SAGE Scholars, Inc.

Ten Minute Professor

How a College Financial Planner Can Save You Money

Develop A College Savings Plan Now.

Find Ways To Receive More Aid To Lower Your Out-of-Pocket Costs.

By Jim Van Meter, MBA, CFP®,
Certified College Planning Specialist™

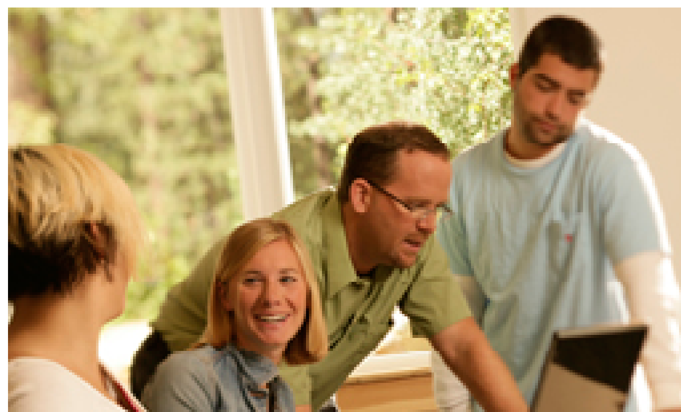
The college financial planner can help you lower your costs of college … select a school where your student is more likely to finish in four years ... avoid cost overruns … eliminate headaches … and avoid crippling debt.

Whether college is just months away – or years in the future – there's always an elephant-in-the-room-sized question: "How much is this really going to cost?"

The answer may largely depend on your "EFC" number. The Expected Family Contribution is the minimum cost that colleges believe each family can afford to pay – annually – and for EACH student. Your out of pocket cost will usually be more than the EFC amount, sometimes MUCH more, because colleges frequently do not have sufficient resources to cover their full portion of total costs for all new students. They expect you to take out loans, or rob your retirement, or do whatever it takes to find that needed money somehow, even at the expense of other valued goals.

When you work with a College Financial Planner, often the very first task is to estimate your EFC – and calculate how much four years of college is likely to cost. Then, the planner's job is to provide a game plan – a savings and spending plan that will meet this goal. Perhaps the planner can suggest ways for you to "move the goalposts" closer and lower your EFC. For example, will modifying your retirement plan help reduce college costs?

Unfortunately, most families do not receive outside advice until it's too late. The college freshman EFC is calculated based on the tax year that begins on the January 1 when your student is a high school junior. This initial EFC may determine how much gift aid the college offers. This gift aid may be renewed based on academic performance, regardless of increases in the EFC in later years. Starting early can have an outsized impact!



Offer guidance like this prof from Sierra Nevada College - Incline Village, NV

A common mistake

Too often, families believe their high school guidance counselor will help guide them through this financial challenge – and that is all the help they will need. Wrong! Counselors view financing college as a family responsibility.

Parents must meet the complicated "financial college readiness" challenge on their own – which is why you should consider finding competent outside help.

When you hire a College Funding Counselor, you want someone with:

- A diverse range of financial planning skills, including tax strategies
- Knowledge of the aid practices overall and at individual colleges
- Knowledge of ways to increase eligibility for merit aid and other "free money"

Offer a new perspective like Albright College - Reading, PA

High school guidance counselors have not been trained in personal financial planning, mortgages, investments, insurance, tax strategies, debt management and other financial disciplines.

Nor are they licensed to provide financial advice. Furthermore, school districts will almost certainly prohibit financial planning assistance by counselors, even helping families fill out the Free Application for Federal Student Aid (FAFSA) forms. Districts do not want the liability. And, most families would not be comfortable discussing their personal finances with a school counselor.

A family's lack of financial readiness can lead to a funding crisis during college, possibly forcing a student to transfer to a cheaper college or, even worse, quit before earning a degree. Dropping out is costly in many ways. Despite years of paying tuition, the student's earning potential is not significantly improved. Student loans must still be paid. And the student's confidence, self-image and determination may be damaged.

Parental financial readiness involves creating a comprehensive plan to provide education financing for all students in the family, not for just the one nearest graduation. It also includes planning for retirement and other important life events.

A college funding plan requires examination and management of budget and cash flow, debt and tax strategies. When otherwise beneficial and prudent, repositioning countable assets may lower the EFC and improve the ability to reach other financial goals.

Financial aid formulas vary

To complicate matters for parents and students, colleges follow different financial aid formulas and have different practices about how much "need" they will actually meet. "Merit Aid" (scholarships and tuition discounts) determinations vary enormously.

Estimating how much aid the average family is likely to receive, based on historical practices of specific colleges and the competitiveness of the student's application, requires additional skill and experience.

Advantages of a College Financial Planner

A college financial planner is properly trained to perform all the tasks listed earlier – and can help suggest ways to:

- Increase aid eligibility
- Lower out-of-pocket costs
- Avoid costly delays in graduation

The college financial planner may also help guide you step-by-step through the many tasks, deadlines and stages of the admission process.

Planning should begin sooner, not later

It's best t**o start planning for college years <u>before</u> the student's senior year** – which, sadly, is when many families begin.

Besides giving students more time to prepare their academic and extra curricular 'profile', early planning allows parents to make financial changes that can increase aid eligibility. Some adjustments, if made after December 31 of a student's junior year – can actually reduce aid substantially.

The college financial planner's role is to make sure that the student begins career planning **by the middle of the junior year.** This has the cascading effect of helping identify potential careers early and improving odds of four-year graduation. Once you know potential careers, you can identify their required majors, then efficiently research colleges and schedule visits to schools that offer the majors of primary interest.

Higher scores can mean higher aid

An earlier start will result in more preparation and better scores on the all-important SAT and ACT tests – which are critical to winning higher merit aid ("free" money) as well as improving chances for admission. Most college financial planners can recommend effective local test prep resources – or computer software from one of the better test prep companies.

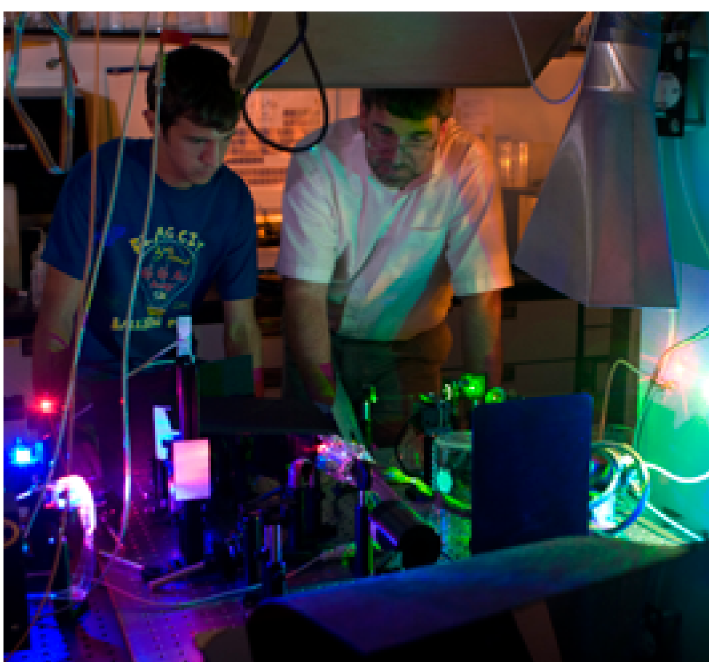
Help with complex aid formulas

In addition to knowing how to correctly fill out the FAFSA and other aid forms, such as the CSS Profile, the planner understands the complicated aid formulas. The federal aid formula, including state-dependent tables, is a 36-page document (2014) and the reference text for clarifying the formulas is over one-hundred pages long. This is sophisticated, quantitative information. Based on understanding the formulas, a planner may recommend changes that can lower the "EFC" and increase eligibility for more aid.

College planners can often identify opportunities for tax savings – credits and deductions – without harming aid eligibility. Do not assume that your tax professional or financial advisor has had advanced training (or has spent significant time) to obtain in-depth knowledge of the intricate college financial aid system! Sometime strategies that lower taxes or increase savings can lower aid eligibility!

Even in the basic area of budgeting, a college financial planner may suggest ways to squeeze out "a little more" from a family budget that does not substantially alter the family's lifestyle ... and helps to increase cash flow and find needed dollars.

College financial planners pay a lot of attention to debt. To the surprise of most parents, having debt usually does not increase your financial aid. Federal EFC calculations completely ignore the size of your personal residential mortgage, your credit card balances and your car loans, for example.



Sometimes you need help, like this student from Ohio Northern University - Ada, OH

A planner may find ways to restructure debt and reduce payments to increase cash flow during the college years. Besides being familiar with college loans of various types, planners are also knowledgeable about other types of loans that may be cheaper and carry more flexible repayment terms.

Additionally, an experienced college financial planner will work with parents to develop an overall college financial long-range plan – not just for one student at a time but for other siblings as well. This plan can minimize debt costs and allow time for family savings to grow for both college and your retirement.

Finding scholarship money

A college financial planner may help the family learn how to look for scholarships and avoid scholarship scams. A college financial planner can also help identify colleges with the best aid practices – especially smaller private colleges – and prepare students to compete for merit aid.

Sadly, much financial aid at public universities is in the form of loans – money that you and your student will need to pay back. Many private colleges compete with public universities and actually make it cheaper for good students to attend at a similar or lower annual cost, with fewer loans, and finish sooner.

Graduating on time (a huge money-saver)

The planner will also factor in the odds of a student taking longer than four years to graduate – an increasingly common occurrence -- especially at public universities. Delayed graduation can be very costly for both students and parents.

Private colleges have a much better record of getting students to graduate in four years (versus the five-to-six years that is common at public universities). Private colleges offer smaller classes taught by experienced full-time professors. At a public university, smaller section classes are typically taught by inexperienced graduate students.

Committed professors at these small colleges can draw out the best performance from their students – whereas undergraduates at very large research universities may "hide" and coast. Graduates of smaller private colleges often out-compete peers from more-renowned state universities for admission to prestigious graduate schools; strong recommendations from faculty members who actually know the student well often are the difference.

Typically, a skilled planner will guide parents and students to choose 6-to-10 colleges, hopefully creating competition for the student by the colleges. Once the aid packages arrive, the planner compares them against historical norms for the college, determining if the offer is poor, fair or good.

If a student has received an inferior offer for his or her academic level, the planner can guide the family through an appeal. A good college financial planner can often find other sources of "free money." One widely-used program contributes money to a family 529 savings plan based on use of a credit card for everyday purchases.

330+ private colleges are in SAGE Scholars

The best program for lowering college costs in a guaranteed manner is the SAGE Scholars Tuition Rewards program, which includes 330+ private colleges. The largest private college savings program in the country, SAGE Scholars is now offered by some major corporations, as well as by some individual college financial planners. Participating families can earn tuition discounts of up to a full year of tuition, spread evenly over four years of college.

For students who do not attain the academic level needed to get substantial merit aid, this program allows the family to get tuition discounts anyway – by doing things they are already doing, such as saving for retirement or college. Look for a member institution or advisor who is affiliated with Tuition Rewards.

Why would the colleges participate? All colleges have significant marketing costs, and this program is a very cost-effective way to reach a wider audience, giving students and parents the opportunity to hear about these colleges and to take a closer look. They know that many families will recognize the benefits and choose to attend their college.

Unlikely to pay "list price"

College planners often prefer private colleges – and, best of all, they know from experience that "list price" bears little resemblance to the price that you may actually pay. Think of the financial college planner as someone who helps you find bargains – and become a smart shopper.

In conjunction with (and not in place of) the high school counselor, a college financial planner can effectively integrate academic, admission and financial considerations as part of your family's "team".

The college financial planner can help you lower your costs of college ... select a school where your student is more likely to finish in four years ... avoid cost overruns ... eliminate headaches ... and avoid crippling debt.

The bottom line:

Consider using a college financial planning specialist **now** ... for savings later on, when your student is on campus. It's the smart way to plan for college.

Students graduating from Clarkson University - Potsdam, NY

Since 2007, Jim Van Meter, MBA, CFP®, CCPS®, has been helping families lower their college costs to protect their retirement and lifestyle, and guide their students to four-year graduations. He is a Certified College Planning Specialist™ and Certified Financial Planner®. Jim did honors work at the University of California, Berkeley in both Engineering and Psychology, graduated Phi Beta Kappa, and returned for his MBA in Finance. He lives in Reno, Nevada with his wife and three almost-under-control cats.

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