



Barnum Financial Group

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Financial Aid: Grants

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What is a grant?

A grant is a type of financial aid that, like a scholarship, does not have to be repaid. For this reason, a grant is referred to as gift aid. By contrast, a loan must be repaid by you or your child.

Grants may be offered by a variety of sources: the federal government, state governments, colleges, and virtually thousands of private institutions. They may be available on both a financial-need basis and on a merit basis.

Your child should research and apply for any grants for which he or she may be eligible. For many middle to upper income families who may not qualify for need-based financial aid but who can't afford to pay the annual college bill out-of-pocket, it's worth taking the time to research colleges that award generous merit aid grants. You can use a college's net price calculator on its website to get an idea of how much grant aid your child might qualify for at that particular college based on your family's financial and personal information.

How do grants fit into the financial aid picture?

If your child receives a grant based on financial need, he or she may have additional need, some or all of which might be met with other grants, scholarships, or loans. If your child receives a merit grant (one given without regard to financial need), he or she may also have additional financial need.

Your child receives a merit grant and has financial need

When your child receives a merit grant, the cost of college is reduced by the amount of the award. The grant can eliminate: (1) part of your child's need, (2) all of your child's need, or (3) all of your child's need and part of your expected family contribution (EFC). Federal regulations prohibit colleges from using non-need (merit) money to replace your EFC unless all of your child's financial need has been met first.

For the following examples, let's assume that the cost of college for one year is \$40,000 and that your EFC is \$35,000, making your child's need \$5,000.

Example: *Your child receives a merit grant of \$1,000. Your child's need is reduced from \$5,000 to \$4,000, and your EFC remains the same at \$35,000.*

Example: *Your child receives a merit grant of \$5,000. All of your child's need is eliminated, and your EFC remains the same at \$35,000.*

Example: *Your child receives a merit grant of \$12,000. All of your child's need is eliminated, and you can apply the extra \$7,000 to help cover your EFC.*

In the first two examples above, you can try to convince the financial aid administrator to reduce or replace a loan portion of the financial aid package rather than a scholarship or grant portion.

Your child receives a merit grant and does not have financial need

In this situation, your child's financial aid package is not affected. The grant simply replaces your own money when you write a check for tuition. But your child's merit award cannot exceed the cost of attendance.

Example: *Assume the cost of college for one year is \$25,000. Your child receives a merit grant of \$30,000. You can only receive \$25,000; you can't pocket the additional \$5,000.*

Tax implications

The federal government taxes as ordinary income the portion of a grant that exceeds tuition, fees, books, and equipment. This means that room-and-board grants may be taxed. So, if your child receives a large grant, use it to pay the tax-free items first.

Federal grants

Pell Grant

The Pell Grant program is Uncle Sam's largest financial aid grant program. Pell Grants are available to undergraduate students with exceptional need, and are the foundation of every undergraduate student's financial aid package (those who qualify). Graduate students are not eligible for Pell Grants.

For the academic year 2016/2017, the maximum Pell Grant is \$5,815. If your child qualifies, the actual amount he or she receives will depend on his or her financial need, cost of attendance, and full-time or part-time status.

If your child is a part-time, half-time, or three-quarter-time student, your child will receive 25 percent, 50 percent, or 75 percent of the award, respectively. Your child can apply for a Pell Grant by completing the federal government's aid application, the FAFSA (Free Application for Federal Student Aid). Your child should apply even if you believe you are not eligible, because colleges and states will not consider your child for other awards until they know your child's Pell status. If your child is awarded a Pell Grant, the school can pay you directly, credit the grant to your account, or combine these two methods.

Supplemental Educational Opportunity Grant (SEOG)

The Supplemental Educational Opportunity Grant (SEOG) is the federal government's second-largest grant program. A SEOG is available to undergraduate students who demonstrate exceptional financial need (i.e., those students with the lowest EFCs). Priority is given to Pell Grant recipients. As with the Pell Grant, graduate students are not eligible to receive a SEOG.

The SEOG is a campus-based program, which means that the financial aid administrator (FAA) at each individual college administers it. Each school receives a certain amount of SEOG funding from the federal government, and when the funds are awarded, there are no more until the following year. Even though your child might be eligible for a SEOG based on his or her financial need, your child might not receive one because the funds may have already been awarded to students who applied earlier. The FAA at each school decides who will receive a SEOG. The maximum grant amount is \$4,000 per academic year, and the awards range from \$100 to \$4,000. The amount your child obtains will depend on the date he or she applies, the amount of your child's financial need, the financial aid policies of your child's school, and the total funds available at the school.

State grants

Most states provide grants to students pursuing higher education. Often, these grants are need-based and awarded solely to undergraduate students, although merit-based grants are increasing because states do not want to lose their best students to other states. Each state has its own award amounts, eligibility requirements, and application procedures.

In the past, the federally sponsored State Student Incentive Grant (SSIG) program helped states provide grants to students by providing federal matching funds. This program has been renamed the Leveraging Educational Assistance Partnership (LEAP) program. A specific breakdown of state grant programs is beyond the scope of this discussion. For more information on what state grant programs are available, contact your state's higher education agency.

College grants

Colleges frequently offer grants to students based on achievement or financial need. These funds may come from the college's own endowment funds or from a tuition discount. Generally, college grants are available to both undergraduate and graduate students. For graduate students, this aid comes in the form of fellowships (either from the college or from a foundation, government agency, or corporation) or stipends for living expenses.

For students and parents researching colleges, one of the best things you can do to improve your bottom line is to target colleges that offer generous grants. Contact the schools you are interested in for more information. In addition, students can use a college's net price calculator on its website to get an idea of how much grant aid they might qualify for at that particular college based on their family's financial and personal information.

Other grant sources

In addition to governments and colleges, there are thousands of other potential grant sources from foundations, corporations, and associations of all kinds. Your child's background, academic credentials, employment history, membership in clubs, nationality, or

chosen field of study may make your child eligible for certain grants. Students can generally search for scholarships and grants online for free.

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