



Barnum Financial Group

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What happens if our child's college does not give us all the financial aid we need?

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Answer:

You must make up the difference. A common misconception is that if your child qualifies for financial aid, he or she will receive 100% of the aid he or she needs. In creating financial aid packages, colleges aren't obligated to meet all of a student's financial need. Colleges have limited financial aid budgets and tend to offer the most aid to those students who meet their specific enrollment goals.

If the college doesn't meet 100% of your child's financial need with a combination of loans, grants, scholarships, and work-study programs, you have been "gapped" by the college. You're responsible for meeting this shortfall.

Options to bridge this financial gap include drawing on your own assets (e.g., withdrawing from a retirement account or liquidating stock holdings), applying more of your current income to college costs, or taking out private loans (e.g., a home equity loan) or financial aid loans (e.g., a PLUS Loan). In many cases, a combination of these options is used.

If, despite your planning, you have simply no way of meeting the shortfall, you might consider contacting the financial aid administrator at your child's school to discuss an increase in your child's aid package. Follow the specific instructions in your child's financial aid award letter. Generally, your chances of success are best if you can document a specific circumstance that prevents you from meeting the shortfall. Examples of such circumstances may include a recent job loss or prolonged unemployment, unusually high medical bills, or bills incurred while caring for an elderly relative. A general plea of an inability to pay is unlikely to bring results.

In an effort to avoid this problem, make it a priority in your college selection process to research the costs of specific colleges and the amount of financial aid that various schools award. This information can generally be found in college guidebooks. Then choose only those schools that consistently meet all, or a high percentage, of their students' financial need.

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