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Don't Leave Money on the Table!

Understanding the Financial Aid Forms - FAFSA & CSS Profile

Ron Them

www.niccp.com

www.answers4college.com

Ron Them is the co-founder of the NICCP, the National Institute of Certified College Planners, and an expert in College Financial Planning.

*****IMPORTANT UPDATE***** *Since this interview was originally broadcast, the FAFSA is available starting October of the Student's Senior Year in High School. The FAFSA will now have a 2 year look back period.*

Additionally, The NICCP is now known as the ACCFS, the Association of Certified College Funding Specialists.

How much does college cost for one student for one year?

- a. In-State Students at Public Universities can pay between \$25,000 - \$35,000 per year and Out-of-State Students can pay over \$45,000 per year.
- b. Elite Universities, such as NYU and the Ivy League Schools, such as Princeton, are approaching \$70,000 per year.

2. What is the FAFSA Form?

- a. It is a very complex, complicated form used by every college to qualify students as to whether they will receive Financial Aid.

3. Why do families need to fill it out?

- a. Any student who is looking for Federal Grants, Scholarships & Loans, must fill out and submit the FAFSA form.

4. Where do students find it?

- a. www.fafsa.gov

5. How do you fill out the FAFSA?

- a. 3 ways
 - i. Online – you create an account – the majority of students file online.

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- ii. You can download a pdf online, print and mail.
- iii. Or call 1-800-4-FEDAID and request a FAFSA.

6. When do I have to fill it out?

- a. Current Seniors in High School, the Class of 2016, can start to fill out the FAFSA on January 1, 2016 for the 2016-2017 college academic year.
- b. President Obama recently announced significant changes to the FAFSA. The Class of 2017 (who are currently Juniors in High School) can begin filing the FAFSA starting October 1, 2016 (during their Senior Year) for 2017-2018 college academic year.
- c. **To recap - Current Seniors in High School (Class of 2016) can begin to fill out the FAFSA on January 1, 2016. The Class of 2017 will be able to start filling out the FAFSA on October 1, 2016. (Which is 3 months earlier than the current Seniors.)**
 - i. This enables families to electronically retrieve their tax information that they filed a year earlier (in April 2016) - rather than waiting until tax season the following year to complete their FAFSA application.
 - ii. This makes it simpler for families to get early information and get everything done quickly so they know where they stand in regards to college.

7. Do families have to fill out the FAFSA every year?

- a. Yes - if the student wants Federal Grants, Scholarships & Loans - from colleges and the Federal Government.

8. What is the deadline for the seniors who start filling it out in January 2016?

There are actually 4 deadlines:

- a. Priority deadline - get it in ASAP after the January 2016 opening. The sooner you file the better chance you have because you are first in line to receive the grants, scholarships & low interest loans.
- b. State deadline - different states have their own deadline. The state needs to receive the FAFSA by that date in order to determine if the student qualifies for State Financial Aid. Contact the State Department of Education to find out the state deadline.
- c. Each college has its own deadline. You should contact each College Financial Aid Office to learn when you need to submit your FAFSA. So, whatever college has the earliest deadline - that is your deadline.
- d. Final Deadline –The absolute last day you can fill out the FAFSA is June 30 of every school year. So for academic school year 2016-2017, the filing period is January 1, 2016 - June 30, 2016.

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- e. With the new FAFSA changes starting in October 2016, the filing period will be October 1, 2016 to June 30, 2017.

9. What happens if you miss the June 30th deadline?

- a. You have missed the deadline for Federal options. You may still be able to apply for Private Student Education Loans.

10. How do students whose parents are divorced fill out the FAFSA?

- a. If parents are Divorced or Separated - The financial information is taken from the parent that the student lived with the most during the previous 12 months.
- b. It is important to note that the parent's separation does not have to be a legal separation - just that the parents are not living together.
- c. If the student can't determine which parent they lived with the most, the financial information will come from the parent who provided the most support during the previous 12 months.

11. How does the Department of Education calculate the FAFSA?

- a. The FAFSA determines the Expected Family Contribution or EFC.
- b. The EFC is the very minimum amount that the government and colleges expect the family to contribute, out of their own pocket, before any Financial Aid is considered for the student.
- c. The FAFSA collects information in 5 areas:
 - i. The Parent's income is assessed at between 22-47 %.
 - ii. The Parent's assets are assessed at 5.6%.
 - iii. The Student's income is assessed at 50%.
 - iv. The Student's assets are assessed at 20%.
 - v. Family household information – For example, the number of people in the household, the age of oldest parent, the number of children in college and more.
- d. This information runs through a calculation and the EFC is calculated.

12. What financial documents will the family need to fill out the FAFSA?

- a. They will need the FSAID number.
 - i. This protects online security and they will need this number to access their FAFSA account.
 - ii. The student and parent apply for the FSAID thru the FAFSA website.
- b. Social Security Number
- c. Driver's License Number
- d. Student Alien Registration Number
- e. Federal Tax Returns and W-2 info for the student and the parent

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- f. Records of Untaxed Income, such as Child Support received
- g. Interest Income
- h. Veterans Benefits
- i. Retirement Contributions
- j. Information on Cash, Savings and Checking Account Balances
- k. Investments including Brokerage Accounts and Real Estate (but not the family home that you live in.)

13. What assets are included in the FAFSA calculation?

- a. Cash, Checking and Savings Accounts
- b. Investment Accounts except for Retirement Accounts
- c. College Savings Plans such as Coverdell or 529 Plans
- d. Real Estate except for family home (2nd home or rental real estate are included in the FAFSA calculation.)

14. What assets are not included?

- a. Personal Home
- b. Annuities, Life Insurance and Retirement Accounts
- c. Sibling Assets
- d. Personal Items such as Jewelry or Furniture
- e. If you live on a farm that is considered a family farm - the farm is not an asset.
- f. Any businesses with less than 100 employees - assets of that business are not counted.

15. What is the Asset Protection Allowance?

- a. It is the amount of money excluded from your total assets before they are assessed. It is not very much.
- b. For 2016-2017 - A parent who is 45 years old is allowed \$6,000 asset protection before their assets are assessed. Students have zero asset protection allowance.

16. Can you give us an example of the Asset Protection Allowance?

- a. Yes, for example - The parent has \$100,000 in assessable assets. The financial aid calculation will deduct \$6,000 from the total asset and the remaining \$94,000 will be assessed at the 5.6% rate.
- b. The Government is calculating that this money, outside of the asset protection allowance, is money that you will be putting towards the cost of college.

17. If families are doing proper financial planning, is there a way to possibly restructure the income and assets to increase the likelihood of receiving Need Based Aid?

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- a. Yes, but you need a financial professional certified in college financial planning to help you with this.
- b. Example – The parents have \$100,000 in their bank account. They can move that to annuities or cash value life insurance to make it exempt. Now, that particular \$100,000 is no longer assessed at 5.6 %. There are a number of ways to do this, but you need a professional certified in college planning to help you through it.
- c. There are possible benefits outside of just Financial Aid for restructuring assets.
- d. Every family is unique and has different financial situation.
- e. You need a professional to go step by step through the process. The earlier you start, the more opportunities for financial planning.
- f. Private colleges may be \$60,000 per year which is a quarter million dollars per student. If you have 2 kids that is half million dollars and if you are 45 years old, you have 20 years until you are 65.
 - i. How much money did paying for college take out of your potential retirement fund? It could be in the millions.
 - ii. Everything you can save early on is going to multiply by the time you are 65.
 - iii. Paying for College is literally a retirement problem for parents.

18. Is there an income level where there is no more Need Based Aid available? How much does a family need to earn before there is no Need Based Aid?

- a. It depends on the cost of the college and your EFC.
- b. If a college costs almost \$70,000 per year, the range you are dealing with is \$150,000 – \$180,000 for one student up to \$200,000 - \$250,000 for 2 students in college at the same time.
- c. A CPA certified in college planning can help the family with college financial planning.
- d. If the family's income is too high for Need Based Aid, you must look at ways to increase cash flow.
- e. Students graduating in 2016 will be using the 2015 Income Tax Return to determine their financial aid eligibility.

19. Does each student need their own FSAID?

- a. Yes, this allows students and parents to identify themselves electronically. Each student needs their own FSAID.

20. How is Financial Need Calculated?

- a. It is the Cost of Attendance minus Expected Family Contribution equals Need.
 - i. $COA - EFC = \text{Need}$

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- b. This not necessarily the amount of money that the college is going to give you and it is not the amount of Financial Aid you are going to get. The amount of Financial Aid you are going to get is going to be made up of free money and loans. There will always be loans.

21. What happens once the FAFSA has been processed?

- i. The student receives the SAR or Student Aid Report (electronically it is called the ISAR.) This is the report that you get back from the government after you have completed the FAFSA.
- ii. It specifically tells you your EFC.

22. What is the IRS Data Retrieval tool?

- a. This allows families who have filed their income tax returns to get them auto-populated or pre-filled into the FAFSA.
- b. It transfers data directly from Federal Income Tax Return to the FAFSA.
- c. It saves time in completing the FAFSA.
- d. It also lessens the likelihood of errors in filling out the FAFSA.
- e. With the new FAFSA, which debuts in October 2016 for Juniors in High School today, it will be easy to get the previous tax data into the FAFSA.

23. How does the college receive my financial information?

- a. You list the colleges you want your EFC information sent to.
- b. Each college will get a copy of the Student Air Report directly from the Department of Education and then determine the amount of Financial Aid they will offer to the student.
- c. The college will send you an Award Letter and Financial Aid Package.
 - i. Each college makes their own determination based on the family EFC. It is totally subjective as to how much aid they will offer. It depends how badly they want the student.
- d. Need Based Aid may be:
 - i. Grants
 - ii. Grants and loans
 - iii. Or it may be all loans.
 - iv. At public colleges it may be all loans.
- e. Unless you are low income it may be all loans.
- f. Timing is important! There is only so much money to go around. File the FAFSA early!

24. There are three types of awards on the Financial Aid Award Letter.

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- a. The college sends the student an Award Letter which is based on the results of your FAFSA and includes:
 - i. Scholarships & Grants – free money which doesn't have to be repaid.
 - ii. Loans – have to be repaid.
 - iii. Work Study – The student works on campus to earn money for college and the college considers that this money will be used towards college expenses.

25. Where do students apply for loans? Are the loans on the Financial Aid Award letters government loans?

- a. The college will tell you how to apply for the Government Loans for parents and students.
- b. If the student needs a Private Education Loan from a bank or credit union, they will go directly to the bank or credit union for the loan. With Private Education Loans, usually the student applies for the loan and the parent co-signs the loan.

26. Let's say a student has been accepted into 3 different colleges and received 3 different Award Letters – How does the family evaluate them?

- a. From a financial perspective - The one that gives the most free money.
- b. The Parent Direct Plus Loan is not part of the Financial Aid Package. However, the college can make it look as if it is an award.
 - i. The Plus Loan interest rate is 6.8%.
 - ii. Even though you qualify for the Plus Loan make sure you understand what it is and how much it will cost you monthly.
- c. Students should look at what is in the Award Letter.
 - i. How much is free money?
 - ii. How much is loans?
 - iii. What is the cost of the loans?
- d. A lot of Colleges are looking for good students.
 - i. It may be possible to negotiate for a better deal before you have to take all these loans.
 - ii. You can call or go to the campus and appeal (negotiate) a better deal. You should have a professional guide you.

27. What happens if the family's financial situation changed drastically after they submitted the FAFSA due to job loss or illness?

- a. Contact the Financial Aid Office immediately - don't wait. Explain your situation.

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28. There is one other Financial Aid Form that our listeners may need to file - the CSS Profile. Do all colleges require this form?

- a. No, this is an extra form because the FAFSA is limited in its' scope and many of the elite private colleges (around 300) require a lot more financial information.
 - i. Go to www.collegeboard.org for information about the CSS Profile and the list of colleges which require it.
- b. With divorced parents, it may ask for information from both biological parents and even both stepparents.
- c. The CSS Profile requires 2 years prior income.
- d. It looks at the family home, family business, and family farm.
- e. It looks at siblings assets.
- f. It looks at all the things that the FAFSA does not look at.
- g. The CSS Profile is used for awarding the college's own Institutional Money, not Federal Money.
- h. The CSS Profile asks for a lot more information about the parent's financials than the FAFSA.
- i. The CSS Profile is in addition to the FAFSA, if you are applying to any of the 300 colleges that require the CSS Profile.

29. Can you comment on the following statements we often hear? "I make too much money to get any financial aid. Should I fill out the form?"

- a. Absolutely! If you want government grants, scholarships or loans, you should fill it out.

30. "I have too much equity in my house - why do I need to fill out the FAFSA?"

- a. The FAFSA does not take home equity into consideration.

31. "I filled out the FAFSA last year and didn't get any money so I'm not going to fill it out this year."

- a. Things change, maybe your situation has changed.
- b. If you don't file it, you will definitely not get any money. Fill it out regardless.

32. "I'll never be able to afford college – I'll have 2 kids in college at the same time."

- a. Colleges will take both students into consideration and it is almost like dividing your EFC in half.
- b. You can potentially receive a tremendous amount more Financial Aid.
- c. You have more possibilities of getting Financial Aid with two students than you do with one.

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33. “I’m not going to apply to any private schools - they cost too much.”

- a. If you have a good student with good scores, good GPA, you absolutely want to apply to private schools.
- b. Private schools have the Institutional Money and Endowments and can offer a good student a lot of free money.
- c. In many cases private schools offer more Grants and Scholarships, allowing the cost of that particular college to be lower than the state school the student is applying to.
- d. State schools do not have to compete with private schools.
- e. If you can be accepted into the private school you should definitely file for Financial Aid.

34. Can you tell us about the NICCP? *(now known as the ACCFP – see update)*

- a. The NICCP educates, trains and certifies financial advisors on college planning. It is a special designation, CCPS (Certified College Planning Specialist) and the only certification for college financial planning.
- b. The CCPS is recognized by the Certified Financial Planning Board and the American Society of CPA’s.
- c. They are qualified to give advice about
 - i. Paying for college
 - ii. Restructuring income and assets
 - iii. Strategies that can lower your family’s EFC and qualify you for more Financial Aid without wrecking your retirement.

35. Can you also tell us about www.answers4college.com?

- a. The NICCP is also launching www.answers4college.com. It is a free resource where parents can ask specific questions about paying for college and get answers from Certified College Planning Specialists.
- b. We are also working on a Price Forecaster – This will let you know the Award Letter you are likely to receive - even if your student is in the 7th grade today.
- c. You can follow us on Social Media: #ccps #niccp #a4c