

10 Things You Should Know About Applying for Financial Aid

WHETHER YOU ALREADY HAVE A STUDENT IN SCHOOL OR YOU'RE APPROACHING HIGHER EDUCATION FOR THE FIRST TIME, learning more about the financial aid process is key in making school more affordable. Last year, 40% of families didn't apply for financial aid because they thought they wouldn't qualify for any, and 29% didn't know about it or missed the deadline.¹ Avoid missing out on potential funds for school with these 10 important points:

- 1. What is the FAFSA?:** If this is your first foray into the world of higher education, you are probably seeing "FAFSA" all over the place. The Free Application for Federal Student Aid (FAFSA) is the form that both prospective and current college students complete each year in order for their college and state of residence to determine how much aid they are eligible for.
- 2. Where should I start?:** You can apply online at fafsa.gov, by mailing in an application, or in some cases, your college may apply for you. You'll need your Social Security number or Alien Registration number (if you are not a US citizen), your and your child's federal income tax returns, W-2s, bank records, statements of investments, and records of untaxed income. Both parent and student will also be asked to create an FSA ID in order to apply.
- 3. Fill out your FAFSA sooner rather than later:** Filing season begins each year in October and closes at the end of June, so even if you're not sure where your student is going to school, make sure you apply ASAP. When you apply can make a big difference in the amount of aid you're offered. Some financial aid is limited and is awarded to students on a first come, first served basis. While you're very likely to still be offered aid of some sort, waiting longer may result in being offered fewer grants (that don't need to be paid back) and more loans (that do need to be paid back).
- 4. Know your aid:** There are two kinds of aid that your student might be eligible for—need-based and merit-based. Need-based aid is calculated by the FAFSA and your family's ability to pay for college; it is typically represented as federal student loans, federal grants, and on-campus work-study programs. Merit-based aid is usually awarded as a scholarship and is done through a college or private institution for outstanding academic or athletic abilities.
- 5. Financial aid can coexist with a 529 plan:** 529 plans are a great way to start saving for college, and while they're considered an asset under the federal aid formula, the impact on eligibility is less than you'd think. 529 accounts owned by parents or students could potentially impact aid up to 5.64%, a small sacrifice when you consider all the other benefits of a 529 plan. Plans owned by grandparents may impact aid up to 50%. To avoid this larger deduction of aid, grandparents can potentially transfer the ownership of the 529 plan to the parent; wait to use the funds until the second half of the student's sophomore year (because FAFSA is based on income and tax info of two year's prior and won't impact future years); or use the funds after a student graduates to pay down student loan debt.

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- 6.** **How family can impact aid:** In divorced families, your student's FAFSA is based solely on the income of the parent the student lives with the majority of the time: the custodial parent. If the custodial parent has remarried, their spouse's income is also factored into the FAFSA, even if the spouse has no intention of contributing to a child's college costs.
- 7.** **Timing and arrival of aid:** If you fill out the FAFSA as soon as filing opens, you should begin receiving financial aid award letters in the following months (think winter and early spring) from each of the universities that have accepted your student. These letters will detail what you're being offered from each school and allow you to be more informed before your student makes any decisions about which school to attend.
- 8.** **Appealing an unappealing offer:** Appealing a financial aid offer isn't bartering for a better offer because you didn't get as much as you felt you should. Rather, it's an opportunity for families with legitimate financial reasons (e.g., job loss, divorce, natural disasters, death of a parent, etc.) to request a second look, called "professional judgment", at the package offered. Don't overlook this option if extenuating circumstances have impacted your ability to pay for school.
- 9.** **Don't let sticker shock deter you:** Just as you shouldn't assume that you won't be awarded any money after filing your FAFSA, don't assume that a dream (albeit pricey) school is out of the question. Private universities and pricier colleges may be more generous with the amount of aid offered. If you're interested in one of these schools that may be out of your price range, wait to receive your financial aid award letter before making a decision.
- 10.** **The College Scholarship Service Profile (CSS Profile):** There's one other form that you may need to fill out in addition to the FAFSA. The CSS Profile is provided by The College Board, is mostly required by private universities, and gives students access to nonfederal scholarships and additional institutional aid. The form is available in early October, deadlines vary by school, and students should expect to pay a fee for each school that they'll be sending the CSS Profile to.

Each year college education gets a little more expensive—consider the places you are applying, the aid offered in your financial aid award letters, and how that might look across four years before making a decision. Be sure not to overlook deadlines across the board. Not only do students and parents need to keep deadlines in mind for FAFSA, but state grants and scholarships, independent of the FAFSA and the CSS Profile all have their own deadlines. Again, funds are often limited, and these deadlines are typically strict, so apply sooner rather than later. Having a solid plan can set your family up for success and can help you avoid easy mistakes when applying for financial aid.

Client Conversations

FAFSA Mistakes to Avoid

| Potential Mistake | Why It Matters |
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| Not filling out the FAFSA at all | Some people don't fill out the FAFSA because they don't think they'll get any aid. Not filling it out ensures you won't be offered any. |
| Not preparing ahead of time by creating a FSA ID | Your FSA ID will be linked to your FAFSA application and serves as your login and electronic signature. Having this ready to go avoids any delays in the process. |
| Not using the IRS Data Retrieval Tool | This is the easiest way to accurately report your tax return info to your college, and it may eliminate the need to provide additional info. |
| Not listing all your potential schools on your application | Students often list the schools they've applied to but skip the ones they're still considering. List all of them, but make sure you know your state's requirements for how you list them. |
| Waiting too long to file | You are still likely to receive aid, but since the FAFSA works on a first come, first served basis, you might be offered less aid (or offered more loans that you'll have to repay instead of grants). |
| Missing deadlines | Deadlines can sometimes be appealed, but it's better to stay organized and get in ahead of the pack rather than potentially missing out altogether. |
| Not being thorough or being inaccurate | Missing sections of the FAFSA or making mistakes might mean delays in processing—and less money for your child. |
| Missing important communications | FAFSA or your school may reach out to you because they need important or additional info. Keep an eye on incoming mail and email inboxes throughout the process. |
| Not exploring other scholarship opportunities | Not exploring or applying for scholarships is like turning down free money. Don't assume you won't be selected, and do research ones that are applicable to you. |

Familiarize yourself with the financial aid process and talk to your financial advisor about how your family plans to save for college.

¹ Sallie Mae, "How America Pays for College 2019," July 2019

Investment returns are not guaranteed, and you could lose money by investing in a 529 plan.

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