

Thanks to new government guidelines, just about every family qualifies for some financial aid—even those that think they earn too much or don't know enough about their options. It doesn't hurt, though, to help your child maximize his financial aid eligibility—before it's too late.

Think fast.

When it comes to college financing, speed counts. That's because much of the financial aid available is limited, and is awarded to students on a first-come, first-served basis. And there's only one way to secure your child's place in line—file the Free Application for Federal Student Aid (FAFSA).

Most financial aid is awarded on a first-come, first-served basis so you'll want to file the FAFSA as soon as possible after January 1 to secure your child's place in line.

The FAFSA examines your family's financial situation and determines your child's eligibility for financial aid. In other words, your child must submit a FAFSA to be considered for grants, work-study and federal student loans, such as the Federal Stafford Loan and the Federal PLUS Loan.

The FAFSA cannot be submitted before January 1 for the upcoming academic year, but you'll want to file the application as soon as possible after the first of the year. Wait any longer, and you could end up with a larger share of the college bill.

Neatness counts.

If your child submits an incorrect or incomplete FAFSA, it will be returned and you'll lose your place in the federal queue. You can help your child submit the FAFSA correctly, and on time, to increase your family's eligibility for financial aid.

- Complete the FAFSA Pre-Application Worksheet. FAFSA offers a nonsubmittable, pre-application worksheet that helps your child practice submitting the real FAFSA. Worksheets are available through FAFSA on the Web at www.ed.gov.
- Avoid common mistakes. Have your child read the instructions carefully. Make sure no fields are blank; answer zero or "not applicable" to questions that don't apply. Round numbers to the nearest dollar, and do not use commas or decimal points. Proofread the application, and make sure you both sign the form.
- Apply online. Encourage your child to submit the application online at FAFSA on the Web. The application will be processed faster, and FAFSA on the Web automatically checks for missing or conflicting information so there's less chance the form will be rejected.

Search for free money first.

Whether your child is a senior in high school or is already in college, you can help your child search for—and get—scholarship money. Scholarships are awarded for a variety of reasons, not just financial need or academic achievement. And you can support your child's efforts to find this free money.

- Give advice. Scholarships are often given based on a child's interests and talents. Help your child identify personality traits that might qualify for award money. Consider academic interests and goals, artistic and athletic talents, leadership skills and community involvement. Scholarships also may be awarded based on religious affiliation, ethnicity, political views and physical traits. For instance, tall students can earn up to \$1,000 from the Tall Clubs Foundation, and Vegetarian Resource Group gives awards to students who promote the vegetarian lifestyle.
- Lend a hand. Help your child submit scholarship applications on time, and correctly. Check spelling and grammar, verify all responses, and offer encouragement. The application process can be long and tedious; your child may need your help to stay focused.
- Help with the search. Students can explore a wide range of scholarship opportunities online at www.nextstudent.com, one of the industry's largest and most up-to-date scholarship search engines. It's fast, free, and totally private.

You can also have your child visit the Financial Aid Office at his or her school to look for small, local awards that aren't published on search engines. Check with your employer about scholarship and tuition programs. Ask charitable organizations, civic groups, churches and clubs to which you or your child belong.

Minimize base-year income.

The amount of aid for which your child is eligible depends on your family's financial situation in the base year (the tax year before the academic year for which you're seeking aid). To increase your financial aid eligibility, minimize your base-year income—the most significant eligibility factor.

- Avoid capital gains – They're considered income, so you may want to hold on to thriving investments.
- Take capital losses – Capital losses reduce income so any investments you sell at a loss will positively impact your family's financial aid eligibility.
- Delay salary increases and bonuses – At least until after the first of the year.

Save money in the parents' name.

Based on the information provided on the FAFSA, the government determines how much a student and his family must pay toward college costs, called the expected family contribution or EFC. Parent assets are factored into the EFC at a low rate—5.6%. Conversely, 35% of a student's assets are considered "available for college contribution."

That's why a 529 Savings Plan, such as the NextStudent Scholar'sEdge™ plan, makes sense. This plan allows you to contribute to a tax-deferred account established for a student, but in the parent's name.

Spend now—if you were planning to anyway.

Since students are expected to contribute 35% of their own money toward college costs, it makes sense to spend down student assets. If you're planning any big purchases, consider using money currently held in the student's name now instead of using parent savings or consumer credit.

Make it a family affair.

The federal government financial aid programs are designed to help families pursue their college dreams, and reward those that have more than one dependent student enrolled at the same time. In fact, your expected family contribution may drop as much as 50% if more than one family member attends college.

Explore a wide range of scholarship opportunities at www.nextstudent.com. It's fast, free, and totally private.

Get your high school student ready for college.

Even if your child is just entering high school, it's not too early to prepare for college.

- Get involved. Colleges look for well-rounded students. Encourage your child to explore his or her interests and develop skills through clubs, athletics, after-school jobs or volunteer activities.
- Take tougher classes. Encourage your child to take the hardest courses he/she can handle while achieving the highest grade. It's the weighted GPA that matters when it comes to college admissions and financial aid.
- Seek guidance. Have your child arrange an in-depth conference to discuss college plans with the school guidance counselor.
- Put your child to the test. The Scholastic Aptitude Test (SAT), that is. National Merit Scholars are chosen based on test results, so it's important to sign up for the Preliminary SAT (PSAT) as a junior, and take the SAT and/or ACT in the senior year.

Don't miss deadlines.

Competition for scholarships and need-based aid can be stiff. Submit all applications and paperwork in advance of actual deadlines to stay ahead of the curve and increase your child's chances for success.

What Every Parent Needs to Know About College Funding *Frequently Asked Questions*

How much should I save?

How much you need to save depends on the school your child attends. Tuition and fees at public colleges are generally lower than those at private schools. Regardless of the school, though, education costs have been rising, and are expected to continue increasing over the next decade.

Here's how much college funding you'll need to save to send one child to an average four-year private or public college. Don't let these numbers frighten you. Start implementing your college savings plans today.

Child's Age (Years)	Average Cost ¹ Private College	Average Cost ¹ Public College
One	\$257,543	\$118,312
Four	\$222,475	\$102,200
Eight	\$183,031	\$84,080
Twelve	\$150,580	\$69,173
Sixteen	\$123,884	\$56,909

How much will I be expected to contribute toward my child's education?

To meet the cost of attendance, each school looks to the students and parents to make an Expected Family Contribution (EFC). The EFC is based on your family's ability to pay, and is determined by need analysis derived from the information reported on your child's Free Application for Federal Student Aid (FAFSA). The EFC normally includes both a student's share and the parents' share, both of which take into account income and assets. The total EFC is calculated using a standard formula established by law so that, regardless of the college your child attends, your EFC will be the same.

Which is better, a prepaid tuition plan or a college savings plan?

A prepaid tuition plan offers a conservative approach to investing for college, and can be the right program for students planning to attend a state college. And, if tuition costs increase, you win—the number of credit hours you purchased remains the same, regardless of any changes in college costs.

The NextStudent Scholar'sEdge™ savings plan is more flexible, allowing you to save for any attendance at any college. The amount you invest, plus the accumulated return on your investment, may well exceed college costs so you may come out ahead.

Both plans are tax-deferred, and allow tax-free withdrawals for education-related expenses.

How will contributing to a 529 impact financial aid eligibility?

Although your savings will be considered in the EFC calculation, income is a bigger factor than assets. However, both types of 529 plans will impact your EFC.

A college savings plan, such as the NextStudent Scholar'sEdge plan, is considered the parents' asset and is factored into the EFC at 5.6% so that a portion is considered in the financial aid calculation. A prepaid tuition plan, on the other hand, is considered to be the student's asset, and reduces financial aid dollar-for-dollar.

If savings may impact my child's federal aid eligibility, why should I save at all?

Whether you save or not, you will be expected to contribute to your child's education to the extent possible. If you haven't put away any money at all, then you may have to take out loans either as part of your financial aid package or to pay part or all of your Expected Family Contribution ... or both. Even though you and your child may be eligible for low-cost loans, any type of loan means paying interest whereas saving money means getting interest.

Who should save—me or my child?

While there are potential tax benefits to saving in your child's name, there are also potential financial aid implications. Parent assets are factored into the EFC at a low rate, 5.6%, while student assets are assessed at 35% of assets and 50% of after-tax income over \$1,750.

Who should borrow—me or my child?

You should definitely investigate loans for your student first, such as the Federal Stafford Loan. These are the lowest-cost aid available and offer significant benefits such as flexible repayment, deferment and forbearance, and consolidation.

With a Federal PLUS Loan, parents can borrow up to 100% of college education costs at an incredibly low interest rate

How is a Federal PLUS Loan different from a Stafford Loan?

Both loans are federally guaranteed, but the Federal PLUS Loan is made to the parents of dependent undergraduates, while the Stafford Loan is made directly to the student in his or her name. Other differences are:

- **Interest rates:** The interest rate on a Stafford Loan is generally among the lowest available (currently 3.62%). The Parent PLUS Loan interest rate is slightly higher (4.22% as of 07/01/03), though still quite low compared to other types of consumer financing.
- **Repayment:** Repayment on Federal Parent PLUS Loans begins within 60 days of disbursement; whereas Stafford Loan repayment is deferred until after graduation.
- **Loan Amounts:** Parents can borrow up to 100% of college education costs, including room and board, books and tuition, with a Federal PLUS Loan. Federal Stafford Loan borrowing, on the other hand, is capped at \$2,625 and \$3,500 for dependent first- and second-year undergraduates, respectively, and \$5,500 for dependent third- and fourth-year students.

Is there a credit check required for a Federal PLUS Loan?

Yes, parents must pass federal guidelines for creditworthiness. These guidelines are generally less stringent than for other types of consumer credit, such as home equity loans and credit cards.

What if I'm not approved for a PLUS Loan?

A student whose parent(s) have been turned down for a PLUS Loan may be eligible to borrow additional funds through the Unsubsidized Stafford Loan Program, subject to the school's approval.

How much does a Federal PLUS Loan cost?

The Federal PLUS Loan has a 3% government origination fee and a 1% guarantee fee. The guarantee fee, which is typically waived, and the origination fee, are taken out of the proceeds, so there is no up-front money required to obtain the loan.

How are Federal PLUS Loan funds disbursed?

The school's Financial Aid Office will distribute the funds in scheduled payments over the course of the academic year. All federal loans have at least two disbursements, typically one for each school term. At most schools, the last disbursement will take place in January, and the repayment will normally start between February and March.

Are there any prepayment penalties on the Federal PLUS Loan?

No.

1The source for the year 2001 cost averages is the annual Survey of Colleges, The College Board, 2001-2002. Average college funding costs include four years of tuition, fees, books and supplies, transportation and other expenses, as well as the assumed 5% annual inflation rate. These illustrations use the actual 2001 cost averages in order to project the hypothetical future costs.