

BRIDGING THE COLLEGE SAVINGS GAP WITH FINANCIAL AID

If you're a high school senior who is planning to attend college, it's not too early to start thinking about financial aid. The Free Application for Federal Student Aid (FAFSA) can be submitted Jan. 1 of the year you intend to enroll, and no matter what time of year it is, there are steps you can take to familiarize yourself with the process.

DON'T ASSUME YOU WON'T QUALIFY

Since most families qualify for some financial aid, you should apply even if you don't think you are eligible. Families earning more than \$100,000 have been known to get aid, particularly if there are two or more family members in college at the same time.

Even if you don't qualify for federal income grants, you may be eligible for work-study programs or scholarships. You also may need to file a FAFSA to qualify for federal low interest loans, such as the Parent Loan for Undergraduate Students (PLUS) that is available to any family regardless of income.

UNDERSTAND THE EFC

The amount of aid you receive depends on the cost of attending a particular college minus your expected family contribution (EFC). The key factors used to determine your EFC are your family's income and assets, the student's assets and the number of children in college. Unusual circumstances such as a death, loss of job or high medical bills also can impact the aid formula. In such cases, you should submit a letter to the school's financial aid office explaining the situation.

TACKLE THE PAPERWORK

The deadlines vary from school to school, but the earlier you apply, the better. The Department of Education requires parents to complete the FAFSA to apply for federal aid, and all state student-aid agencies require this form as well. FAFSA forms are available from your high school or by calling (800) 4 FED AID. You also may complete the form online at www.fafsa.ed.gov. As its name implies, there is no charge for filing this form.

Within four weeks of completing the FAFSA, you should receive a Student Aid Report (SAR). The SAR contains important information, including your EFC. Read the form carefully to verify that all the information is correct.

In addition to the FAFSA, some private colleges require you to complete a second form called the CSS Financial Aid Profile. The CSS Profile is a more

in-depth analysis of your financial need, taking into account such factors as the equity you have built up in your home.

SPENDING ASSETS WISELY

When your family's financial need is evaluated, the student's savings are given more weight than parental assets. It therefore makes sense to purchase big-ticket college-related items, such as a computer, from the student's savings before filing the financial aid forms. Lower assets generally equal more aid.

Parents might consider building their retirement savings accounts. Retirement savings usually aren't counted as an asset when calculating your eligibility for aid. And contributions to a 401(k) reduce taxable income, which could increase the amount of aid you qualify to receive.

CAREFULLY EVALUATE OFFERS

The financial information provided on the FAFSA and on other financial aid forms are sent to the colleges you indicated and processed by those schools that accept the student. The school's financial aid officers will prepare an aid package, most likely a combination of scholarships, grants, work-study programs and loans. In most cases, a description of the financial aid package is included with the student's acceptance letter. Be sure to evaluate these financial aid packages carefully. Obviously, scholarships and grants that do not need to be repaid are preferable to loans.

GRANTS AND LOANS

The federal government has two large grant programs—the Federal Pell Grant and the Federal Supplemental Educational Opportunity Grant—as well as a Federal work-study program that provides student employment during the academic year.

There are also several need-based, government-subsidized loan programs for students, including Federal Perkins Loans, Stafford Loans, and Federal Direct Loans.

The Federal Parent Loan for Undergraduate Students allows creditworthy parents to borrow the total cost of their child's education, less any financial aid awarded to the student. For more information on PLUS, go to <http://studentaid.ed.gov> or call (800) 433-3243.

Beyond these federal sources, some colleges and universities themselves provide financial aid, as do some state and community organizations. 