Assets**

#### Installment Sales/Mortgages Held

Mortgages and loans owed to you by others should be valued at what they would bring if sold on the date that the aid application form is filled out. Talk with your banker. The mortgage you hold may be worth less than its face value. The discounted value will be based on its interest rate, the payment history of the person who owes the debt, and whether another party is in first position for payment.

## Real Estate Value

Institutional Methodology (IM) counts home equity as an asset when calculating your ability to pay college costs. What is the value of your home? It may be quite different from the tax assessment value. Consider how much the property would bring at sale now, not after months on the market at an inflated price. If repairs are needed in order to sell, take the cost into account. Subtract commissions and other closing costs due at the time of sale. Then subtract your mortgage, any home equity loan, and other amounts owed on the property. The remainder is your home equity.

The FAFSA form will not ask home value or home debt because FM doesn't count home equity. The family farm will not be counted if the family lives there and operates it. FAFSA will ask how much any other real estate that you own is worth today and how much is owed on it.

IM's Profile form asks the year that your home was purchased, the purchase price, how much is owed and how much it is worth today. Farm home equity will be counted by IM. If you own other real estate, you will be asked the year purchased, the purchase price, and what is owed on it. Value figures that you use on aid forms will be checked against a government formula. If your home value has not increased by at least 3% per year, be prepared to attach an explanation. Perhaps you bought when prices were higher or owe more than your home is worth today.

## Business Value

Be realistic when valuing your business. What could you sell it for today? Is your equipment up to date? Does good will really have a monetary value?

## **5G --Debt and Assets**

Consumer debt will not improve your eligibility for financial aid. FAFSA (FM) does not give credit for personal or consumer loans, only debts against assets listed. The basic Profile form doesn't ask about personal debt other than parents' educational loans. On a special Profile question or on their own forms, colleges may inquire about credit card balances and car loans. Ask how your college regards debt of this nature. Your aim is to have more debts and fewer assets counted by the aid formula. If you have liquid assets and can afford to do so, reduce consumer loans. Pay off a car loan and other debt not counted by your college.

If you need a loan, borrow against the assets that colleges count. If the student will attend a private college, home equity will be counted, so borrowing on the home is a good strategy. It reduces your assets and increases your aid eligibility. Other possibilities are borrowing against other real estate, savings accounts, even borrowing on margin against brokerage accounts. If you find yourself eyeing your retirement plan, check into penalties for early withdrawal and think about how the funds would be replaced for their original purpose. If retirement funds are not counted by the college, don't borrow against them because doing so would increase your assets and cause you to qualify for less aid.

## **5H --Home Equity Line of Credit**



The family residence is a primary asset for many families. Home equity is the home's value minus the mortgage and any other debts on the residence. Congress has voted not to count this asset by Federal Methodology, so no matter how high the equity in your home, it will not hurt your eligibility for federal aid.

If Federal money will be your basic source of aid and you need to borrow, don't look first to a home equity loan. It could take assets that were protected and bring them into view of the aid formulas. Look instead to borrow against a second home or other asset which the formulas do count as your asset. On the other hand, if you have liquid assets that the formulas count, use them to pay down the home mortgage. For FM, increasing home equity moves assets from a countable to a noncountable category. Renters with cash can use liquid assets to make a down payment to buy a home.

Colleges which use Institutional Methodology do take home equity into account for aid eligibility. Home equity is an asset that will be counted when calculating the family contribution. Some IM colleges put an upper limit on their consideration of home equity. These schools don't count the portion of home equity which is higher than three times parental income. A family that has high home equity counted by IM can consider reducing that equity by taking out a home equity line of credit. In most states the loan can be used to pay college bills or to pay off consumer loans. Consider using home equity money during the base year before filling out aid forms. It can be spent to make needed purchases or to pay bills.

In addition to reducing assets for the IM formula, a home equity line of credit has other advantages. Money can be withdrawn as needed, so that interest will only be charged on the amount borrowed. Interest rates are relatively low because the property is the collateral. Unlike car loans and other consumer loans, home loan interest payments are tax deductible on loans up to \$100,000 for taxpayers who itemize deductions. Home loans are over a long term, so monthly payments are low. Think about whether the payments are affordable out of current income and remember that the value of the home could go down in a changing real estate market.

## **5I --Real Estate**

Some enterprising parents buy rental property near campus. Their student and other students live in the property. The child earns a salary as the manager. The parents have a tax advantage and deduct expenses of the property and of visiting their investment property in the college town.

An independent student might buy property near the college if the price is right and appreciation seems likely. In the ideal situation, the student could improve the property and build up equity to pay college loans.

There are risks. Managing a building can be difficult. Operating costs include taxes, utilities, repairs, and vacancies. It's important to have realistic estimates of upcoming repairs. Real estate is not a liquid asset and may not be easily sold when the student is ready to move on. Increasing interest rates would adversely affect adjustable rate mortgage payments and reduce the appeal to future buyers. There are costs of sale for buying and again for selling. Market ups and downs are

beyond the property owner's control. To make a profit, appreciation would need to be significant. Still, it's possible that the right deal could be available at the right time.

## **5J --Businesses**

The federal (FM) and private institutional (IM) forms, FAFSA and Profile, will ask the value of your business and how much is owed on it. Colleges that award private funds will ask for a Business/Farm Supplement form in order to judge value. Make it clear as to whether you own all or a portion of the business. As noted earlier, both methodologies adjust the net worth of a business. They will count only 40% of net worth up to \$80,000, then 50% of the net worth between \$80,001 and \$245,000, and 60% up to \$410,000, the maximum net worth that rates a discount.

Hiring the student in the family business can reduce business income. In addition, the first \$3,900 of income for a child over age 14 is subject to Social Security tax but not federal tax. However, the Business/Farm Supplement inquires about employment of dependents. Some IM colleges require adding back to income the wages of dependent children. Remember that after allowances and taxes, student income is assessed by aid formulas at 50% and, if saved, assessed at an additional 35%.

Business owners and self-employed people have flexibility in managing finances. Are there any assets now in the personal category that are actually business assets? Would incorporating allow for more flexibility to put money into retirement accounts? Can money owed to the business be collected before the beginning of the first base year? Will it change the picture to make business expenditures during a base year? Does it make sense for you to use a home equity line of credit to start or expand a business? College Aid Calculator (tm) can help analyze the EFC effects and the tax effects of these questions, so that you can make plans for your business.

Check on the policies of private colleges. IM schools may treat business losses and depreciation in different ways than the IRS does. They may require adding back depreciation and losses taken on IRS forms.

If financial aid is unlikely, parents might decide to give or sell to their child an interest in the family business. Tax benefits could free up money to pay for college. Or, parents might give or sell to the student business equipment or real estate which the business could then lease back.. Business strategies can be complex. Information should be up to date. We recommend consulting with an advisor who is knowledgeable about both tax laws and college financial aid.

## **5K --Dependent Student Income**

Does it make sense for a dependent student to earn more during the school year than the work-study allotment? Should she or he earn more during the summer than FM's protected \$1,750 or more than an individual IM college's required amount for contribution from earnings? After allowances and minimum contributions are subtracted, 50% of additional earnings are added to the student's expected contribution. Then, if money is saved, it is subject to the 35% contribution from assets. The student could be required to contribute 85%, or more, of every extra dollar

earned. Use College Aid Calculator's "What IF ?" feature on the "Dependent Student Contribution Summary" screen to investigate which numbers work out best for you.

Grants are valuable because they are not counted as student resources that could go toward the student's expected contribution. Nor will the IRS tax the portion of a scholarship or grant that goes toward tuition, fees, books, and equipment. The IRS does tax any part of a scholarship that goes toward expenses not directly education-related, such as room and board. Remember to keep the two separated.

## **5L --Cost of Attendance**

One of the three items used to calculate the amount of aid needed is the yearly Cost of Attendance (COA). Remember the formula--COA less Expected Family Contribution (EFC) equals Need for Aid. The higher the COA, the higher the Need for Aid (and, ideally, the larger the aid package). Make sure that the COA is not underestimated, because it may mean less financial assistance. The college will give you standard figures for its Cost of Attendance including tuition, fees, room, board, books and supplies. A health fee may be included. There may be allowances for transportation and personal expenses. If the student lives far from the school, ask whether a higher amount for transportation can be used. Some schools allow a per mile figure.

When students plan to live off-campus, they need to find out whether the COA housing allowance is different from the amount for those who live on campus. The cost of a computer will not be included in the Cost of Attendance unless the school requires that the student have his or her own. Be sure to let the college know if the student will have additional costs for dependent care (child or elder) or expenses related to a disability. Some schools may offer day care.

Students participating in approved exchange programs in the US or in another country usually take their financial aid package along. If costs are lower, aid will be lower. If costs are higher, aid is not generally increased, but loans may be available

## **5M --Choosing Colleges, Negotiating Awards**

Negotiating aid awards works best when there are competing offers from schools which are like each other in type and cost. So, applying to several similar schools has value. Aid packages sometimes differ widely from school to school. If the college which is most appealing makes a significantly lower offer than another, it may be possible to negotiate. Let the aid officer know that the student prefers his or her college, but that substantially more assistance was offered by the other school. You may be able to improve the package, perhaps by reducing the percentage of loans.

College Aid Calculator (tm) will figure the Expected Family Contribution (EFC) for government aid (FM) and for private aid (IM). If the EFC is quite low, the student may qualify for enough government aid to pay for a substantial portion of costs at a school with a low cost of attendance, such as an in-state public college. If the EFC is high, the family will be awarded less government aid, so it may prefer to consider private colleges, especially schools which are generous with aid

packages or schools at which the student is likely to be awarded a merit scholarship.

The student with the low EFC will receive the same government awards at a public or private college. The cost of attendance is greater at the private college. Institutional funds will meet part of the cost. The size of the loan burden can be a factor in the family's decision.

### **5N --Application Status**

Some colleges give applicants early answers on admission applications. The schools that offer "early decision" require the students to apply only to their school and to attend if accepted. Those students will not be able to compare or negotiate aid packages. Colleges which offer "early action" allow students to apply to other schools, so appeals are an option. Students who apply regular action and are not admitted, but put on a waiting list, may not receive financial aid even if they are accepted later--aid funds may already be awarded to others. Transfer students who transfer during the school year will find that aid funds have already been awarded. Financial aid forms will ask transfer students how much aid they received at the previous college.

### **5O --Number Attending College**

When more than one family member is enrolled in college, the parental contribution portion of the EFC remains constant--the same as if there were only one student in college. The contribution is divided among the number of students attending college at the same time. If students in the same family can overlap their time of attendance, it will be a big money-saver. The student contribution part of the EFC is not affected by the number in college.

Federal Methodology allows the number in college to include parents enrolled at least half-time in eligible degree programs. Even at private colleges, FM is used to qualify students for federal funds, so having a parent in college could help a student qualify for a Pell Grant or a subsidized Stafford Loan.

When private colleges award their own funds (IM), it won't help to have parents attending college. Institutional Methodology only considers dependent children, not parents, for the number in college. If children attend schools that are not similarly priced, the colleges may receive the family contribution in ratio to their cost.

### **5P --Providing Data to Colleges**

Find out early about all financial information and forms that will be required. If the college wants tax return copies at an early date and asks for the prior year if they are not ready, you may decide to prepare your base year taxes early. If it is not possible to file your tax return before the dates for financial aid applications, don't let this delay filing the aid forms. You may submit estimates of your base year income and send the copies of your actual tax returns later. Estimates and actual returns should match as closely as possible. Profile asks for certain figures from your prior year's tax return and income estimates for the upcoming year.

Allow enough time to provide all the documents that the college requests, so there will be no

delays. Meeting or being early for the deadlines will help you to be first in line for scarce aid dollars.

### **5Q --Special Circumstances**

Aid officers who use Institutional Methodology have leeway to consider unusual circumstances. Applicants are invited to explain their situation in writing. There is a small space to note your circumstances on the Profile form. More lengthy explanations should be made, in writing, directly to the colleges. Give dollar amounts, so that the aid officer will be able to quantify the effects of your problem.

The federal FAFSA form has a box advising students to bring to the attention of their financial aid officer any special circumstances, such as recent job loss, elementary or secondary school tuition expenses, or high medical or dental expenses not covered by insurance. Write to the individual colleges, because enclosures with the FAFSA form will be destroyed. If your circumstances change after forms have been filed, communicate with the aid officer at the college to find out whether adjustments can be made.

### **5R --Seeking Advice**

Every family will have individual needs for information and advice. If college-bound children are young, there are many choices for saving ahead and positioning business and other assets. Planning for retirement, taxes and college planning are all related. Books and magazine articles provide general information on saving, investing, tax strategies, and college financial aid. For specific advice, look for the right professional consultant. You may be able to save much more than the cost of the service.

Your high school guidance counselor wears many hats and can be very helpful, but don't expect him or her to be your financial aid expert. Bankers, attorneys, stockbrokers, insurance agents, and accountants can contribute ideas, but it's important to put the total picture together. There are dissimilar goals and strategies for tax planning, retirement planning, and financial aid planning. What works for tax benefits can hurt financial aid eligibility. College aid rules and tax laws change. An experienced financial planner/college aid advisor should be able to help. Ask people you know for recommendations. Make sure the consultant is knowledgeable about college financial aid. Find out whether he or she earns a fee from selling financial products. Make a list of questions, then interview the candidates until you feel that you have found the one that can best help you.

### **5S --Highlights**

What are some of the key strategies that may help you qualify for more financial aid? Saving in the parents' name protects assets. Business assets are given a discount. Liquid assets can be used to reduce current debts before completing the aid application form. Home equity can be high for Federal Methodology, but lower is better for Institutional Methodology. If using IM and a loan is needed, a home equity line of credit can be a good solution.

Families earning under \$50,000 who file or qualify to file the IRS 1040A or 1040EZ can exclude assets from Federal Methodology. If more than one student is in college at the same time, parental contribution will be shared. Check with IM colleges before making major plans based on a single strategy. Their policies may change. Look for professional advice if your situation is complex.

## **6 --CHAPTER SIX-BEYOND THE PACKAGE-MORE WAYS TO PAY FOR COLLEGE**

Traditional financial aid is not always available or sufficient. Students can find additional ways to save on expenses and cut down on borrowing. Choosing the right school and timetable, finding private scholarships, and working are a few of the possibilities.

### **6A --Private Scholarships**

Since college is expensive, private sector money is an important part of student aid. Private scholarships are generally not based on need. When need-based aid is awarded, private scholarship dollars are usually subtracted from the aid package. At some colleges, however, credit will be given toward the loan portion of the package.

One of the largest and best known private sources of funds is the National Merit Scholarship program. Students are selected to compete according to their scores in the Preliminary SAT test taken during the junior year of high school. Awards are made through participating colleges, through corporations where parents work, or as one-time awards.

#### Searches

Computerized college scholarship search programs are available for a fee. However, the same information is available in libraries. High schools, colleges and state agencies may offer free computer searches. Search forms that ask many questions are more likely to find a match. Many scholarships require very specific attributes.

#### Organizations

Members of organizations enjoy being involved with young people and helping students continue education. Getting involved with these associations can be rewarding. Every family has connections with some group that offers scholarships. Check with local service and fraternal organizations, ethnic clubs, veterans' posts, union locals, school scholarship groups, community clubs, and businesses. High school guidance counselors know about local scholarships. Chambers of Commerce have lists of community organizations.

Take a look in your library at Gale's *Encyclopedia of Associations* for additional ideas. Family members may belong to national professional associations or other organizations that help students. Religious groups may offer aid from the local or national level. Find out the requirements, dollar amounts, and competitiveness of awards. Ask whether the scholarship is for one year or every year of college. Put your efforts into competing for the ones that offer the most

dollars, have the best odds, and make reasonable demands for application materials.

### Descent

National genealogical and ethnic organizations offer funds for college. Scholarships are available for students who are of African American, Hispanic or Native American descent. To qualify as Native American, the student is usually required to be at least one-quarter Native American and have membership in a tribe.

### Corporations

Many businesses, especially large companies, have programs to help with the college costs of employees or their children. The assistance may take the form of loans, saving plans or tuition benefits. Find out whether the employer of parents or student has such programs, whether the aid has to be job-related, and what the guidelines are.

### Field of interest

The student who has already identified a field of interest can learn from guidance counselors and college aid administrators about organizations which give related scholarships. Look in Gale's *Encyclopedia of Associations* for addresses of professional organizations. Colleges which offer special programs in the student's subject will know the best ways to apply for private aid. Funds are available in many fields, including teaching and the health professions.

## **6B --The Military**

Past military service can mean benefits for college. Veterans and dependents of veterans should look into what is available to them. Benefits can take many forms, including scholarships, loans and grants. The American Legion publishes a handbook, *Need a Lift?*, which details military and other sources of financial aid.

Funding part of an education through the military can be at a low or high level of commitment. ROTC (Reserve Officer Training Corps) is available at a limited number of colleges. One ROTC program is very competitive and covers a substantial portion of college costs in exchange for a service commitment after college. The other program pays a \$100 per month stipend during junior and senior years. The service academies provide full education in return for a service obligation. Admission requires high achievement and a congressional appointment. Students interested in nursing and other health professions can qualify for military scholarships.

The VA will supplement contributions made by enlisted personnel to an education fund. When the veteran is out of the service attending college, the VA makes monthly payments. The National Guard and Army Reserves also allow accumulation of education benefits. All branches of the service will subsidize tuition at regular colleges for those who are currently enlisted.

## **6C --National Service**

Members of AmeriCorps, the National Civilian Community Corps, and Americorps Vista work in national service programs related to community improvement. They receive a small living allowance and an educational credit of up to \$4,725 per year to use toward higher education or repayment of student loans. Admission to the program is very competitive. Congressional cost-cutting may reduce national service opportunities. Look for similar programs at the state level.

### **6D --Being Thrifty**

Keeping costs down while in college can be a challenge that brings real rewards. Consider living arrangements that save money: having one or more roommates, living in a cooperative housing situation, or even living at home. If there is a choice of meal plans, buy the one that best suits your habits. Use public transportation instead of bringing a car to college. Research special rates on long-distance flights home. Compare prices when shopping. Look for used textbooks. They are available in college bookstores and can make a big difference in the budget.

### **6E --Shortening Time in College**

We all know the old saying--time is money. Many students have shortened the time spent earning a degree to three or three and a half years. By finishing college in less time, they were able to cut back on room and board expenses and graduate sooner to begin working. Many colleges give credits and advanced standing to students who take advanced placement courses and get a sufficient grade on an AP test. Some colleges will even give credit for life experience. In some cases, a student enters with sophomore standing.

Other ways to complete college in less time are: taking an extra course load, going to summer school, or attending night school. The student and family will consider the value of a four year college experience and weigh the stresses and benefits of accelerating the process.

### **6F --Working**

Working is a time-honored way to pay college bills. When college costs were lower, more students were able to work their way through school with fewer loans. Today, the best wages for jobs during the school year come from the federally subsidized Work-Study program. Work-Study jobs are usually on campus. Unlike some other forms of income, Work-Study money isn't counted by the aid formula, so it won't be included in the student's expected contribution. Check with your college and test your scenarios with College Aid Calculator (tm).

For regular jobs, on or off campus, the college placement office will be helpful. The enterprising student can think of creative solutions. How about trading work for rent in an off-campus apartment? Can the student start a business that will help pay college costs? Students can provide tutoring, word processing or delivery services. Do some creative thinking about what fellow students need and would be willing to pay for. Making money for college can be enjoyable and impress future employers. It can even lead to a business career.

### **6G --Cooperative Education**



A student who has some idea of his or her ideal career after college can be an especially good candidate for cooperative education. Hundreds of colleges allow students to combine work and study, earning money for college while learning. Students either go to school while working or, more often, alternate full-time work and full-time study. At some colleges, nearly everyone chooses this approach. It may take five years to graduate. If she or he has a goal of gaining experience in a particular field, the student should find out which colleges have arrangements with employers in the chosen subject. The federal government is a major employer of cooperative education students.

Life experience, job experience and fewer loans are some of the benefits of cooperative education. Participants tend to be serious about what they are doing. After college, they frequently choose to work for the same employer that they worked for while they were in school.

## **6H --Choice of School**

The first and most important step in controlling the cost of college can be deciding which school to attend. An in-state public college or a public college in a state that has an arrangement with the student's state can be the answer. In other cases, depending on the family's situation, a private college that meets full need may be affordable. College Aid Calculator (tm) can help compare a family's expected contributions at public and private schools. Keep in mind that a public college may be able to provide federal funds, but a private college is able to supplement federal money and family contribution with aid from its own sources.

A student can often win a merit award by applying to a college where he or she is a top applicant in some category appreciated by the school. A college that considers the student to be special for academics, athletics, geographical diversity or artistic talent is more likely to admit the student and to offer a scholarship or a financial aid package with more grants and fewer loans. Check into whether schools offer merit awards, what the necessary qualifications are, and the amount given. If applying to a selective college which offers only need-based aid, find out whether it has a policy of meeting full need. If the college has a large endowment relative to the number of students, more grant money should be available.

Some students control costs by commuting to a nearby college. Room and board fees are a substantial portion of college costs. Living expenses can be kept down if the student lives at home. On the other hand, campus life may be one of the benefits of attending college and financial aid may cover the cost.

There are low cost schools, even schools where no tuition is charged. The Cooper Union in New York City is tuition-free. Foreign universities, in Canada or farther from home, can be a bargain. Students can save money by attending a low cost community college for a year or two and then transferring to a more expensive and prestigious school to earn their degree. Check ahead with the second school and ask for confirmation in writing that credits may be transferred. Some colleges will award a degree with only one year at their school.

Part-time students are less likely than full-time students to receive substantial college financial aid, but they can work and study at the same time. There are universities which offer courses

held on weekends or at night for working students. There are even college courses offered through computer networks, satellite TV, and correspondence.

Apply to several similar schools so that you will be able to compare aid offers. You may have an opportunity to negotiate a better aid package at the school the student likes best. Include in the application list a financial-safety school, one that you know will accept the student and that the family can afford. The best choice for financial safety may be a school that is most likely to give aid, rather than one with a low cost of attendance.

Does the student fit in a category that qualifies for a discount at a particular college? Some schools give tuition breaks to children of alumni, children of employees, siblings of enrolled students, senior citizens, student leaders, or minority students. Consider the college that offers you something special.

Though it is unlikely to be the deciding factor in which school to attend, it is worth asking about choice of payment plans. Many colleges allow bills to be paid monthly, rather than twice a year. When bills are paid early, some colleges will give a discount or guarantee that the student's tuition will not increase. Some colleges also offer very favorable loan programs.

## **7 --CONCLUSION**

Now that you know the meaning of base year and have an idea of how FM and IM aid formulas will treat your assets and income, you have the groundwork for making sound financial decisions. Planning ahead to make changes in asset and income categories is the next step. Finding out the effects of each change, given your individual situation, involves many interacting aid and tax formulas. College Aid Calculator (CAC) was created to do these "What IF ?" calculations for you, so that you can save time and qualify for more aid. We hope that CAC and *Strategies to Reduce College Costs* will help you achieve an improved college aid package.

## **8 --NOTES TO THE READER**

Do you have a favorite college aid strategy to share? Please send any ideas or comments on this book to us by E-mail, US mail or visit our Internet home page where you can leave a message and participate in our CACForum, a newsgroup for sharing information about financial aid.

E-mail: [CollegeAid@Maine.com](mailto:CollegeAid@Maine.com)

US mail: Think Ahead, Inc., P.O. Box 5A, Dresden, ME 04342

World-Wide Web: <http://www.maine.com/collegeaid>

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to help develop your own personal college aid plan. See below for information about our College Aid Calculator software program.

## **THANK YOU.**

We believe in Shareware--which has allowed you to try *Strategies to Reduce College Costs* before you buy. If you have found *Strategies* useful, please send \$9.95 to Think Ahead, Inc., 251 Jefferson St., MS-5A, Waldoboro ME 04572 (Check, Visa, Money Order, or MasterCard).

If you have an IBM compatible (or access to one--386 or better), you will benefit by picking up a copy of College Aid Calculator (both *Strategies to Reduce College Costs* and a comprehensive Tutorial are included with this). You may download CAC at <http://www.maine.com/colleageaid> Or, we will ship you a copy a copy of CAC 96-7 right now. The price of CAC **97-8** is \$49.95, shipping late summer 1996. For an additional \$10--Total \$59.95 +postage & handling, we will also send you a copy of CAC 96-7 so you can start testing your "What IF ?" scenarios soon.

The sooner you start your plan, the more you stand to save.

## **DISCLAIMER:**

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Think Ahead, Inc. and Bob and Sally Fesler, authors.

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## **9 --ABOUT COLLEGE AID CALCULATOR (tm)**

### **What College Aid Calculator Can Do For You**

College Aid Calculator (CAC) is an IBM-compatible software program which estimates your Expected Family Contribution (EFC) for college costs in two ways--according to formulas used for awarding Federal funds and according to formulas used by colleges which make grants from their own Institutional funds.

CAC also calculates and estimates your Federal income taxes. CAC combines EFC and tax calculations so that you can play "What IF ?" to test your business and personal financial planning scenarios. CAC is the ultimate college aid planning tool. As you play "What IF ?" you see immediately how your EFC changes, what your tax bite will be, and what's left for you.

CAC has workscreens for entering your data. As needed, pop-up messages appear in order to clarify aid rules and simplify your entries. Separate workscreens are provided for parents, dependent students and independent students. All can play "What IF ?"

CAC has a comprehensive tutorial to make it easy for you to see how the aid formulas are applied and how "What IF ?" works to save money.

CAC's summary pages show how the formulas calculate your Contribution and how much of your income and assets the aid formulas consider. The amount sheltered by the formulas is also shown. You will see, side-by-side, Expected Contribution for private and public financial aid--before and after "What IF?"

" changes

CAC is updated yearly to take into account changes in aid rules, aid formulas, and tax laws.

CAC can assist you in completing your college financial aid forms by providing an estimated Federal tax amount and the basis for an answer to the question:--"How much do you expect to contribute to your child's college costs?"

CAC includes this book, *Strategies to Reduce College Costs*.

### **College Aid Calculator 96-7 Is Available as shareware.**

Download CAC at: <http://www.maine.com/collegeaid> or place an order. CAC 97-8 costs \$49.95. For \$10 more, total \$59.95, we will immediately ship CAC 96-7 to you too. (CAC 97-8 will be shipped in late summer of 1996.)

### **Why you'll want the CAC 97-8 UPGRADE:**

**Formulas** - aid and taxes - **change** every year. So, CAC 96-7 will be

**Obsolete** - by late summer 96 - You'll **need CAC 97-8** to keep current.

**Upgrade now** - New Aid Formulas, New Tax Laws, New Features, including:

**Four Year Cost Estimator** - for those with college in their future,

**Loan-Grant-Aid Offer Analysis Module** - to compare your aid offers,  
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**College Students:**

Thinking ahead is critical. Review CAC suggestions every year before reapplying for aid. There are strategies that can increase your aid.

**High School Class of '97:**

1996 is the "Base Year" for you and your parents. Learn, before it is too late, what must be done to increase your possibilities of receiving more aid.

**High School Class of '98:**

1996 is your "pre-Base Year"--many colleges will ask for your 1996 tax numbers and may ask for copies of your 1996 tax return. Be prepared.

**High School Class of '99:**

1996 is the last year you have before colleges will inspect your family numbers. Do you know what you ought to be considering now?

**Heading for college?**

Think Ahead. Those who do, can save a significant amount of money.

**ESSENTIAL:** As soon as CAC 97-8 is available, you will need it to update your plan:

**ORDER NOW - \$49.95 for CAC 97-8 ... not available as Shareware**

**\$59.95 for both CAC 96-7 (now) & CAC 97-8 (late summer '96)**

**CAC SYSTEM REQUIREMENTS:**

College Aid Calculator operates in Windows or DOS. If you don't have an IBM or compatible, consider ordering CAC together with someone who does. Or, if all you need is this book, please send your shareware payment of \$9.95 to the address below.

IBM PC or compatible, 386 or better

3.5", 1.44MB disk drive to install from

6MB of disk space (8.5MB during installation)

4MB of RAM if operating under DOS

8MB of RAM recommended for Windows 3.1--Windows 95 may require more than 8MB

See Order Form below.



**Print this ORDER FORM**

Please circle Items and note Quantity and Prices:

\$ 9.95 *Strategies to Reduce College Costs* book only--Shareware payment  
\$49.95 for College Aid Calculator (CAC 97-8)--shipping late summer '96  
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