

# Don't pay full price for your college tuition

By BRIAN A. IRVING

I played a round of golf the other day with two strangers. One man had a large "B" on his hat. When I asked what the "B" stood for, he said, "I earned this hat! It stands for Bucknell University, which my son attends. It's costing me \$32,000 per year for this hat!"

Later, I asked him if his son was getting any kind of financial assistance. No, he said, he thought he made too much money or had too much in assets to qualify. I poked a little further and asked him if he had filled out the necessary paperwork to at least have Bucknell consider a request for need-based aid or merit aid — which is not based on your financial situation. He said no, he hadn't filled out any forms. No wonder he was paying \$32,000 a year!

The real story about college education costs is this: Almost no one pays the "sticker price." The sticker price doesn't necessarily matter; it's the portion of the sticker price that you must pay that counts.

The average annual cost of a private college in the year 2000 will be \$22,349. The average annual cost of a public university in the year 2000: \$8,568. There is more than \$70 billion of need-based aid available in the form of grants, loans and work study programs. There

**The real story about college education costs is this: Almost no one pays the 'sticker price.' The sticker price doesn't necessarily matter; it's the portion of the sticker price that you must pay that counts.**

also are millions of dollars of merit aid available, which comes from the colleges themselves in the form of endowments and foundations. Schools use these to attract the students they would most like to have to make up their freshman class.

The aid process is confusing many parents, who just decide to do nothing. Let me give you some basics on how it works.

To begin to apply for financial aid, you must fill out a standardized need-analysis form called the Free Application for Federal Student Aid (FAFSA). It's a form that's available at all high schools and usually at public libraries. It can be filled out and filed only after Jan. 1 of your student's senior year in high school.

Many private colleges and state-supported institutions may require you to fill out the financial aid Profile form as well. This form is developed and processed by the College Board's college scholarship service (CSS) — the same company

that brings you the SAT test. Some schools also require their own financial aid forms.

The deadlines for the FAFSA and the Profile forms may be different for each particular school. While the FAFSA cannot be filed until after Jan. 1, the Profile form can be filed as soon as you receive it. Determine early which forms you must file and when they are due. Help can be found on the Internet at [www.FAFSA.ed.gov](http://www.FAFSA.ed.gov) and [www.Collegeboard.com](http://www.Collegeboard.com).

## Key rules

Keep in mind the two key rules for college financial aid: (1) file *all* the forms necessary; (2) get the forms in as early as possible. Aid is given out on a first come, first served basis.

The processor of the FAFSA form uses the federal formula (called the federal methodology) to decide what portion of your income and assets you get to keep and what portion you can afford to give toward college tuition this year.

EFC looks at parents' taxable income and untaxable income, the parents' assets, the student's taxable and untaxed income and the students' assets.

The parents' income is the most complex portion of the formula. It includes allowances for Social Security, taxes, income protection (income not considered toward college).

A student's taxable and untaxed income also has an allowance considered in the formula. Money in the student's name has no allowance and is assessed at 35 percent toward the EFC. The difference between what you can afford to pay and the total cost of the college is called your "need." Need should not be confused with "needy," as need can be made up by the aid package from a particular college.

There are many long-term and short-term strategies to minimize your EFC and maximize your "need." They are legal and ethical, and allow you to give the colleges an appropriate picture in order to qualify for aid. These strategies can be found by researching college funding textbooks, or by consulting with someone who has expertise in the college funding area.

When your student receives an offer of admission from a particular college, you also will receive an

award letter from the financial aid officer of the school. This letter will tell you the types of aid the college has put together for you to meet your need. The package will consist of three different types of aids:

1. *Grants and scholarships.* These do not have to be paid back and come from either the federal government, the state or from the college itself. Grant money is almost always tax-free as well. Scholarships are also free money and, contrary to popular wisdom, they are usually awarded by the schools themselves. The amount of money available from outside scholarship sources is actually quite small, less than 1 percent of the total college aid.

2. *Federal work study.* This provides part-time jobs to students. The money is used for tuition or living expenses.

3. *Student loans.* These loans are in the student's name and are subsidized and guaranteed by the state or federal government. The interest rates are usually relatively low, and in many cases no interest is charged while the student is in school, and no repayment required until the student has graduated or left college.

BRIAN A. IRVING is a Chartered Financial Consultant at Bryback Associates in Parsippany.