

# Tips for Teens

## College Financing 101

By Sarah J. Kaelberer



My, how time flies! How cliché for me to start that way, but it is so true. It seems like just yesterday I was deciding which preschool made the most sense for my kids, and now here we are learning the college process! I don't remember it being this complex when I was getting ready for college (no wisecracks on how long ago that was!). We find ourselves navigating a maze of not only the big tests but also choosing the colleges. When you think you know which ones you like, where and when do you visit? And then there's the application process! On top of that, once you're accepted, there's the daunting task of paying for it. It's all so much to handle.



Now hopefully you, your parents and maybe grandparents have at least talked about who will pay for what. There are some real advantages to working in college and building your résumé, including a work ethic and a bank account balance. Sometimes loans are required just to make it through while others are fortunate to have all costs covered and graduate without any debt. Whatever your situation may be, hopefully you have sat down with an advisor and have a plan. If you are lucky, you even have some financial accounts set aside for this!

Now I still have a year before I am too deep in the financial aid and payment aspects for my kids, but I figured I had better start getting a more intimate understanding now. Being a planner, I guess this is not a surprising path for me! The beloved Free Application for Federal Student Aid (FAFSA) seems to be the starting point for all things monetary in secondary education. This one form is the gateway to the nine federal student-aid programs, over 600 state aid programs, and most of the institutional aid that is available. The very in-depth form asks about each and every bit of income and assets that you have or might have available to pay for college. These are entered into a formula that determines the Expected Family Contribution (EFC). A number of factors are used in determining the EFC, including the household size, income, number of students from your household in college, and assets (not including retirement and 401(k) funds). This information is required because of the expectation that parents will contribute to their child's education, whether that is true or not.

Keep in mind that not all assets are created equal, especially in the eye of the federal government and financial aid applications. In general, retirement and 401(k) accounts, cash value life insurance and some annuities are not counted as available assets for college. Certain college accounts, depending on how they are owned, may not even be considered. If owned by a parent or the student, they will be considered. If owned by a grandparent for the benefit of the student, this does not enter into the equation.

All of this begs the question, "After the college is selected, who should complete the FAFSA form?" If you are certain or fairly confident that you will not qualify for aid due to assets or income, is it even worth putting all of the data out there? Experts and college admission offices say everyone should complete the FAFSA form as this is how many of the schools select additional grants, scholarships, or financial aid opportunities for all students. Of course they want you to – it's not their hours of toil, sweat and confusion that can never be recaptured! But I do have to say, after doing my preliminary research, it does seem that this is the best and only way to uncover a wide array of aid available. Let's see if I agree with that next year when I am knee deep in the forms!



*Miranda Kaelberer working hard as she reviews options for college.*

# QUIZ

1. FAFSA stands for Fear About  
Finding Student Aid:

- TRUE  
 FALSE

2. This one form is the gateway to  
all sorts of aid programs:

- TRUE  
 FALSE

3. All assets and income are counted  
when considering aid:

- TRUE  
 FALSE

4. Grandma and Grandpa's accounts are counted:

- TRUE  
 FALSE

5. Everyone should consider filing the FAFSA Form:

- TRUE  
 FALSE

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