

***Strategies for College Funding - Not Just Saving for it!***  
**By Jon Castle, CFP<sup>®</sup>, ChFC<sup>®</sup>**

It seems that sending one's children to college to get a higher education is a very common financial goal - but strangely enough, one that few financial advisors, radio, or television money gurus discuss in much depth. Sure - there are a couple of account "types" that are designed to be tax free or tax advantaged for college - but in my experience, these are rarely used to their full potential and usually offer little real advantage for most people. In addition, many of these "college" accounts are more hype than real value - and some of them come with hefty fees in many states.

These accounts - like just about any account in which you save money - also can take a while to accumulate enough dollars to solve the college financing problem. However - savvy parents and their kids can take advantage of a number of strategies which can greatly increase the odds of getting **financial aid** - real money from outside sources - to help pay for college.

No matter what your asset level - one of the most important things a family with a college-bound high school senior should do is file the **FAFSA - the Free Application for Federal Student Aid**. This form, created and administered by the U.S. Department of Education - is the form that a family must complete annually for the student to be eligible for financial aid at most colleges and universities. The deadline for filing the FAFSA at the **federal** level is June 30th (for the *next* academic year) - but each **state** has a different deadline for state-level award eligibility. For example, here in Florida, the deadline is May 15th.

**Strategy:** File the FAFSA as soon as possible every year. Financial aid is often awarded on a first-come, first served basis! Get it done! Once the available financial aid dollars are given away, they are gone until the next year. The earliest you can file the FAFSA is January 2nd. This is the first step in the process, and colleges won't consider a student's eligibility for need-based financial aid until they have the results of the FAFSA - a report called the **SAR** - the Student Aid Report.

The SAR is one of potentially several forms a college will use to determine *need-based financial aid*. So, in other words - with the data on the FAFSA, the DOE tallies up the family's assets - and then uses a formula to compute the EFC - the "Expected Family Contribution" to a student's education - based upon the assets available. The EFC is then reported to the colleges via the SAR. You can list up to 10 colleges to get a copy of the SAR - a good idea. Here's how it works:

Suppose a college costs \$20,000 per year, and based upon a family's assets reported on the FAFSA - the Department of Education has determined that family's Expected Family Contribution (EFC) is \$10,000. That leaves \$10,000 remaining as a GAP still to be funded. That GAP is the target for Financial Aid - that is the number that colleges and universities consider when deciding how much student aid to dole out when the student applies for it. What percentage of this gap a college meets (on average) is reported every year and is available for comparisons at [www.CollegeBoard.org](http://www.CollegeBoard.org).

**Strategy:** Given the above information - the first strategy to *maximize* Financial Aid eligibility is to *minimize* the Expected Family Contribution reported on the Student Aid Report. This is done by making the family's assets appear as *small* as possible when filling out the FAFSA. In many cases, simply filling the FAFSA out correctly will take care of this. In other cases, transferring assets (moving money around) might be necessary.

Many people assume that because they have assets - that their children are not eligible for need-based financial aid. This is not necessarily true. The following assets are NOT included on the FAFSA - and therefore do not count against the family in determining the EFC:

- 401(k), 403(b), TSA, TSP, and other qualified retirement plans,
- IRA's, Roth IRA's, SEP, SARSEP, and other retirement plans,
- Deferred Annuity values,
- Life insurance cash values
- Home Equity, cars, furniture, or household possessions

The FAFSA *does include* other types of accounts such as bank accounts, individually or jointly registered investment accounts, and any equity in investment homes or other real estate. So, in preparation for the filing of the FAFSA, it may be advisable to reposition assets for a more favorable outcome. Consult with your CPA or financial advisor for advice and a strategy session on this.

Getting financial aid for college can be a complicated process - one that is best started as early as the year a student enters high school. However, done properly - it is possible to get a great education - even an Ivy League level education - for the same out of pocket dollars as it costs to send students to a state school. Don't be afraid to get expert advice on this - many financial advisors specialize in college funding, college planning, and financial aid planning. A quick internet search can help you find a college funding planner in your area. One word of caution - some college funding planners are merely insurance agents trying to sell a product. Others may work on a fee-only basis. Be careful when selecting your planner - but also be aware that selecting the right one can save tens of thousands of dollars in college costs as well. It can be well worth the time and effort!

*Certified Financial Planner Board of Standards Inc. owns the certification marks CFP(R), CERTIFIED FINANCIAL PLANNER(tm) and federally registered CFP (with flame logo) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.*

*Investment advisory services offered by Paragon Wealth Strategies LLC, a registered investment advisor.*