College Coach
A Bright Horizons Solution at Work

Saving and Paying for College

Saving for College:
Overview of Plans

Disclaimer: Congress, the Department of Education, the Internal Revenue Service, the states, and colleges all set policies that govern the tax benefits, non-use penalties, and financial aid attributes of family held assets and the income the assets generate. These are subject to change at any time.

This document contains information believed to be accurate as of December 27, 2011.

529 Savings Plan	
Description	Federally authorized, usually state-sponsored, tax advantaged plans focused on saving for college. Independent financial institutions (e.g. TIAA-CREF, Fidelity Investments) manage the plans on behalf of state sponsors. Private plans are also available.
Use of Funds	To avoid income taxes and/or penalties, the funds in these plans MUST be used for qualified higher educational expenses at an eligible institution. These expenses include tuition, and mandatory fees, supplies, books, and equipment. Room and board expenses are also qualified expenses in semesters during which the student is enrolled at least as a half-time student. Computers and Internet Access Fees were made qualified educational expenses in 2009 and continue to be on a temporary basis. Please check with a tax advisor or other source to make sure these are still QEEs in the year you use a 529 Savings Plan to pay for them. Junior College, Technical College, Undergraduate, Professional, and Graduate level expenses can be qualified expenses.
Owner/Beneficiary	The person who establishes the account is the owner; the beneficiary is the future college student. (The owner and the student may be the same person). The owner may be called the "participant". The owner and the beneficiary do not have to be related. The owner may also designate a "contingent participant" who assumes the participant's place if the participant dies before the account is closed.
Tax Treatment	**Contributions:** Not deductible for federal tax purposes, but may be deductible on state and local income tax returns. **Growth:** Tax-deferred. **Withdrawals:** Earnings are tax-free when used to pay for the beneficiary's qualified education expenses. In August 2006, Congress made this treatment permanent. Earnings are usually exempt from state and local taxes. In a few states, 529 Saving Plans from other states are *not* state income tax deferred and/or are *not* state tax free at withdrawal, even if the funds are used to pay qualified education expenses.
Contribution Limits	**Annual:** These plans were designed to take large amounts of money, and the actual plan specific contribution limits often exceed $300,000. Note though that contributions to 529 Savings Plans are considered gifts to the beneficiary, and gift tax rules apply. A gift tax return must be filed when the total of all gifts from one contributor to a beneficiary exceeds $13,000 in one calendar year (this is the 2011 and 2012 limit and will rise with inflation over time). Contributors may put up to $65,000 (single) or $130,000 (married) into 529 Savings Plans and qualified Prepaid Tuition Plans without gift tax implications by filing a gift tax return (IRS form 709) and applying the contribution "ratably" over a five year period. These are 2011 and 2012 limits and will rise with inflation over time. **Lifetime:** Varies by plan but designed to prevent the accumulation of funds that exceeds an amount needed to pay for a four-year undergraduate education.
Transferability	May be "rolled over" to another member of the beneficiary's immediate family. Family members for this purpose include siblings, stepsiblings, half-siblings, parents, grandparents, children, grandchildren, and first cousins of the beneficiary, and anyone married to any of these people (except cousins).

529 Savings Plan (continued)	
Investment Choices	Most plans have a specific investment strategy that lowers the investment risk as the student gets closer to college. Many plans offer guaranteed return options. Account owners can choose from among the investments in the plan. Changes between options are allowed once a year and investments must remain in one choice for a year before a change can be elected.
Key Implications of Not Using for College	If a withdrawal is made from a 529 Savings Plan and the funds are not used to pay for the beneficiary's qualified education expenses, taxes and perhaps penalties apply. The earnings portion of the non-qualified withdrawal is subject to federal, state and local taxes to the recipient of the funds and will be subject to a federal penalty of 10% of withdrawn earnings. States may require the repayment (called recapture) of any state income tax deductions that were available when the funds were contributed. Plans and states may apply a penalty as well. If the non-qualified withdrawal is made in an amount equal to or less than a scholarship, or if the student received a military academy appointment and enrolled in an academy, then the earnings from the withdrawal are subject to the above mentioned taxes, but are not subject to the 10% additional penalty. *Important Note: with the exception of recapture, these taxes and penalties apply only to earnings. If a 529 Savings Plan has lost value and the participant makes a non-qualified withdrawal, they will receive the value of the account without penalty, but may still be subject to recapture of past tax breaks on the state income tax return. For accounts that have increased in value, the penalty in effect is a reduction of earnings of between 35% and 60%, depending on the owner's income tax bracket and other factors.* *Important Note 2: Some plans allow the participant to make a non-qualified distribution to the account beneficiary, instead of themselves. If the participant takes this option, then the income tax and penalties (if applicable) will be assessed at the beneficiary's tax rate.*
Control	Account owner controls the account at all times. There is no transfer of control to the beneficiary during the lifetime of the account owner.
Impact on Financial Aid Awards	529 Savings Plan balances are, in general, favorably treated in the federal and state financial aid formulas. If the student's parent(s) fund the 529 Savings Plan, then the assets are treated as any other parentally owned asset. Starting with the 2009/2010 academic year, 529 Savings Plans for which a dependent student is the participant (those funded with assets that were previously owned by the dependent student) will be assessed at the same rate as parental assets. 529 Savings Plan assets are therefore not assessed at the higher 20% rate that other student owned assets are. If the account is owned by grandparents or others who are not asked to provide information on the applications, its value will have no impact on the student's eligibility for federal financial aid. However, effective with the 2010/2011 academic year, students are required to report payments from 529 Savings Plans owned by people outside of the custodial household as untaxed income on their aid applications. This income may have a large impact on financial aid for the year after the withdrawal is made. Some private colleges may include the value of these accounts in their formulas, or may treat withdrawals from these accounts as though they were scholarships. Contact colleges directly if this is a concern. See "Other Important Notes" in this section for information. Most *state* financial aid programs exempt some assets in 529 Savings Plans from their formulas for determining state based financial aid.

529 Savings Plan (continued)	
Other Important Notes	**Eligible Institutions:** All schools that are eligible to participate in federal financial aid programs (University, College, Community College, Proprietary, Trade, and Technical) are *eligible institutions*. The beneficiary of a 529 Savings Plan must be taking classes at an eligible institution in order for the participant to qualify for the 529 Savings Plan tax benefits. The eligible institution does not have to be in the state that the student lives, or the state that sponsors the 529 Savings Plan. Some colleges in the United States are *not* qualified educational institutions. Many, but not most non-US colleges are eligible institutions. The web site for the Free Application for Federal Student Aid (FAFSA), www.fafsa.gov, has a search feature that allows students to determine if a college is an eligible institution. This feature is located at the link for “find a school code” in the “before you file” column on the FAFSA home page. If you are not satisfied with your own state’s 529 Savings Plan, consider another state’s program. Check to see if your own state’s plan provides a state tax deduction for in-state contributions, bonus payments, or imposes taxation or penalties on out-of-state 529 Savings Plans. If you conclude that the in-state benefits are not compelling enough to offset problems in your state’s offerings, consider investing in another state’s plan. These plans are enabled in the United States by Section 529 of the United States Income Tax Code. The tax benefits apply only to taxpayers who pay income tax to the United States. Individuals who might live outside of the United States, or who will be subject to another country’s income tax code before or during their children’s college career, may want to avoid 529 Savings Plans because these other countries may subject even qualified withdrawals from these plans to their own investment taxation rules. Parents may not take money from UTMA/UGMA accounts to fund 529 Savings Plans that the parents own. In 2006, Congress redefined the treatment of student owned 529 Savings Plans in the federal financial aid formulas. 529 Savings Plans that were funded from student owned assets are a favored asset in the financial aid formulas. In 2009/2010 and beyond, at schools that rely solely on the FAFSA to determine financial aid eligibility, these “UGMA/529 Savings Plans” will be treated as though they were parental assets, not student assets. Families who have accumulated large UTMA or UGMA accounts or have a lot of student owned United States Savings Bonds (see other sections in this handout) may consider liquidating these assets and funding a student owned 529 Savings Plan. This will reduce the impact that the student owned assets will have in the financial aid formula. Note that this may generate a tax obligation larger than the financial aid savings it generates, and that student owned 529 Savings Plans are still subject to the UTMA/UGMA rules of the accounts from which they were funded. UGMA/529 Savings Plans do not enjoy the same intra-family rollover options that other 529 Savings Plans do. These accounts are subject to the UGMA restriction limiting their use to the owner/participant’s needs and benefit. After the owner/participant reaches the age of majority, that individual may choose to do an intra-family rollover. The custodian of an UGMA/529 Savings Plan may not initiate an intra-family rollover.

Prepaid Tuition Plan	
Description	State-sponsored and private plans that are designed to allow account owners to pay for tuition in advance of the student's actual enrollment. There are two types of Prepaid Tuition Plans: 1. **Credit based plans**: these allow you to purchase a certain percentage of college tuition today that is guaranteed to be equivalent to the same percentage of state college tuition in the future. Each purchase buys a fraction of the tuition at participating schools; the more expensive the school, the smaller the fraction purchased. 2. **Contract based plans**: these are a contract between the buyer and the plan: the buyer agrees to make one or more specific payments on a specific schedule. Upon completion of the payments, the plan agrees to provide a certain amount of education.
Use of Funds	Plans are specifically designed as tuition savings vehicles, although a few plans offer housing and fee plans as well. However, many consider room and board costs qualified withdrawals.
Owner/Beneficiary	Anyone can purchase tuition plans for a beneficiary; some plans allow the owner and beneficiary to be the same person. For most state plans, the owner and/or beneficiary must be a resident of the sponsoring state.
Tax Treatment	**Contributions**: Not deductible for federal taxes. Some states allow a deduction for contributions on their state tax returns. **Growth:** Earnings are tax-deferred. **Withdrawals:** Most Prepaid Tuition Plans are qualified 529 plans. For these there is no taxation of earnings when the Plan pays for college. Withdrawals from unqualified plans (check with the plan sponsor) may not derive any tax benefit, or may derive different tax benefits from 529 Prepaid Plans. **Gift Tax**: Contributions to Prepaid Tuition Plans are considered gifts to the beneficiary, and gift tax rules apply. A gift tax tax return must be filed when the total of all gifts from one contributor to the beneficiary exceeds $13,000 in one calendar year (this is the 2011 and 2012 limit). Contributors may put up to $65,000 (single) or $130,000 (married) into 529 Savings Plans and qualified 529 Prepaid Tuition Plans without gift tax implications by filing a gift tax tax return (IRS form 709) and applying the contribution "ratably" over a five year period. This "future allocation" does not apply to non-529 style Prepaid Tuition Plans. Again, these are 2011 and 2012 calendar year figures.
Contribution Limits	**Annual**: Generally no annual limit as long as lifetime limit is not breached. There may be a minimum annual contribution. **Lifetime**: Aggregate maximum will vary by plan. It is usually not possible to purchase contacts that will buy more than eight, nine, or ten semester's worth of tuition at a state's public university. Private plans limit accounts size to the cost of four or five years of tuition at the most expensive institution in the plan.

Prepaid Tuition Plan (continued)	
Transferability	Most plans mature in a pre-designated year for a specific beneficiary. Some allow intra-family changes in beneficiary, but may require additional “catch-up” contributions if the new beneficiary is a different age than the original beneficiary. Most remain valid for ten years following the student’s graduation from high school. Some plans stop allowing intra-family transfers after the first withdrawal for the original beneficiary.
Investment Choices	Purchaser assumes risk that student will not attend college or a participating college. In this case, return on investment may be low or non-existent.
Key Implications of Not Using for College	The same taxes, penalties, and exceptions that apply to non-qualified withdrawals from a 529 Savings Plan apply to non-qualified payments from qualified Prepaid Tuition Plans. Refer to the section in this document on 529 Savings Plans. In addition, funds not used are returned with a pre-determined rate of growth (often inflation plus a small percentage). This may be far less than the rate of inflation at the plan’s participating colleges.
Control	Account owner controls the account at all times. There is no transfer of control to the beneficiary during the lifetime of the account owner.
Impact on Financial Aid Awards	Starting with the 2006/2007 academic year, the financial aid formulas have treated Prepaid Tuition Plans in the same manner as 529 Savings Plans. Refer to the section in this document on 529 Savings Plans.
Other Important Notes	Most Prepaid Tuition Plans are geared to saving for in-state public school educations, or specific participating private colleges, without a guarantee of admission to participating schools. Some are geared toward saving for a specific list of schools, and provide a different rate of return depending on the college the student ultimately attends. It is important to understand what the plan will pay to non-participating schools before selecting a Prepaid Tuition Plan. The rate of return afforded the Prepaid Tuition Plan owner may be much smaller than expected if the plan is used to pay qualified education expenses at non-participating colleges. Prepaid Tuition Plans are effectively promises that the Plan will have the resources to pay its obligations to the owner some time in the future. They invest the payments made by participants and hope to earn enough through these investments to pay future claims. This has proven difficult for many plans, which have taken extreme steps to remain solvent. These steps have included increased fees on participants even on assets invested in the past, and greatly reducing the non-participating school payouts, and the payout value for non-qualified withdrawals, even for long-standing contract owners. There is a unique risk with Prepaid Tuition Plans that the terms of the Plan can change significantly years after the contract is open. In recent years, Prepaid Tuition Plan pricing has moved from a model where payments were close to payments that a parent of a college student might make, to one where new account owners pay substantially higher prices than extant account owners. Before signing up for a new Prepaid Tuition Plan contract, compare its pricing to the actual tuition costs of participating colleges.

Coverdell Education Savings Account (Coverdell ESA)	
Description	Tax advantaged savings vehicle for college that also allows tax-free withdrawals for college, as well as private Kindergarten through high school expenses.
Use of Funds	Funds in a Coverdell ESA may be used to pay qualifying higher education expenses in exchange for tax advantages. Qualifying expenses include tuition, fees, books, and equipment. Between 2002 and 2012 qualifying expenses have been expanded to include room and board costs for students enrolled at least half-time at a qualifying institution, uniforms, and computer technology. Also, between 2002 and 2012, education costs for K-12 education (private, public, or parochial) are qualifying expenses for withdrawals from Coverdell ESAs.
Owner/Beneficiary	The Coverdell ESA is a custodial account that for all purposes *except financial aid eligibility* is owned by the beneficiary. When the beneficiary of the account is a minor, an adult is a designated the “Responsible Individual” who must manage the Coverdell ESA on behalf of the child. The Responsible Individual makes all investment and spending decisions on behalf of the owner/beneficiary until the beneficiary turns 30, or at the age of majority (see Control, below).
Tax Treatment	**Contributions**: Not deductible. **Growth**: Tax-deferred **Withdrawals**: Tax-free for federal taxes when used for qualified expenses; may be subject to state and local taxes.
Contribution Limits	**Annual**: $2,000 per year in years 2002 to 2012. $500 per year after that. Limits apply to the amount a beneficiary can receive from all donors combined in a tax year. **Lifetime**: Contributions must stop when student turns 18, unless the student is disabled.
Transferability	Can be transferred to another qualified family member who is not yet age 18.
Investment Choices	The Responsible Individual chooses the investment vehicle depending on those offered by the financial firm at which the Coverdell ESA is established.
Key Implications of Not Using for College	Earnings on funds not used for college (or K through 12 expenses prior to the end of 2012) are subject to federal, state and local taxes and a 10% penalty. Since the child is the owner, the taxation and penalty are calculated at the child’s tax rates. Account must be liquidated if not exhausted or transferred to another family member by the beneficiary’s 30th birthday, unless the beneficiary is disabled. This liquidation will trigger the above taxation and penalty.

Coverdell ESA (continued)	
Control	The Responsible Individual controls the funds in the account until the beneficiary reaches age 30, but may be able to transfer control to the student/owner when they reach the age of majority. If the account is not closed before the beneficiary turns 30, the unused funds are automatically sent to the beneficiary, who will have to pay income taxes and penalties for non-use on any earnings.
Impact on Financial Aid Awards	Since 2006/2007, the treatment of UTMA/UGMA funded Coverdell ESAs has become identical to that of UTMA/UGMA funded 529 Savings Plans. See the financial aid section in the 529 Savings Plan area of this document, above. Parent funded Coverdells (Coverdells for which the parent of the dependent student is the "Responsible Individual") are treated on the same manner as other parental assets.
Other Important Notes	Coverdell contributions are limited to taxpayers with Adjusted Gross Incomes below certain thresholds. Single filers whose modified AGI is less than $95,000 may make the complete $2,000 annual contribution; eligibility is phased out and a partial contribution may be made by single filers with modified adjusted gross incomes between $95,000 and $110,000. No contribution can be made by a single filer whose modified AGI is greater than $110,000. Donors who file joint tax returns may make the complete $2,000 contribution if their modified AGI is less than $190,000. Those with modified AGIs between $190,000 and $220,000 may make partial contributions. Assets in a Coverdell ESA may be transferred into a 529 Savings Plan or a qualified Prepaid Tuition plan that has the Coverdell account owner (the student) as a beneficiary. This is a tax-free transaction and is considered a "qualified distribution" from the Coverdell ESA and is available until December 31, 2012. Federal income tax code changes that occur in 2013 may make Coverdell ESAs a less attractive college savings choice. These changes include: 1. After 2012, taxpayers may not take the education tax credits in a year they make tax free withdrawals from Coverdell ESAs. Families that might qualify for the education tax credits (Hope and Lifetime Learning Credit) should carefully weigh this restriction against the value of the ESA. 2. After 2012, taxpayers may not receive the tax advantages for both a 529 Savings Plan and a Coverdell ESA in the same year. If withdrawals are made by a taxpayer from both a 529 Savings Plan and a Coverdell ESA after 2012, the taxpayer must pay income tax on the earnings portion of the funds withdrawn from *one* of the accounts. 3. K-12 educational expenses are not qualified educational expenses after December 31, 2012 4. The amount any beneficiary can receive into Coverdell ESAs drops in 2013 to $500 per year Coverdell ESA adoption agreements (the enrollment contracts that financial services forms require Responsible Individuals to sign in order to open the account) may define plan specific limits that, among other things, may limit the right of the Responsible Individual to change account beneficiaries, transfer control of the account to the child-owner at the age of majority, etc. Before investing in a Coverdell, read these documents thoroughly.

Uniform Gift to Minors Account/Uniform Transfer to Minors Account	
Description	An irrevocable transfer of funds to a minor held in an account that is not tax-deferred. Sometimes called UGMA or UTMA.
Use of Funds	The custodian of an UTMA/UGMA account may only withdraw funds from the account for a use that directly provides a benefit for the child-beneficiary. The custodian may not transfer assets from an UTMA/UGMA account to an account of any kind owned by the custodian (or any person other than the child-owner). The child-owner of the account may not "authorize" the custodian to transfer assets to any account owned by any person.
Owner/Beneficiary	The account custodian retains control of the funds until the child reaches the age of majority (usually 18 or 21) at which point control is automatically passed to the child-owner.
Tax Treatment	**Contributions**: Not deductible for federal, state or local taxes. **In 2011 and 2012:** For children who are not working and have not yet reached their 19th birthday, and for children who are college students who are not paying for at least 50% of their own support from earned income, up to $1,900 in unearned income is taxed at the child's rate: annual income above $1,900 is taxed at the parent's marginal rate for federal income taxes. The tax rate is 0% for the first $950 in unearned income. For the next $950 of unearned income, the tax rate is 0% for dividends and long-term capital gains, and 10% for interest and short-term capital gains. After the child reaches age 19 and is not enrolled in college: All unearned income is taxed at the child's tax rate. If the child has earned income, please review IRS Publication 929: *Tax Rules for Children and Dependents.* In general, the earned income reduced the amount of unearned income subject to the child's tax rates, when the above limits apply. **Withdrawals:** Capital Gains are taxed at the child's tax rates, subject to the above limits.
Contribution Limits	**Annual**: No annual contribution limits. However, gifts of more than $13,000 from an individual may result in gift tax reporting requirements to the donor. **Lifetime**: No aggregate contribution limits exist.
Transferability	Account is *not* revocable or transferable; the custodian may not transfer funds between family members, or reclaim the funds as their own.
Investment Choices	Directed by custodian until age of majority, and by owner/beneficiary thereafter.

UTMA/UGMA (continued)	
Key Implications of Not Using for College	Custodian or beneficiary may use the funds for any purpose without penalty or special tax consequence, as long as the use directly benefits the beneficiary.
Control	The custodian controls all spending and investment decisions until the child-owner reaches the age of majority (usually 18 or 21). At that point, the child-owner gets control.
Impact on Financial Aid Awards	Since the UTMA/UGMA account is the owner/beneficiary's property, they will be treated as a student asset in financial aid formulas. Capital gains, interest, and dividends reported on the student's tax return may be considered student income by the financial aid formulas. Some private colleges will treat all "family" assets as parent assets. At colleges that choose this treatment, the UTMA/UGMA account is assessed at the same rate that parent assets are assessed.
Other Important Notes	Congress has created a loophole in the treatment of UTMA/UGMA assets that may allow some families to reduce their impact on financial aid. Assets in 529 Savings Plans, Prepaid Tuition Plans, and Coverdell ESAs that were funded by UTMA/UGMAs are treated more favorably than other student owned assets when schools calculate federal EFCs. This means that just before filing the financial aid applications, UTMA/UGMA custodians can liquidate the assets in a UTMA/UGMA, use the cash generated to fund a 529 Savings Plan (which must have the child as the participant and the beneficiary and must be registered as an UTMA/UGMA as well as a 529 Savings Plan), and thereby reduce the assessment rate in the federal financial aid formula from 20% to 3-6% (for academic years 2009/2010 and beyond). This procedure may result in a capital gains tax obligation, and does impose additional restrictions on the funds that would not have existed prior to the investment in the 529 Savings Plan. See also the financial aid information in the 529 Savings Plan section of this document. NOTE: Since 529 Savings Plans can only be funded with cash, any investments that are held in the UTMA/UGMA accounts would have to be sold, and a capital gain realized. If the child is in college, or is not yet 19 when this sale occurs, some of the gain might be taxable at the parents' tax rate. Although the assets in an UTMA/UGMA account are considered assets owned by the child, if the custodial of the account dies before the child is 18/21, the assets in the UTMA/UGMA account are consider part of the late custodian's estate for estate tax purposes.

United States Savings Bonds (Series EE and Series I Bonds)	
Description	Bonds issued by the United States Treasury Department that may allow for tax-free growth if proceeds are used to pay for a dependent's education. These bonds do not pay out an income stream; instead, the redemption value of the bond increases each month. Series EE Savings Bonds issued before May 1, 2005 earn interest at a variable rate keyed to five-year Treasury securities. Series EE Savings Bonds issued on or after May 1, 2005 earn a fixed interest rate. The rate is set on May 1 and November 1 for bonds issued in the following six months. Interest accrues monthly and is compounded twice a year. The interest rate for Series I Bonds is calculated in two parts. The first part of the interest rate is fixed and determined when the bond is issued. It is set on May 1 and November 1 for all bonds issued in the following six months. The second part is based on a measure of inflation over the prior six months, and can be negative in deflationary periods. The composite interest rate will based on an annualized combination of these rates but will never be less than 0%. I Bonds provide some buying power protection because their interest rate is linked to an inflation rate. Effective January 1, 2012, almost all new Savings Bonds will be electronic securities. The paper Savings Bond is being gradually phased out. Savings Bond purchases must establish an account with the United States Treasury at http://savingsbonds.gov/indiv/indiv.htm to purchase new bonds. Taxpayers may buy paper Savings Bonds after this date using their federal income tax refund.
Use of Funds	Funds may be used for any purpose. When used for education (tuition, required fees, the purchase of a Coverdell ESA, Prepaid Tuition Plan, or 529 Savings Plan), the bondholder may not have to pay tax on accrued interest or principal adjustments (see below). Bonds must be held for at least five years to receive maximum benefits and penalty free redemption.
Owner/Beneficiary	Anyone with a social security number may own a Savings Bond. There is no relationship between the beneficiary on a Savings Bond and the education tax exemption. The account owner is the person whose name is listed on the bond, even if someone else's social security number is also on the bond. In order to get the education tax benefits the bond owner must meet two criteria: 1. The bond owner must be an adult taxpayer 2. The bond owner must use the bond to pay for his or her own education, a spouse's education, or the education of someone claimed on his or her income tax return. This means that when the student is a traditional undergraduate student, the bond owner must be the student's parent or guardian, and that person must claim the student as a dependent on their income tax return. For adult learners, the bond owner may be the student. However, due to other rules (see below) the adult learner must be over 29 years old to claim the education tax exemption. Note: Savings Bonds that list the student as the owner do not qualify for the education tax exemption if the student did not purchase the bond with his or her own funds after their 24th birthday, or if they are claimed on someone else's income tax return.

United States Savings Bonds (continued)	
Tax Treatment	**Contributions**: Not deductible. **Growth:** Federal: Tax-deferred. The bond owner does not have to pay tax on earnings until the bond is redeemed. However, the bond owner may elect to pay federal income tax on an annual basis (see comments below). State and Local: There is no taxation of federal bonds by state or local tax authorities. **Withdrawals:** Tax-free for federal taxes when used for qualified expenses (item 3, below), when the following conditions are met: 1. The age of the bond purchaser when the bond was purchased was 24 or older. 2. For Series EE Bonds, the bond was issued after 1989. All Series I Bonds are qualified. 3. The bond proceeds (principal and interest) are used to pay for tuition and required fees at a qualified educational institution (see discussion of eligible educational institutions in the 529 Savings Plan section of this document), or to purchase shares of a 529 Savings Plan, a Prepaid Tuition Plan, or a Coverdell ESA. Note: room, board, books, travel, and personal expenses are *not* qualified expenses. 4. The bond owner's modified Adjusted Gross Income in the year of the bond's redemption is less than certain inflation-adjusted amounts. In 2011, these amounts are $71,100 (single taxpayers) or $106,500 (married taxpayers filing jointly). A taxpayer who's modified AGI is less than higher figures: $86,100 (single) or $136,650 (married filing jointly), may qualify for a *partial* tax exemption. In 2012, these amounts are $72,850 (single taxpayers) or $109,250 (married taxpayers filing jointly). A taxpayer who's modified AGI is less than higher figures: $87,850 (single) or $139,250 (married filing jointly), may qualify for a *partial* tax exemption 5. The bond owner must take an exemption on their income tax return for the student in the year the bond is turned in. 6. The bond owner must be the tax payer. The bond can be co-owned by the taxpayer's spouse. Bonds co-owned by a parent and a child are *not* eligible for the education tax benefit. If the child is listed as the beneficiary (not the owner) the tax benefit may still apply. Withdrawals that do not meet these criteria are taxable at the owner's income tax rate. If a bond is co-owned, but one of the co-owners purchased the bond, then that co-owner must pay 100% of the income tax on the accrued interest. If the co-owned bond was a gift, then each co-owner pays tax on 50% of the accrued interest.
Contribution Limits	Starting in 2012, taxpayers may purchase a total of $5,000 in EE bonds and $5,000 in I Bonds each year directly from the United States treasury and other means. At the time of publication, it was not clear whether paper Savings Bonds purchased buy income tax refund counted toward these limits.
Transferability	The bond owner may change the beneficiary of the bond at any time. There are limited opportunities to change the bond ownership. See www.savingsbonds.gov.

United States Savings Bonds (continued)	
Investment Choices	Either Series EE Bonds with a fixed interest rate or Series I bonds with a variable interest rate.
Key Implications of Not Using for College	The bond owner pays federal income tax on accrued interest when the bond is redeemed. See taxation, above.
Control	The account owner controls the timing of the redemption of the bond and the use of the proceeds. If the account owner is a minor, then the minor's parent has this control, but the minor may need to agree to the bond's redemption.
Impact on Financial Aid Awards	Financial aid formulas treat the bond value (principal plus accrued interest) as the owner's asset. If a bond is co-owned by a parent and the student, then 50% of the bond will be treated as a parental asset, and 50% as a student asset.
Other Important Notes	Savings Bonds are backed by the "Full Faith and Credit" of the United States government, and are considered a very safe, very low-risk investment. Savings Bonds cannot be redeemed within one year of purchase. Those redeemed between one year and five years of purchase are subject to an early withdrawal penalty equal to the prior three months interest. Because Savings Bonds are considered a low-risk investment, the interest rates they pay may be moderate relative to other investments. Therefore, they may not be the best choice for a saver with a long-term savings horizon. Since children have low income tax rates, and bonds owned by children are not eligible for the education income tax exemption, electing to claim the interest accrued on the Savings Bond on an annual basis may result in significant income tax savings over time. See IRS Form 3115 and Instructions for IRS Form 3115. Information about Savings Bonds can be found at www.savingsbonds.gov. This site also houses a Savings Bond value calculator that allows users to determine the accumulated interest, current interest rate, and other factors about a Savings Bond based on the Bond's serial number and date of issue. It is this value, not the bond's face value, which must be reported on financial aid applications. Savings Bonds may be purchased directly from the United States Treasury at www.savingsbonds.gov, through payroll deduction, and by federal income tax refund.

Roth IRA	
Description	Retirement savings plan that allows income earners to receive tax-free income when they are retired and making withdrawals. IRA stands for Individual Retirement Arrangement. IRAs are not specifically education savings accounts.
Use of Funds	When the account owner is 59½, withdrawals may be used for any purpose. For owners under 59½, the usual 10% penalty on earnings withdrawals is eliminated when the withdrawal is used to pay for qualified education expenses for the account owner, spouse, or their child or grandchild. Qualified education expenses include tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible educational institution. For students enrolled at least half time, room and board costs are also qualified expenses. See the section on 529 Savings Plans for a discussion of eligible institutions.
Owner/Beneficiary	The person who establishes the account is the owner. For IRAs, there is no designated beneficiary related to education withdrawals. An IRA beneficiary simply inherits the account upon the owner's death.
Tax Treatment	**Contributions:** Contributions are not deductible. **Growth:** Tax-deferred. **Withdrawals:** If the account is five years old or older, and the account owner is 59½ or older, the withdrawal is tax-free. For younger account owners, the withdrawal of *earnings* is taxed, but will not be subject to the usual 10% early withdrawal penalty if the funds are used to pay for the owner's own education, or the education of their child or grandchild. The IRS has defined specific "Ordering Rules for Distributions" that specify the taxability of withdrawals from a Roth IRA. The first dollars coming out of a Roth IRA that is five years old or older are *contributions*. Since contributions to a Roth IRA were not deductible (thus were previously subject to income tax), they are not taxed upon withdrawal. Therefore, if withdrawals are limited to an amount that does not exceed the amount of contributions to the account, owners may make *tax-free withdrawals* from a Roth IRA. *Example: Robert contributes $5,000 per year to a Roth IRA for ten years. He is 50 years old at the end of that ten year period. His account contains $50,000 of contributions that were made with after-tax (already taxed) dollars. It has grown to $80,000 with earnings. Robert may withdraw up to $50,000 without taxes or penalties because the withdrawal will be considered a return of already taxed contributions. If he withdraws more than $50,000, the amount that exceeds $50,000 is considered earnings and subject to income taxes (because he is not yet 59½). They may also be subject to a 10% early withdrawal penalty unless the withdrawn earnings are used to pay for qualified educational expenses or other expenses exempt from the penalty.*

Roth IRA (continued)	
Contribution Limits	For 2011, only people whose *modified Adjusted Gross Income* is less than $169,000 (married filing jointly) or $107,000 (single) may make full contributions to a Roth IRA. Those with modified AGIs up to $179,000 (married filing jointly) or $122,000 (single) may make smaller contributions. These figures are indexed for inflation. For 2012, only people whose *modified Adjusted Gross Income* is less than $173,000 (married filing jointly) or $110,000 (single) may make full contributions to a Roth IRA. Those with modified AGIs up to $183,000 (married filing jointly) or $125,000 (single) may make smaller contributions. These figures are indexed for inflation. See *IRS Publication 590*. **Annual**: An individual may make a contribution of the smaller of $5,000 (in 2011 and 2012) or their total earned income. Individuals 50 years old and older may make an additional "catch-up contribution" of $1,000 as long as the total contribution does not exceed their total earned income. The contribution limit is indexed to inflation and should increase over time. Spouses of wage earners may make contributions to IRAs based on their spouse's income. Note: these limits apply to the sum of contributions to Roth and Traditional IRAs. See IRS *Publication 590.* Contributions for year 2011 may be made until April 15, 2012. **Lifetime**: There are no lifetime limits on a Roth IRA.
Transferability	None.
Investment Choices	Contributor chooses the investment vehicle depending on plan's sponsor.
Key Implications of Not Using for College	Since the Roth IRA is not specifically designed for college savings, there are no specific penalties related to use of the funds for non-education costs. In general, if the account owner uses the funds before they turn 59½, they will be subject to a 10% early withdrawal penalty on earnings, unless they meet one of the criteria for exemptions to the penalty.
Control	The account owner controls the Roth IRA for all purposes at all times.
Impact on Financial Aid Awards	Retirement assets are not reported on the Free Application for Federal Student Aid (FAFSA) and may not be reported on other financial aid applications. They rarely have impact as assets on the Expected Family Contribution. Some private colleges may treat student owned IRAs as available assets, however. Roth IRA withdrawals that are not subject to taxation are reported on financial aid applications as untaxed income. This may result in a reduction of financial aid unless the college chooses to remove the income from consideration. Many schools will even exclude a taxable withdrawal from and IRA from consideration if the owner asks. Parents who use IRA withdrawals to pay for college expenses should report the withdrawal as an "unusual circumstance" in a written letter to the student's school's financial aid office, as should people who convert a traditional IRA into a Roth IRA when they have children in college.

Roth IRA (continued)	
Other Important Notes	The tax rate for any taxable Roth IRA withdrawal will be the account owner's income tax rate. This will be higher than their capital gains rate. Therefore, for people who use Roth IRA *earnings* to pay for college expenses prior to age 59½, Roth IRAs may result in less after tax savings than would be available had the saver used a savings vehicle where long-term earnings are taxed at the owner's capital gains tax rate. The exemption from the 10% penalty for early withdrawal that applied to the Roth IRA when the funds are used to pay for qualified education expenses does *not* apply to withdrawals from employer sponsored retirement plans such as Roth or traditional 401ks or 403bs. Some employers sponsor a retirement account called a Roth 401k. These employer sponsored accounts have similar tax characteristics to Roth IRAs *except that the Ordering Rules for Distributions* described above *does not apply.* Roth 401ks can be rolled over into Roth IRAs after the employee's separation from service with the employer. Five years later, the *Ordering Rules for Distributions* will apply to the funds that originated in the Roth 401k. Effective tax year 2010, individuals with incomes that exceed the limits for contributing to a Roth IRA may be able to create Roth IRA assets by converting assets held in Traditional IRAs into Roth IRAs. See the Traditional IRA "Other Important Notes" section below.

Traditional IRA	
Description	Retirement savings plan that allows income earners to defer taxation on earned income, dividends, interest, and capital gains until retirement. IRA stands for Individual Retirement Arrangement. IRAs are not specifically education savings accounts.
Use of Funds	When the account owner is 59½, withdrawals may be used for any purpose. For owners under 59½, a 10% penalty on earnings withdrawals applies, but is eliminated when the withdrawal is used to pay for qualified education expenses for the account owner, their spouse, or their child or grandchild. Qualified education expenses include tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible educational institution. Room and Board costs, with certain restrictions, are qualified education expenses for students enrolled at least half-time. See the section on 529 Savings Plans for a discussion of eligible institutions.
Owner/Beneficiary	The person who establishes the account is the owner. For IRAs, there is no designated beneficiary related to education withdrawals. An IRA beneficiary simply inherits the account upon the owner's death.
Tax Treatment	**Contributions:** Contributions are deductible on federal tax returns under two specific and **very limited** circumstances: 1. The income earner is not eligible to participate in an employer sponsored retirement plan (see NOTE below) and is either unmarried or has a non-working spouse or 2. The contributor's household income (defined as modified Adjusted Gross Income) is below certain IRS defined limits*. This is a very complicated issue, Please see IRS Publication 590 before concluding you may deduct your traditional IRA contribution.* If the contributor does not meet one of these criteria, the contribution is non-deductible. NOTE: The rules for deduction an IRA for a non-working spouse with a working spouse covered by an employer sponsored retirement plan are too detailed for this document. See *IRS Publication 590*. **Growth:** Tax-deferred. **Withdrawals:** For account owners older than 59½, withdrawals for any purpose are subject to income tax (except for withdrawals of contributions that were not deducted when the contribution was made). For those younger than 59½, the earnings are subject to income tax and a 10% early withdrawal penalty. The penalty does not apply if the funds are used to pay qualifying education expenses for the taxpayer, the taxpayer's spouse, or the taxpayer's child or grandchild. The "Ordering Rules for Distributions" that are described in the Roth IRA section of this document *do not* apply to Traditional IRA withdrawals.

Traditional IRA (continued)	
Contribution Limits	**Annual:** An individual may make a contribution of the smaller of $5,000 (for 2011 and 2012) or their total earned income. Individuals 50 years old and older may make an additional "catch-up contribution" of $1,000 as long as the total contribution does not exceed their total earned income. The contribution limit is indexed to inflation and should increase over time. Spouses of wage earners may make contributions to IRAs based on their spouse's income. Note: these limits apply to the sum of contributions to Roth and Traditional IRAs. See *IRS Publication 590*. Contributions for year 2011 may be made until April 15, 2012. Note: these limits apply to the sum of contributions to Roth and Traditional IRAs for each account owner. **Lifetime**: Contributions must stop in the year in which the contributor becomes 70½.
Transferability	None.
Investment Choices	Contributor chooses the investment vehicle depending on plan's sponsor.
Key Implications of Not Using for College	Since the traditional IRA is not specifically designed for college savings, there are no specific penalties related to the use of the funds for non-education costs. In general, if the account owner uses the funds before they turn 59½, they will be subject to a 10% early withdrawal penalty on earnings, unless they meet one of criteria for exemptions to the penalty.
Control	The account owner controls the traditional IRA for all purposes at all times.
Impact on Financial Aid Awards	Retirement assets are not reported on the Free Application for Federal Student Aid (FAFSA) and may not be reported on other financial aid applications. They rarely have impact as assets on the Expected Family Contribution. Some private colleges may treat student owned IRAs as available assets, however. When a withdrawal is made from the traditional IRA, the owner will report the entire withdrawal as taxable and non-taxable income on their tax return and the financial aid applications. Therefore, the withdrawal will be considered parental income by the colleges in the financial aid formula. However, many schools will exclude the withdrawal from consideration if the owner asks, unless the parent is retired and the withdrawals from the IRA are replacing formerly earned income. Parents who use IRA withdrawals specifically to pay for college expenses should report the withdrawal as an "unusual circumstance" in a written letter to the student's school's financial aid office.

Traditional IRA (continued)	
Other Important Notes	The taxable amount of a withdrawal from a Traditional IRA is taxed at the owner's income tax rate, which is typically higher than their capital gains rate. Traditional IRAs may therefore not provide more after tax value than even direct investments. For those whose goal it is to maximize their after-tax savings for education purposes, there may be better options. However, since many people already have traditional IRAs, either from contributions or rollovers from employer retirement plans, it is useful to remember the penalty exemption for qualified education expenses. Starting in 2010, anyone who owns a Traditional IRA (or a SEP IRA, SIMPLE IRA, 401k, 403b, or 457 plan and is not employed by the company at which the plan is held) may convert that plan into a Roth IRA. The account owner will be taxed on the pre-taxed and deductible contributions and any earnings in the converted amount. Non-deductible contributions are not subject to taxation during the conversion. *Example 1: Lois is a single taxpayer whose income is $150,000: she is not able to contribute directly to a Roth IRA. However, she has $50,000 in a Traditional IRA that she created when she left her former employer and rolled her 401k into the IRA. All of the contributions in the 401k were made with pre-tax dollars. Lois can convert all or part of this Traditional IRA into a Roth IRA. She'll have to pay income tax on the entire amount converted.* People who do not have a Traditional IRA are well positioned to create Roth IRA assets without much of a tax liability. They can deposit funds (subject to the annual contribution limits) into a Traditional IRA and immediately convert the Traditional IRA into a Roth IRA. Assuming this is done on the day of the deposit, and there has been no time for earning to accrue, this should be a tax free process. This can be repeated annually to grow the account. Taxpayers who have traditional IRAs funded from rollovers from employer sponsored retirement plans, or from past deductible contributions, or with a lot of earnings, should review the conversion rules in *IRS Publication 590*. These accounts cannot be segregated from the newer contributions and will cause the taxpayer doing a conversion from a traditional to a Roth IRA to pay more taxes than expected *Example 2: Zach is single taxpayer whose income is $150,000: he is not able to contribute directly to a Roth IRA. However, he has $50,000 in a Traditional IRA that he created when he left his former employer and rolled his 401k into the IRA. All of the contributions in the 401k were made with pre-tax dollars. Zach contributes $5,000 to a Traditional IRA at a different company from the one that holds his current IRA, with after tax dollars (a non-deductible contribution) and immediately converts this new $5,000 into a Roth IRA. He thinks he has no tax liability, but he is incorrect. Even though he segregated the new, non-deductible contribution from the older account, the IRS considers all Traditional IRAs one account. Zach is required to determine the ratio of pre-taxed assets to total assets in all of his Traditional IRAs (in this example, 10/11ths of his Traditional IRAs have not been taxed), and must report a proportional amount of the converted amount on his income tax return (10/11ths of $5,000 is $4,545: Zach must report $4,545 on his income tax return as taxable income).*

Paying for College:
Financial Aid, Scholarships, and Loans

Disclaimer: Congress, the Department of Education, the Internal Revenue Service, the states, and colleges all set policies that drive financial aid eligibility, education related tax benefits and the availability of educational loans. These policies are subject to change at any time.

This document contains information believed to be accurate as of October 1, 2011.

Introduction to Financial Aid

Figuring out how to pay for college can be overwhelming. The application process involves sharing data that most people feel should be private with strangers. The questions applicants and their families are asked are tough, and understanding the logic behind the formulas can be tougher. With so many options out there, it's difficult to know if you have taken advantage of all that is available to you.

Families often will not apply for financial aid because they believe that they will not qualify for any assistance. On the contrary, all students who are United States citizens or permanent residents, who submit the Free Application for Federal Student Aid (FAFSA) and meet certain Congressionally mandated requirements, are entitled to receive some federal funds, regardless of the financial situation of their family.

Why Everyone Should Consider Applying for Financial Aid:

1. Having an application on file leaves you the option to request funds at a later date, should your finances change during your child's enrollment. Some schools may not process financial aid applications received after their published deadlines, even if the family has experienced a change in its ability to pay. Also, the application may give you the opportunity to tap good loan programs that you might not otherwise access.

2. Many people underestimate the income levels of where the chance of receiving need-based aid becomes unlikely. Expensive private schools can be surprisingly generous, especially to people with moderate incomes.

3. Many colleges consider the family's ability to pay for college when they make their admissions decisions. At these need-conscious colleges, students from high-income households may be more likely to be *admitted* than those who need financial aid. *Having an application on file showing that you will be able to cover your costs without any financial aid* can swing an admissions decision toward your child, and away from one who would be eligible for need-based assistance.

4. Some colleges will only provide non-need based scholarships to citizens and permanent residents of the United States. By filing the Free Application for Federal Student Aid (FAFSA), the college can verify the student's status without having to contact the student.

5. Your child may be able to borrow federal or state loans that have better terms than loans available to parents. Loans are one way students can have a financial stake in their own education, and the students who submit the financial aid applications may be able to borrow from better loan programs.

Terms That You Will Become Familiar With

The Expected Family Contribution (EFC)

The Expected Family Contribution (EFC) is the amount of money the family is expected to be able to pay toward college expenses. The amount is calculated from data provided by the family as part of the student's financial aid application. *It is not an estimate of the amount that a family will actually pay for college, nor is it necessarily a realistic assessment of the family's ability to pay for college.*

A standardized formula, known as Federal Methodology (FM), is used to calculate an EFC that all colleges must use to allocate federal, and in most cases, state funding. The FM calculation takes information from the Free Application for Federal Student Aid, also known as the FAFSA, and other materials the student provides to the school, and looks at the family's income and assets, family size, and the number of students attending undergraduate programs. It uses standardized allowances for basic living expenses; *it is not a cash flow analysis*. All colleges use this formula to calculate eligibility for federal and state funds. Almost all public and many private colleges will use this formula to allocate their own funds as well.

Some private colleges will use a second formula, known as the Institutional Methodology (IM), to calculate the EFC used as a basis to distribute their own funds. The IM requires financial information in addition to information already provided on the FAFSA form, so participating schools will require families to complete the College Scholarship Service (CSS) Profile. The CSS Profile accounts for assets not recorded on the FAFSA, such as home equity amounts or assets owned by the student's younger siblings. Check with the financial aid offices of the colleges that your child is interested in attending to determine what additional forms you should file. Information is also available on-line at www.collegeboard.com under the "Cost and Financial Aid" section within each school's profile.

Cost of Attendance (COA)

You'll pay more than just tuition when you send your child to college! Students need a place to live, food (and snacks) to eat, books, supplies, and entertainment, among other things. They need to get to and from school, and they may incur phone bills and internet access charges that they may not have previously had. The Cost of Attendance (COA) is a figure that each college will provide as an estimate of the costs a *reasonably frugal student* will encounter while attending that institution.

Some of the costs your child will incur in college are fixed, such as tuition and fees. Others will vary and are dependent on the choices your child makes. Your child will have a choice of living arrangements, meal plans, transportation options, for example. Careful consideration of each component of your child's education can save you hundreds of dollars. *In all cases, the cost of attendance component is a budget, an estimated amount, and will not represent the actual costs that the student will incur.*

Tuition and Fees - Most colleges assess tuition at a per-credit rate. The term 'reasonable student,' used above, is a student attending in a regular program and at a full-time status.

Books and Supplies - An estimate of your outlay for books and supplies; there will be great variability in the actual costs your child incurs for these. Some programs are naturally more expensive than others.

Room and Board - The amount you pay may differ more from the school's standard budget than any other component due to the variety of options available. Students choosing off-campus housing may have a higher or lower COA than those living in dormitories. Those living with their families, including extended families (aunts, uncles, grandparents) will have lower estimated costs than those living in dormitories or independently off campus.

Other Components - Colleges will establish an amount that a reasonable student would expect to incur for transportation, personal and other miscellaneous expenses.

Financial Aid Eligibility (Financial Need)

The financial aid eligibility of a family is the difference between the college's standard Cost of Attendance and the family's Expected Family Contribution. The college may use a combination of grants, loans, and work-study to offer the student an award package designed to meet, as closely as possible, the family's calculated financial need. The amounts and types of assistance offered will depend on the family's financial need and the availability of funds at that institution. There is no guarantee, however, that any one college will be able to meet a family's total financial need.

College	Family 1 – EFC 7,500		Family 2 – EFC 30,000	
	Public University	Private University	Public University	Private University
COA	20,000	50,000	20,000	50,000
EFC	7,500	7,500	30,000	30,000
Need	**12,500**	**42,500**	**0**	**20,000**

Applying for Financial Aid

The primary applications for financial aid, the FAFSA and the CSS Profile, are submitted to central processors. The processors then electronically send the information to the schools that the student indicates. Each student therefore files the FAFSA and the CSS Profile (if necessary) only once each academic year.

Your child will apply for financial aid **in the winter or spring before the academic year** for which they want financial aid. The student is the applicant for financial aid. Even though the student's parents are likely to pay most of the college bills and are required to reveal financial data to colleges through the financial aid application process, it is the student's application.

Applying for Federal and State Aid

The **FAFSA** (Free Application for Federal Student Aid) is the primary application for federal and state financial aid, and some private funding, and may be filed online or via a paper application. Paper applications can be obtained by calling the Department of Education at 1-800-4FED-AID. The electronic FAFSA is online at www.fafsa.gov. There is no fee for filing the FAFSA. If you are asked to pay to file the FAFSA, make sure that you are using the correct form and/or in the correct web site.

The earliest the FAFSA can be filed is January 1 of the year in which the academic year begins. For example, the FAFSA for an academic year that runs from August 15, 2012 to June 1, 2013 becomes available on January 1, 2012. Be careful to file the FAFSA for the correct academic year; during most of the year, there are two different applications available.

The FAFSA asks biographical questions about the student and financial questions about the incomes and assets of the student and the student's parents. The income questions are based on the student and parent income tax returns for the prior calendar year. The college deadline for filing the FAFSA for freshman candidates is usually earlier than April 15; be sure to know what deadlines apply at the colleges your child will be applying to. ***You are permitted to use estimated income figures when completing the FASFA***. It is not necessary to wait until the student and parent income tax returns are complete to fill out the FAFSA.

Applying to Private Colleges: The College Scholarship Service (CSS) Profile

Many private colleges and a few public colleges require financial aid applicants to complete the CSS Profile form ***in addition to*** the FAFSA. Even though the Profile includes all the questions that are on the FAFSA, private colleges must have a valid FAFSA on file before they can process federal and state financial aid for the student. These schools will use the IM, discussed in the Expected Family Contribution section of this booklet, to calculate the family's EFC. It is this EFC that will be used to determine eligibility to receive institutional funds. The CSS Profile is not a free application: there are fees associated with this application. Also, there is no paper option available. The CSS Profile must be filed on-line and becomes available around October 1st of each year for the following academic year. Filing the CSS Profile form is a two-step process, though *both steps can be completed at the same time.*

Step 1: Registration is available online at www.collegeboard.com. The student will be asked to report the CSS Profile participant schools that they will be applying to as part of the Profile registration process. Do not include a school or program at the registration step unless that school requires the CSS Profile. Many colleges do not require the Profile. Some colleges only require the Profile from first-time applicants.

If, when the student registers for the CSS Profile application, he or she student reports that his or her parents are divorced, separated, or were never married to each other, then the student may be asked to have their non-custodial parent complete an on-line application called the Non-Custodial Profile.

Step 2: After the student registers with the Profile, CSS will provide them with a customized application that will contain basic questions required by all colleges and supplemental questions required by the specific colleges to which the student is applying. *This process is instantaneous and you may begin the application immediately after registering.* The student completes the Profile application and CSS will send the application data to each college the student indicated they'd be applying to on their registration form.

As you file financial aid applications, you may realize that the forms do not allow you to tell the schools everything you want them to know. You may need to contact financial aid offices directly to discuss your personal situation.

Unusual Circumstances

If you feel that you have been unable to clearly convey limitations on your ability to pay for your child's college on the FAFSA and the Profile, you might want to write a letter of explanation to each college's financial aid office. Common reasons to write such letters include, but are not limited to:

- A recent loss of employment that results in a reduced income
- Reductions in Child Support received or Social Security Survivor benefits when a child turns eighteen
- An unusually high Adjusted Gross Income in the prior year (usually a result of a one-time occurrence: gambling winnings, IRA withdrawal, lottery winnings, capital gains, etc.)
- Higher than usual un-reimbursed medical costs
- Reported untaxed income that is not reflective of earnings (for example, the withdrawal of Roth IRA assets that appears as an untaxed IRA withdrawal on a tax return)
- Private secondary school costs or special education costs for the student's younger siblings
- Retirement of a parent
- A parent(s) providing support for his/her own parent(s)
- Parents re-paying their own educational debt or Parent Loans for the student's older siblings

It is important to notify the school as soon as you can about these unusual circumstances. If you know about the circumstance before you file the financial aid application, mail the information to the college at about the same time you file the FAFSA. The college will make sure it is matched with other pieces of the student's financial aid application. The protocol is to notify the Financial Aid Office by sending a *Request to Review Unusual Circumstances* letter to all colleges to which your child is applying. A successful letter will include the following information:

- Your child's full name, student ID number (if the school has issued one) and birthday
- A brief explanation of the unusual circumstance
- Specific dollar values that specifically describe how the circumstance affects your need for financial aid
- Documentation, if possible, that supports your situation
- A copy of the federal tax forms used to complete the original application

After you get a financial aid offer, call the school and ask if the unusual circumstance was considered as they prepared your financial aid package. If it was not, find out if it can be reconsidered or if the school would like additional information from you that might make them reconsider their denial.

Getting More Money after Receiving the Award Statement

Most students make their college choice after comparing the paper or on-line financial aid statements created for them by the college to which they have been admitted. A few students, or parents of students, contact the colleges and ask for more money. Many of these are given larger financial aid awards after asking. The student won't get more money if they don't ask, and the worst that will happen if they do is they will be told "no". There are two different approaches to asking for more money:

Appeals

An appeal is a request for additional financial aid that is submitted to a college after a financial aid application is in process, seeking additional funds based on financial concerns. Usually, it is because an unusual circumstance occurred after the financial aid application was filed. If your financial circumstances change after the financial aid application is filed, during your child's enrollment in college, or even after you receive a financial aid award, call the college and ask them if they have an "Appeal Form". The school may have a specific procedure they would like you to follow to bring the information to their attention. Otherwise, follow the procedures above for Unusual Circumstances.

Negotiations

Negotiation is the process of requesting more funds from a college based on your child's other opportunities. If your child has received better financial aid offers from other schools, or is being heavily recruited by a school, let the other schools to which he or she is applying know. The college may not want to lose your child over the difference in cost.

Tips on Negotiating

- The key to successfully negotiating is to create a concern at the college that the student will go somewhere else because of the cost, without making the college glad that the student may not enroll. Be polite, and make sure the people you are talking to will want to work with you and your family for the next few years
- If you've received more generous financial aid offers from other colleges, include them with your negotiation request. Colleges will be much more receptive if they know your child has a less expensive option or more competitive option.
- Don't necessarily ask the college to match an award. Colleges have a good sense of how desirable they are to students, and may feel that they offer different values. A college that has a student body with an average SAT score higher than a second college may not be interested in matching the other college's award, even if they are willing to move closer to it
- Respect the college's time. You'll be making your request at a very busy time for the college and the staff you talk to. Don't expect instant answers, and allow the staffer to take your request under advisement. Many colleges require their staff to bring appeal and negotiation requests to committees, rather than allowing individuals to make these decisions on the fly.

Non-Need-Based Financial Aid: Recruitment Scholarships

Many colleges offer scholarships to students in an effort to recruit them away from other colleges. These scholarships are based on information the student provides in their admissions application, and, perhaps, supplemental documentation provided as part of a scholarship application. Non-need-based aid is awarded for a particular talent, an athletic ability, academics, or whatever trait the particular school is looking for.

Public Colleges (State Schools) often have very formulaic rules for awarding these scholarships that are based on GPA's and standardized test scores. Private Colleges may have a formulaic approach to their scholarship funds, and may have more subjective criteria as well.

There are many ways that students can maximize their chances of securing non-need-based scholarships from colleges:

- Students can apply to schools where their GPA and/or SAT/ACT scores are above average for the college
- Students can carefully review the admissions applications and college web sites for information on the college's available scholarships, and tailor their admissions application in that direction. For example, if a college offers scholarships for "future leaders", students can play up their leadership experience in the general admissions application
- Students can apply to schools that are already recruiting them. Colleges get student names and statistics from various sources, and send students recruitment materials. Choose to apply to a school or two from among those recruiting the student, since they are already showing significant interest

The website www.meritaid.com is a nice starting point for students interested in reducing costs by pursuing recruitment scholarships. It provides a comprehensive directory of college specific scholarships and matches students with potential opportunities. Each college will have its own terms and conditions so students are encouraged to review the college's website for more information.

Applying for Money from Outside the College: Private Scholarships

Scholarships are funds that directly pay for all or part of a student's education, that do not have to be repaid by the student after the student leaves college. Private companies, foundations, public and private high schools, wealthy individuals, religious and social organizations, and relief agencies are among the thousands of sources of scholarship funds for students. The more applications you submit, the better your chances are at securing a scholarship. A number of small awards can add up to a lot of money.

There is a risk that colleges will reduce a student's college-awarded financial aid if they do win a private scholarship. Every college will have its own private scholarship policy. Some may replace student loans with the scholarship money awarded, while others may retract their own institutional funds. Be sure to ask the financial aid office directly how private scholarships will be treated.

Finding Scholarships

The Internet has made it relatively easy to find scholarships. There are many free and comprehensive scholarship search engines on the web. College Coach believes that there is no reason to pay anyone to do a scholarship search for your children. Many paid scholarship search services will simply hand the student a set of questions that they will use to conduct an online scholarship search on the child's behalf. Be especially leery if someone "guarantees" or "promises" to find the student funds with which to pay for college. No one can guarantee that a student will find grants and scholarships.

Before registering with and using an online scholarship search engine, carefully review its privacy and marketing policy, so you understand how any personal data you share with the site will be used. Many of the sites are free to their users, but sponsored by advertisers.

www.collegeboard.com and www.scholarships.com are examples of a well-respected, comprehensive, free scholarship search engines.

www.finaid.org is a well-respected informational site that provides lists of scholarships, based on student characteristics.

Start Searching Early

Students who begin scholarship searches as soon as they enter high school are much more likely to win scholarships than students who wait until their senior year to do so. Most scholarship applications include essays, project summaries, or portfolio submissions, and few seniors have the time to prepare these things. The earlier a student learns about a scholarship and its application requirements, the more the student can develop themselves into the best possible candidate for the scholarship. Redoing a scholarship search every six months or so, as the student's high school resume develops, will allow the student to identify new scholarship possibilities and focus in on those he or she will actually apply for in the senior year of high school.

Search Hints

Since advertising funds scholarship search engines, most require the student to register with an e-mail address. This e-mail address may receive a large amount of college finance related e-mail, relating to student loans, credit cards, spring break opportunities, etc. Creating a free e-mail address with yahoo, gmail, or aim may save the student from being inundated with these ads.

Many private companies, as part of their philanthropic missions, provide scholarships to students through essay contests, research contests, or other means. These scholarships are usually focused or somehow related to the company missions, and are usually not used by the company to promote or foster its wares. There are, unfortunately, a set of scholarships that are little more than ways for companies and for-profit entities to collect contact information about the student and add the student to their marketing mailing lists. These may require the student to enroll in a “club” to get an application, or require very generic essays or essays extolling the use of a company item. These are often called “**promotional scholarships**”. When looking at company-sponsored scholarships, try to avoid “promotional scholarships” by considering how challenging it will be to qualify for the scholarship (a scholarship that has a real purpose and a narrow field of possible winners is unlikely to be simply a marketing tool). If the scholarship criteria seem very broad-based and many more students would qualify than could win it, it may be a promotional scholarship only.

Students should consider doing scholarship searches in several ways. Students should be as specific as possible in one pass though the search engine, to get information about scholarships that are very finely defined. Students should also do a pass through the search engine very generally, to find scholarships with broader requirements. For example, a student interested in Biomechanical Engineering should do a pass through the scholarship search, indicating that specific interest, and then a second pass through the scholarship search, indicating the more general interest in Engineering.

Determining Your Costs

What Will You Actually Pay?

Remember that the Cost of Attendance is a budget established by the school, not an actual representation of the costs that your family will actually incur, and that your Expected Family Contribution is an *estimate* of your family's ability to pay, not what you will actually pay. You cannot rely on these figures to prepare for paying for college, or to compare different school's financial aid awards.

You can, with a little effort, calculate what your actual costs will be for each semester by using the college's website, catalog, or admission's materials as resources to determine what the actual tuition and fees will be. Next, you'll compare costs and weigh your options when deciding where your student will live, what meal plan they'll select, where s/he will buy books and supplies, what travel arrangements they'll make (and how many trips home they'll make) and what s/he will need for entertainment and other personal expenses. This will prove useful when comparing schools to determine which offers your child the best value. *The college that provides the most slickly prepared financial aid award may not be offering the best value or least expensive education.*

Cost Management Strategies

Tuition – Since schools charge tuition on a per credit basis: classes attempted equal money spent. Schools are required to publish their refund policies regarding class withdrawals, commonly known as "dropped classes." Know what consequences will apply should your student decided to drop a class, and make sure they formally submit the withdrawal to the college as soon as they know they are dropping a class.

Books/Supplies - There is a growing online market in new and used college textbooks. Students using online retailers should find each textbook's *International Standard Book Number (ISBN)* and look for identically registered books, or run the risk of ordering an outdated version. www.bestbookbuys.com and www.bookfinder.com are aggregators and will refer students to inexpensive web sites where they can find specific textbooks. Websites such as www.bookrenter.com and www.chegg.com allows students to rent textbooks for a specified period of time (generally a semester) at a discount compared to the purchase price.

Some colleges offer "reserve book rooms" where there are copies of textbooks available. Students who study outside of peak times (i.e. late at night or early in the morning) may find that using the books in the reserve book rooms is adequate, and they do not have to purchase the books at all. Some living groups, especially fraternities, sororities, and special interest dormitories may accumulate libraries of textbooks available to residents. Students living in these groups may be able to buy fewer textbooks than other students.

Room/Board – Here you will find the most variable pricing; consider the following factors:

- “Singles” are more expensive than “Doubles” or other shared rooms
- Dorms with the best amenities (air conditioning, maid service) may be more costly than other dorms
- Some colleges offer cooperative living opportunities where the residents are responsible for some basic services (cooking, cleaning, and maintenance) and pay reduced rent in exchange
- Seniority within the housing systems on campuses may increase students’ on-campus living opportunities. *Usually, as students gain seniority, they gain access to more expensive housing choices*
- Some colleges offer low-cost housing for students on tight budgets. Ask the college housing office if this is available

The key: make sure your son or daughter understands they must check with you before incurring higher than typical costs for their college room and board.

Also, it is important to note here that some schools require all students who live in their dormitories to purchase meal plans, unless the student has a medical or religious reason that prohibits him or her from eating in the dining halls. Some schools offer living options that include common kitchens, and students are permitted and encouraged to cook their own meals. Students who live in off-campus apartments may be able to purchase meals a la carte from the college or buy into a meal plan. Fraternities, sororities, and other independent living groups may offer some meals as part of the student’s living costs.

Costs Back Home after Your Child Leaves

Auto Insurance: Make sure you contact your auto insurance company or agent before your son or daughter goes away to school. If your child will go away to college (and goes far enough away that their use of your car is likely to go down), your car insurance premiums may go down. Additionally, if your son or daughter does well in school, you may get an even bigger break. Note that you are looking for student discounts, not to remove your child from the policy. Even if they won't have a car at college, they may drive a friend's car, and need to be covered drivers.

If your own insurance company refuses to give you a discount, shop around.

If you do get a discount on your car insurance, commit to using the difference to pay for college.

Health Insurance: New regulations that were implemented in 2011 require all health insurance family plans to allow parents to keep their non-working children on their family health insurance plan until the adult child's 26^{th} birthday, unless the child can get health insurance from their own employer. This means you should be able to keep your college age children on your employer sponsored family health insurance plan during their undergraduate years.

Colleges also offer health insurance for students because many states require students to have health insurance before they are allowed to enroll. Usually, colleges assume that your son or daughter needs the college health insurance *unless they opt out*. Your child will be billed for, and you will pay for, college health insurance unless you complete "health insurance waiver" forms or "proof of health coverage."

Since your current health insurance provider will continue to cover your undergraduate son or daughter, consider filing the appropriate paperwork and "opt out" of the college's insurance plan. Do not get stuck paying for the college's health insurance simply because you forgot to file the paperwork to *not enroll* your child in their plan. The college's plan may not offer your child anything that your current plan does not.

If you have a health plan that requires treatment with "preferred providers", check with your child's college's health services to see if they are within your health insurer's network. If they are, it is probably worth opting out of the college's health plan. If they are not, encourage them to join the network. Check to see if there are in-network providers that are as convenient to your child as the college's health center. If you are not able to persuade the college to become a preferred provider in your health plan, and if there are no convenient local preferred providers you can ensure your child can see as needed, you might consider buying the college's health insurance. It might become expensive if your child uses the college's services and they are out-of-plan.

Note: If you are a single parent and have only one child, it may be worthwhile to consider dropping them from your employer's health insurance plan and having them purchase the school's health insurance. The difference in price for an employer sponsored health insurance plan for a single person may be much less expensive than that for two people. This difference may be much larger than the cost of the college's health insurance plan. Be sure to check with your employer's plan to see if you would be able to re-enroll your child if you drop them, in case this is necessary in the future.

If you are considering buying insurance from your child's college because it looks affordable or even "cheap", be careful. In recent years college sponsored insurance plans have been criticized for providing too little coverage in many areas. Carefully review the coverage offered, and pay close attention to these specific issues:

1. Does the plan offered by the college have low aggregate limits on how much it will pay? Consider the following limits:

    - What, if any, is the lifetime benefit ceiling?
    - What, if any, is the annual benefit ceiling: what is the maximum amount of payments the plan will make in a given year?
      Is that maximum based on the calendar year or academic year?
    - What, if any, limits does the plan have on a per-incident, per-disease, or per-injury basis?

    Note: the recently enacted health care legislation has eliminated these limits from plans offered for sale on or after July 1, 2010. Some college plans for the 2011-2012 academic year were negotiated in advance of this deadline and are not yet subject to the new rules eliminating these limits. Colleges are lobbying Congress hard to be exempt from these new rules, so asking the question about limits is always a good idea.

2. What benefits related to prescription drugs, if any, are provided?

3. Does the plan continue to provide coverage if the student pursues educational opportunities off campus, for example, during an off-campus internship or Junior Year Away program?

4. Are basic services like routine visits to the health center for minor issues, inoculations (especially if related to the student's education), athletic certifications, etc. already covered in a health fee or as part of the tuition itself?

A final note: most colleges require students to re-submit proof of external coverage on an annual basis. You will need to submit the college's opt-out forms every academic year.

The Financial Aid Statement (FAS)

After your child completes his or her financial aid application, the college will reply with an offer of financial aid called the *Financial Aid Statement* or FAS. The FAS will list the scholarships, grants, loans, and work opportunities the college is proposing to help your student cover their educational costs.

Important Facts about the FAS

- The FAS usually covers an entire academic year (Fall-Spring semester) and is good only for that year
- The FAS is not a bill. The dollar values for tuition and other parts of the Cost of Attendance are estimates used to calculate financial aid awards only. Your child's education may cost more, or less, than the figures on the FAS
- The FAS is based on a reasonable student's enrollment and does not reflect any choices that your student will make about housing, meal plans, health insurance, or any other aspects of his or her college experience
- Individual awards may have restrictions. Read the supporting materials carefully before assuming that all awards are appropriate or available
- Additional steps may be necessary to secure the funds listed on the FAS. For example, the student will have to sign a Promissory Note and attend an entrance loan counseling session prior to receiving student loan funds.

This is your 2012/2013 Financial Aid Statement. We assume that you will live in an on-campus dormitory and attend classes full-time during the fall and spring terms. If these assumptions are incorrect, notify the Financial Aid Office immediately.

Cost of Attendance:	$15,550	Total Financial Aid:	$9,800
Estimated:			
Tuition	$5,100		
Mandatory Fees	$200	Dean's Scholarship	$4,000
Room	$3,750	Federal Direct Loan	$3,500
Board	$3,000	Federal Work/Study	$1,500
Books	$900	Pell Grant	$800
Personal Expenses	$1,600		
Travel	$1,000		
Loan Fees	$100		

This financial aid offer is subject to change should the Student Financial Aid Office receive new information from or about you.

Notify the Student Financial Aid Office immediately if you receive any scholarships from sources outside of the college or will be paying for part of your education with a prepaid tuition plan contract.

The Student Bill

Statement Date: July 1, 2012
Payment Due Date: August 1, 2012
Academic Term Fall, 2012/Spring, 2013

Total Current Charges:	**$5,555**
Tuition	$2,550
Athletic Club Fee	$35
Student Fee	$100
Double Room in Random Hall	$1,800
Key Deposit	$20
Meal Plan: 14 meals per week	$1,350
Anticipated Credits:	**$4,097.50**
Dean's Scholarship	$2,000
Federal Direct Loan	$1,732.50
Pell Grant	$400
Credits:	**$200**
Admissions Deposit $200	
Balance Due:	$**1,222.50**

In late spring or early summer, the college that your child chooses to attend will send your child his or her first college bill. Unlike the financial aid statement, the bill will reflect actual costs your child will incur. These may be different from those on the FAS and will be based on choices your child makes.

Important Facts about the Student Bill

- The bill usually reflects actual charges for the upcoming term, *not the entire academic year as seen on the FAS.* Only one semester of charges, and one semester worth of financial aid, will be shown

- If the student has followed the college's instructions about securing the funds, the college will reduce the amount the student needs to pay by financial aid that is pending, even if the college has not yet received any funds. These may be noted as "anticipated credits" or "pending financial aid"
- Work related financial aid awards are never reflected on the bill.

Cost Comparison Worksheet

Colleges are great marketers, and can make financial aid statements appear more generous than they really are. Don't get excited by the size of grant funds listed on the FAS! You need to compare your child's anticipated actual college costs to the funds on the FAS to get a good sense of how much you will end up paying for their education.

The forms in this section are designed to help you estimate your actual cost for college. Remember, this may be very different from the EFC! Use these forms to compare the school's standard budget with the actual costs you and your child think you will incur, and then compare that figure to the funds that the college offers. Be very specific: write the charges that your child will incur, not averages. Estimated figures can usually be found in the school's admissions materials, web page, or by calling the school's financial aid or housing offices.

Here are some hints about how to determine your child's actual costs:

Tuition and fees: Tuition and fees for full-time undergraduates are usually fixed. Look to see the specific tuition and fees that students in your child's field of study are assessed, and use that figure in the "Actual Costs" Column.

Room and Board: Review the college's materials to determine how variable the college's room and board costs. Ask your child what their preferences are, and use the figures that most match their preferences in the Room and Board "Actual Costs" column.

Books and Supplies: Contact the undergraduate coordinator for your child's preferred degree program, or some students who are studying in the same field that your child will, to see what their estimates are for their books and supplies. If you cannot get good estimates, at least try to find out if they feel they have had to pay more or less than the standard figure published by the college. Adjust your figure up or down, based on you and your child's goals for purchasing new vs. used books, sharing books with friends, etc.

Transportation: For students who do not commute to college, many colleges use an estimate of "one round trip" in their Cost of Attendance. For students who will go away to college, this may be unrealistic. Try to estimate how many times in the academic year your child will return home before filling in the "Actual Costs" figure. For commuter students, try to estimate all costs related to their car, or if they will use public transportation, their transportation costs. Don't forget to include parking tickets and gas!

Personal Expenses/Other: These can be very difficult to estimate. You may have to use the college's standard figure. However, asking upper-class students for their estimates might help you obtain a good figure to use here. Also, if your son or daughter will work during the academic year, their wages may cover these costs.

Determining the Actual Cost of Attendance:

Budget Components	Standard Budget for Freshman	Your Child's Actual Costs
Tuition and Fees		
Room and Board		
Books/Supplies		
Transportation		
Personal Expenses/Other		
TOTAL		

Complete the chart above for each school you are applying. Next compare the financial aid awards offered by each college using the following chart.

Note: Do not include any work-based financial aid in this table. Students need to work to receive these funds. When comparing the actual cost of college, we see work as part of the family's share, not the school's share, of the Cost of Attendance.

Comparing Financial Aid Awards:

Financial Aid	Amounts Offered: School 1	Amounts Offered: School 2	Amounts Offered: School 3
Gift Aid: Grants or Scholarships			
External Aid: Any Scholarships or grants that your child will receive that are not on the FAS			
Total Grants and Scholarships			
Your Actual Cost of Attendance (from chart above)			
Family Share: Subtract the amount of Total Grant Aid from Your Actual Cost of Attendance			
Student Loans: Perkins, Stafford (subsidized/unsubsidized) and other student loans			
Parents' Out-of-Pocket Costs: Subtract the Student Loans from **Family Share**			

Note: Refer to the colleges' outside scholarship policy as it could have an effect on the gift aid offered by the college.

Covering the Costs

Using Savings to Pay for College

If you are lucky enough to have saved money for college, congratulations! Here are some tips to make sure you get the most out of your savings.

Paying with Cash and Checks

If you are going to use savings to pay for college, no matter what form your savings are in, you will most likely be paying for college by writing a check. Write the check to the college directly. Do not give the money to your child and expect them to make the payment. Not only does this allow you to make sure the payment gets made, but it also preserves some important benefits related to the Federal Gift Tax. *Direct payments to the college for tuition are not subject to annual limits on gift transfers under Federal Gift Tax rules*.

Paying with Credit Cards

Not all colleges accept credit cards. If your child's college does, do not be surprised if the college asks you to make the payment through a third party vendor who will assess a service charge. If you are not able to pay off the balance before any interest begins to accrue, you may want to consider another option. Loans specifically for education often have lower interest rates and will be less expensive to finance.

Using Stocks, Bonds, and Mutual Funds

If your savings are in the form of stocks, bonds, or mutual funds, you will need to sell them and convert them to cash before using them to pay for college. If the stocks, bonds, or mutual funds have increased in value, you will have to report a "Capital Gain" on your income tax return, which will increase the amount of income tax you will pay.

This increase in value of your assets will appear on your income tax return, and since your income is reported on financial aid applications, your child's financial aid may be reduced in the year after you sell stocks, bonds, or mutual funds. Make sure you write a letter to the financial aid office when you file the next financial aid application, asking them to exclude the capital gain from their calculations. See "Unusual Circumstances" earlier in this handout.

Using Coverdell Education Savings Accounts and Section 529 Savings Plans

If you have saved money in these tax-advantaged savings plans, it is time to get your tax break! Before you make a withdrawal from your ESA or 529 Savings Plan, contact the Plan's customer service line to find out if there are any specific forms or procedures you will need to follow to ensure that your withdrawal is considered "qualified" for the tax break. These procedures are always changing. Consider asking the custodian to issue the check to both you and the college, so that you will have to endorse the check, but the college will deposit it. Some Plans will have a procedure allowing you to have them send the payments directly to the college.

Using Prepaid Tuition Plan Contracts

If you have a valid Prepaid Tuition Plan Contract, you will hear from the Plan during your child's last semester in High School. The Plan will ask you where your child intends to go to school, and provide you with instructions for authorizing payments to that school. Prepaid Plans usually make payments directly to colleges, not to the account owner or beneficiary.

Paying as You Go

When your son or daughter goes away to college, the cost of maintaining your household will change; the amount you will be spending on food, electricity, gasoline, insurance, entertainment, the telephone, etc. will be different. Your family may even qualify for educational tax benefits. These savings can be reallocated to assist with the costs of college.

Be sure to investigate the college's **Payment Plans**. Many schools offer programs, either directly or through a third-party, that allow parents and students to make nine, ten, or twelve monthly payments a year instead of one large payment at the beginning of each semester. Be advised though, that these plans may have convenience fees or charge interest on the unpaid balances.

Using Loans

The federal government and states offer low and moderate interest loans specifically for college students and their parents. Private lenders also offer education financing. Students can borrow limited amounts from the federal student loan programs; the amount the student is allowed to borrow increases slightly as the student progresses. Parents with good credit will have access to federal and private loans with which to finance the educational costs, and students may borrow beyond the federal loans with a credit worthy co-borrower to back them. Be sure to review the pros and cons of student verses parent borrowing as outlined later in this document when weighing your options.

States and some professional organizations offer forgivable loans to encourage students to fill high-need, hard-to-fill jobs in fields such as health care, teaching, and law enforcement. Students sign promissory notes and agree to repay these subsidized, deferred loans as they would for a federal loan. The lender will forgive a percentage of the loan each year the student works in the specific field. Inquire at the college's Financial Aid Office or see http://www.finaid.org/loans/forgiveness.phtml for a list of potential programs.

General Hints about Education Loans

If you choose to use a loan to pay for some of your children's educations, keep these things in mind:

- You do not have to borrow the maximum amount that the lender will give you. You can use savings and pay-as-you-go for a portion of the costs, and borrowing for the remainder
- If you use education loans for more than one academic year, don't change loan programs. Keeping your loans with the same lender will keep your required minimum monthly payments down.

Education Credits/Deductions

The federal government currently allows four distinct adjustments to federal income tax obligations for students or parents who claim the student on their federal tax returns: the Hope Scholarship Credit (replaced by the American Opportunity Tax Credit for 2009 through 2012), the Lifetime Learning Credit, the Tuition and Fees Deduction (expires January 1, 2012), and the Student Loan Interest Deduction. The Tuition and Fees Deduction and Student Loan Interest Deduction reduce taxable income. The American Opportunity Tax Credit, Hope Scholarship and Lifetime Learning Credit provide a tax credit (a dollar-for-dollar reduction of federal income tax due) based on a percentage of qualified expenses paid.

All education-related tax benefits are limited to people whose incomes are below a certain threshold. In most cases, the threshold is based on "modified Adjusted Gross Income" or mAGI. Unfortunately, the definition of "mAGI" is not consistent within the tax code. The figures in the table below represent "phase-out ranges". Taxpayers with mAGIs below the lower of the two figures may take advantage of the full tax benefit. Those with mAGIs within the phase-out range may take a partial tax break. Those with mAGIs above the higher of the two figures no longer qualify for the benefit. Education tax benefits are constantly changing. Please refer to *IRS Publication 970* for updates and specific details.

2011 Tax Year	American Opportunity Tax Credit	Lifetime Learning Credit	Tuition and Fees Deduction	Student Loan Interest Deduction
Annual Limit	$2,500 credit per student	$2,000 credit per family	$4,000 deduction or $2,000 deduction	$2,500 deduction
Qualified Expenses	$4,000 in Tuition and Fees Required Course Materials	$10,000 in Tuition and Fees	Tuition and Fees	The Entire Cost of Attendance
Phase-Out mAGI Range	Married filing jointly: $160,000 - $180,000 Single: $80,000 - $90,000	Married filing jointly: $102,000-$122,000 Single: $51,000 - $61,000	N/A*	Married filing jointly: $120,000 - $150,000 Single: $60,000 - $75,000

*Taxpayers whose mAGI is less than $130,000 (Married filing jointly) or $65,000 (Single) may take a deduction of up to $4,000. Taxpayers whose mAGI is less than $160,000 (Married filing jointly) or $80,000 (Single) may take a deduction of up to $2,000

Loan Programs

As college costs increase and colleges more carefully manage their financial aid funds, more and more students are turning to loans to finance their educations. Recent events in the world of finance have changed the availability of some kinds of loans, so families must be more careful than ever as they make their college finance decisions.

Few teenagers have had the chance to borrow funds, and their student loans may be the first borrowing they do. Since they do not really understand borrowing, they may make mistakes that cost them in the future. Working with the student can ensure that they understand their repayment obligations and how each loan will impact their future. For all of the services colleges provide, one of their goals is to be paid; one cannot count on colleges to discourage students from making borrowing errors if s/he has an unpaid balance that a loan can cover.

Common mistakes students make include:

- borrowing from high interest or high fee private loan programs before exhausting federal loan options
- not investigating state programs offered by their home state or the state in which they attend college
- using non-federal loans from more than one lender, so the borrower has multiple minimum monthly payments when repaying the loan
- borrowing more than they need, or borrowing to cover discretionary expenses like entertainment
- using credit cards carelessly, and graduating with high interest credit card debt

Common mistakes parents make include:

- assuming that having their children borrow co-signed loans from private lenders get them “off the hook” from paying for their children’s educations
- borrowing the maximum that lenders allow, instead of the amount they actually need
- underestimating their borrowing needs in a given year, and borrowing more than once, or from more than one loan program, in an academic year
- failing to consider the impact of borrowing for multi-year educations and running into trouble when their children are upperclassmen either securing new loans or meeting their obligations on existing loans
- failing to consider the impact of borrowing for older children’s educations on the ability to finance younger children’s educations
- using a 401k or 403b loan or early withdrawal before exhausting all other options.

The federal government offers loans specifically for students and their parents. Students may borrow limited amounts from the federal student loan programs; these amounts increase as the student makes academic progress. Parents may tap the federal Direct PLUS Loan to cover the amount due above and beyond what has been utilized by the student.

Some states offer student and parent loans for their residents, or for students who attend school within the state. These are often competitive with the federal loans; in some cases they offer better terms then the federal programs. If students need to borrow funds in excess of the federal and state limits, they may turn to education loans offered by private lenders as an alternative to having parents borrow through the PLUS program. Most of these “supplemental loan programs” allow students to borrow up to the cost of attendance, less any grants, scholarships, work-study funds, or educational loans already offered the student.

Student Loans or Parent Loans?

Unfortunately, the term “Student Loan” is somewhat misleading, and many loans so named are really disguised parent loans. Don’t let the word fool you: if you co-borrow a loan for a student, you are a borrower, and must repay that loan if the student does not. *Outside of government sponsored student loans, there are very few “pure” student loans that do not require the student to provide a credit-worthy adult co-borrower to back their borrowing.* If you are considering borrowing from private lenders that require a co-borrower, compare the loan to other loans marketed as parent loans.

Some differences between “Student Loans” and “Parent Loans” are:

	Student Loan	Parent Loan
Borrower Eligibility	Some federal loans are an entitlement. Almost every United States citizen or permanent resident student who meets the federal government’s good citizenship requirements will be approved for a small amount of federal student loans that do not need to be co-borrowed. Private loans are credit-based and usually require a parent or another adult to co-borrow the loan	Both federal and private loans are credit-based, though the eligibility criteria for federal loans is very lenient
When Repayment Begins	Usually, payments begin a few months after the student’s enrollment level drops below half-time. However, some private loans require payments of interest or other amounts during enrollment	During the academic year for which the loan is borrowed. Parents may request to defer repayment on PLUS loans until the student drops below half time status.
What Happens Should the Student Go on to Graduate or Professional School	Students can request that payments be postponed while they are enrolled in the new program	No change. The parents must continue to repay the loan, or if in deferment, usually must begin making payments
Stopping, Reducing, or Deferring Repayment	*Federal* Student and Parent Loan programs offer “deferment” and “forbearance” options, temporary easing of the repayment requirement for borrowers having trouble meeting their obligations. Some, but not all private lenders offer similar programs. Federal programs also offer graduated, or scaled, repayment options that will extend the life of the loan (including interest charged) by reducing the minimum monthly requirement	
Forgivable Loans Scholarship Loans	Students interested in Health Care, Teaching, Law Enforcement, Public Service, Military Service and certain other fields may be able to find “forgivable loans.” If students work in the field specified in the loan program, their student loans might be reduced or cancelled	Not an option for parent borrowers

Choosing Between Student or Parent Loans

Student loans are a growing part of the college finance landscape. Since the amount a student may borrow under the federal program is limited, students often need to seek supplemental loan sources to cover the gap. Here are a few things to keep in mind when deciding who will borrow the additional funds:

Parent Borrowing:

- Taxpayers whose incomes are moderate (in 2011: modified AGI is less than $150,000 for couples that file joint tax returns and $75,000 for single and head-of-household filers), may be able to deduct *some* or all of the interest they pay on education loans borrowed on behalf of their children even if they do not itemize their deductions. Interest may be deducted on education loans as long as the student was a dependent on the parents' tax return in the year in which the loan was disbursed to the student's college account. The maximum amount of interest that anyone can deduct is $2,500 per year
- Payments begin quickly, so the loan is likely to be repaid sooner
- The parents are in control of the repayments, which protects their credit records
- Many states provide parent loans for parents of undergraduates that have lower interest rates and longer repayment periods (and correspondingly lower monthly payments) than the PLUS loan
- Interest rates on parent loans may be different than interest rates on student loans. Be sure to compare it to other options, including home equity loans or lines-of-credit if you are a homeowner
- Parents are required to repay loans while children complete their education; there is usually only a sixty-day grace period (after the loan is fully disbursed to the parents) before payment becomes due
- Parent borrowing is credit based, and parent loans may not be available to people with an adverse credit history. However, some parent loans may be available to parents with poor credit who apply for the loan with a co-borrower who has better credit.

Student Borrowing:

- Students who graduate with a lot of debt may not be able to make their payments easily, especially if they have a hard time finding work immediately after college graduation
- Students who have a lot of student loan debt may not be able to get good rates on home mortgages, car loans, or other forms of credit, if they are able to get these loans at all
- Students who drop classes or drop out of college are required to repay their student loans, even if they feel they did not benefit from their education
- Students who "take a year off" will have to begin to repay their loans during that year
- Students who borrow from private loan programs usually must have a credit-worthy co-borrower to secure the funds. This means that although private student loans are available, they are also the parent's (or co-borrower's) loans. These loans appear on the co-borrower's credit records. If the student fails to make the required payments on a private student loan, the default will also appear on their co-borrower's credit record!
- Some private student loans require payments of interest or other amounts during the student's enrollment. Failure to make these payments can result in cancelation of future disbursements of the loan and an inability to use the loan in future semesters
- Recent college graduates may qualify for the student loan interest deduction, mentioned above.

Choosing a Loan Program

When choosing a loan program, it is important to compare features of the available loans. Borrowers want to ensure that not only the interest rate, but also the origination fees and repayment terms meet their needs:

1) Question: How does the interest rate affect the cost of the loan?

Answer: *The lower the interest rate, the less expensive the loan will be over time.*

2) Question: Is the interest rate fixed or variable?

Answer: *A loan with a* fixed *interest rate is very predictable, as the monthly payments will never change. Fixed interest rate loans usually have higher interest rates than comparable variable interest rate loans* at the onset.

Note: A loan with a* variable *rate is less predictable. Monthly payments will be reset every month or every year as interest rates change. Over the course of the repayment period, the interest rate on a variable rate loan may exceed the rate of a comparable fixed rate loan.

3) Question: How long does the borrower have to repay the loan?

Answer: *The repayment period will vary from loan to loan and borrowers may be able to choose from more than one repayment period. Longer repayment periods will mean smaller monthly payments, but a higher cumulative cost for the loan as more interest will be paid.*

4) Question: If the loan has a variable rate, is there a cap on how high the interest rate can rise?

Answer: *Some variable rate loans can never have interest rates that exceed certain "caps." This provides the borrower with some protection.*

5) Question: Can the loan be Consolidated?

Answer: *Consolidation is a federal program that allows borrowers to convert all eligible loans into one single larger loan with a fixed interest rate comparable to the borrower's aggregate interest rate before Consolidation. This allows borrowers to control their monthly payments better and "lock in" low interest rates on variable loans.*

Note: Students can consolidate all federal education loans that they have when they graduate or leave school. Parents can consolidate PLUS loans at any time. If parents have other federal loans from their own educations and are no longer students, they can consolidate these with the PLUS loans they have borrowed for their children's educations.

6) Question: Is there a prepayment penalty if the borrower makes bigger payments than the minimum monthly payment?

Answer: *There is no prepayment penalty for early repayment of a Stafford, Direct, Perkins, or PLUS loan. Some private loans have early repayment penalties.*

7) Question: Does the lender offer any incentives above and beyond the terms of the loan?

Answer: *Education lending is a competitive business, and to attract that business, lenders may offer borrowers incentives to choose their program over others. These incentives may include:*

- *Interest rate reductions for borrowers arranging Electronic Funds Transfer payments*

- *Interest rate reductions if borrowers consistently make on-time payments*
- *Reduced or rebated origination fees*
- *Co-borrower release clauses that allow the student to re-apply for a loan after they've established their own credit record, for the purpose of removing the co-borrower's repayment obligations. These release clauses usually kick in after the student has made three or four years of on-time monthly payments of principal and interest.*

8) Question: What happens if I can't repay the loan?

Answer: *Federal loans offer deferment and forbearance options for borrowers in good standing who cannot meet their obligations if they inform the lender in a timely manner. Looking for these options from all lenders is important, as they may allow the borrower to remain in good standing with their loans if their employment is interrupted after college, or if they have another financial emergency.*

9) Question: Why can't my child borrow more from the federal loan programs?

Answer: *Parents often comment that the amount of loan available through the Direct Loan program is small relative to the cost of their child's education. The maximum amount of Direct Loan available to a student in their first four years of undergraduate college is limited (typically, to $27,000).*

Remember, the more the student borrows, the larger their minimum monthly payment will be after the student graduates from college. A student who borrows this $27,000 during their undergraduate years may graduate owing almost $5,000 in accumulated interest and a minimum monthly payment of over $300 for ten years. Students do have the option to capitalize their accumulated interest and/or repay the loan over longer periods of time, but often find that their payment obligations create a significant financial burden.

10) Question: I hear that student loans are getting harder to find. What should I do?

Answer: *It is true that the student loan industry is changing and it may be harder for some people to find all the financing they would like to. The Department of Education has steps in place to insure that students have access to the Direct Loan and parents have access to the PLUS Loan programs if they qualify for them. Families who plan to use these loan programs should not be impacted by the crisis, but may need to change borrowers if their original lenders leave the federal programs.*

Families looking to tap the private student loan market need to be careful. Many lenders have ended their private student loan programs, and others are limiting new loans to borrowers with co-borrowers with excellent credit.

Before sending in your deposit and committing to a college, make sure you have a plan to pay for that college. If you hope to use a private student loan to finance your education, apply for that loan in advance and get a commitment from the lender to fund you. Since you can no longer count on finding a private student loan, you don't want to commit to attending a college until you are certain you can pay for it.

To help you compare loans, we have compiled this chart. Complete the loan comparison chart below for each loan you are considering using:

Questions to Consider	Direct Loan (Student)	PLUS Loan (Parent)	Home Equity Loan	Other Loan 1	Other Loan 2
Interest Rate while in School?	6.8% (Unsub) 0% (Subsidized)	7.9%			
Interest Rate in Repayment?	6.8% or lower, depending on the year the loan was issued[1]	7.9%			
Fixed/Variable Interest Rate?	Fixed Interest	Fixed Interest			
Payments Begin?	After studies end[2]	60 days after the loan is disbursed[3]			
Cap on Interest Rate?	N/A for fixed interest rate loans	N/A for fixed interest rate loans			
Eligible for Consolidation?	YES	YES	NO		
Pre-payment Penalties Apply?	NO	NO	Sometimes		
Tax Incentives?	Income Limitations Apply	Income Limitations Apply	Interest is Deductible[4]		
Lender Incentives?					

[1]See section below on Direct Loans for rates for each academic year

[2] Students are not required to make payments on Direct Loans as long as they are enrolled at least as half-time students, and without a break exceeding six months. Repayments begin six months after the student's last day of classes as a half-time or greater student. If students re-enroll as a degree candidate at a level of at least half-time enrollment, they may apply to have the payments on their past loans "deferred" during their new enrollment

[3] Parents may make arrangements with the lender to defer payments until six months after the student's last day of classes as a half-time or greater student. Interest will continue to accrue during this time, increasing the parent's overall loan debt

[4] Home equity loans may not be deductible for taxpayers with high Adjusted Gross Incomes. For homeowners who take out second mortgages, the size of the loan on which interest is deductible is limited

Specific Loan Programs

Federal Direct Loan (a student loan that can be subsidized or unsubsidized)

The Direct Loan is the primary form of assistance available through the federal government. Prior to the 2010-2011 academic years, some schools participated in the Federal Family Education Loan Program (FFELP), where private banks were the lenders, while others participated in the Federal Direct Loan Program, and had their students borrow directly from the federal Department of Education. Effective with loans originated for the 2010-2011 academic year, all Stafford Loan lending is through the Direct Loan program. *You may hear this loan called a Direct Student Loan, Stafford Loan, or Direct Loan. All these terms refer to the same student loan program described here.* For more information, or to create or access information about a specific borrower's student loans, visit: **http://www.dl.ed.gov.**

Students who are eligible for federal need-based financial aid may receive a **subsidized Direct Loan**. The federal government pays the interest for the student during their enrollment and for some students, for a six month "grace period" that begins after their last day of classes, whether they graduate from their program or leave school (taking a leave of absence or leaving school permanently). Effectively, the subsidized loan is a zero interest loan while the subsidy is in place. Students who take subsidized Direct Loans for the 2012-2013 and 2013-2014 academic years will have the subsidy while they are in school, but not during their grace period. Direct loans for other academic years will have the subsidy during enrollment and during the grace period.

The **interest rate** on **unsubsidized** Direct Loans is fixed at 6.8%.
The **interest rate** on **subsidized** Direct Loans when interest is applied is also fixed, but is scheduled to change each year. The interest rate on loans issued for 2007-2008 was 6.8%. For undergraduate loans, the rate is 6.0% for loans issued for 2008-2009; 5.6% for loans issued for 2009-2010; 4.5% for loans issued for 2010-2011; and 3.4% for loans issued for 2011-2012. For subsidized loans issued for 2012-2013 and later, the rate will again be 6.8%.

The Federal Direct Loan has a loan fee of 1% of the principal that is deducted from the disbursed amount.

Eligibility: The Direct Loan is an entitlement program. Almost every student who is a United States citizen or Permanent Resident, who meets the federal government's good-citizenship requirements, may borrow funds from these programs. Students who show enough financial aid eligibility will receive **subsidized** Direct Loans; the federal government will pay the interest on these loans while the student is enrolled at least half time in an institution of higher education. Other students will receive **unsubsidized** Direct Loans and will be responsible for paying the interest on the loan each month, or capitalizing it before the repayment period begins.

Amounts: Effective in the 2008-2009 academic year, dependent undergraduate students may receive up to the following amounts from the Direct Loan Program each year.

Freshmen	**$5,500 (of which $3,500 may be subsidized)**
Sophomores	**$6,500 (of which $4,500 may be subsidized)**
Juniors	**$7,500 (of which $5,500 may be subsidized)**
Seniors	**$7,500 (of which $5,500 may be subsidized)**

Colleges will provide the student with the maximum amount of subsidized loan possible. This will be the lesser of their financial aid eligibility, reduced by any grants, scholarships, other subsidized loans, and work already offered, or the above annual limits. If students are eligible for less subsidized loan than the annual limits, they may choose to borrow the remainder in unsubsidized loan. Colleges do not always automatically offer students who apply for financial aid the unsubsidized loan. Students should contact their financial aid office to set up the unsubsidized loan if it is not offered directly.

Direct PLUS Loan

The Direct PLUS Loan is a federal loan available to parents of dependent students who are enrolled at least half time in college. Starting with the 2010-2011 academic year, the federal Department of Education is the lender of all PLUS Loans, through a mechanism known as Direct Lending.

PLUS Loans originated after July 1, 2010 will have a fixed interest rate of 7.9%. A 4% loan fee will be deducted from each disbursement.

Eligibility: Parents must be credit worthy, United States citizens or Permanent Residents, and may not have defaulted on any of their own federal student loans. There is a standard application for the PLUS loan which can be obtained from the student's college financial aid office. After the parent(s) fill(s) out the application, the school must certify the student's enrollment before funds are provided.

Starting in the 2010-2011 academic year, the student must complete the FAFSA (Free Application for Federal Student Aid), available at www.fafsa.gov, in order for the parent(s) to borrow through the Parent PLUS Loan program.

Amounts: Limited to the cost of attendance minus all other financing and financial aid the student has received.

Notes: PLUS once stood for "Parent Loan for Undergraduate Students" but this is no longer correct, as Graduate Students may tap a version of this loan for their own educations. Still, you may hear this loan program called "*Parent Loan for Undergraduate Students*", *Direct PLUS*, *Parent PLUS*, or *PLUS Loan*. Unless the borrower is a graduate student, all of these terms refer to the ***Federal Direct PLUS Loan*** *for parents of undergraduate students*.

Perkins Loan Program

The Perkins Loan is a low interest (5%) federal loan program available to undergraduate students with high financial need. Each college participating in the Federal Perkins Loan program receives a certain amount of funding each year from the Department of Education. Funds are awarded by the college directly on a first-come, first-serve basis. The maximum an undergraduate student may receive is $4,000 per year; however the actual amount offered is dependent on student eligibility and college funding levels.

State Loan Programs

Many states offer student loans or parent loans that are competitive with the federal loan programs and the private loan programs. Most limit access to the loans to state residents, students who attend college in the state, or both. State parent loans may be limited to parents who live in a state (even if the student attends school outside of the state), or to parents of students who attend college in the participating state.

Most states have a web site at which students and parents can investigate state loan programs. This web site: **http://wdcrobcolp01.ed.gov/Programs/EROD/org_list.cfm?category_ID=SHE** provides direct links to the Higher Education web pages of each state that has them.

Forgivable Loan Programs and Scholarship Loans

Many states and some private lenders have created programs to encourage students to pursue careers that serve critical needs, but face employment shortfalls in the future. Health care (especially nursing), Teaching (especially teachers specializing in special needs education, science or math), some legal professions, law enforcement, corrections, and veterinary medicine are careers for which states predict worker shortfalls, and hence have developed financial aid programs specifically designed to steer students to these careers.

Students who accept a forgivable loan sign a promissory note (the loan is usually not co-borrowed) and are required to repay the loan *unless* they become employed in the future in a job that meets the loan's "forgiveness" criteria. For students properly employed, the loan principal is cancelled gradually. For example, the loan may be forgiven at a rate of 25% every two years of service, so that if the student is properly employed for eight years, they do not have to repay the loan.

Students must be careful to review the requirements of the loan. Often, the student must work in a specific state, attend college and accept a job in the same state, choose an off-hours work schedule, or work in more challenging conditions than their peers. Some forgivable loans have punitive terms for students who break the agreement of the loan and enter an actual repayment: some loans triple the interest rate for students who take jobs that do not qualify for forgiveness.

Direct Stafford and Perkins Loans offer forgiveness in some circumstances.

An introduction to forgivable loans and links to information about loans for specific fields can be found here: **http://finaid.org/loans/forgiveness.phtml**. Students should also review their state's higher education website, and the website of the state in which they attend college for state specific forgivable loan programs.

Private Student Loan Programs

Many banks and some colleges offer non-federal loans to students. The terms of these loans are usually less favorable to the borrower than those of the Direct or Direct PLUS programs: they have higher interest rates, variable interest rates and, occasionally, in-school repayment requirements. Each loan has its own application and its own set of eligibility criteria. Most require undergraduate students to co-borrow the loan with an adult with a good credit history.

Students who qualify for these loans may usually borrow an amount as large as the cost of attendance, minus all other education financing the student has received. A comprehensive comparison table of private source education loans can be found at **www.finaid.org/loans/privatestudentloans.phtml**.

The co-borrower on an education loan is a second borrower on that promissory note. This means that they are equally responsible for the repayment of the loan. Co-borrowed loans appear on the co-borrower's credit report, and late payments, even those made by the student, will have a direct negative effect on the co-borrower's credit.

Many lenders offer a "co-signer release" clause. After the student has made three years or so of on-time payments, the lender allows them to reapply for the loan based on their own credit (which hopefully, they established since leaving school). If the now employed former student has good enough credit on their own, the lender will release the co-signer from their obligations.

General Hints about Education Loans

If you choose to use a loan to pay for some of your children's educations, keep these things in mind:

- You do not have to borrow the maximum amount that the lender will give you. You can use savings and pay-as-you-go for a portion of the costs, and borrowing for the remainder
- If you use education loans for more than one academic year, don't change loan programs. Keeping your loans with the same lender will keep your required minimum monthly payments down.

The College Finance Timetable

Time	Things to Do
Any time in high school	• Explore the FAFSA and get an early estimate of the EFC at fafsa4caster.ed.gov or www.collegeboard.com • Look for scholarship and loan opportunities at www.finaid.org and your state's education site
September High School Senior Year	• The CSS Profile becomes available • Review the need based financial aid application requirements for all schools and for your state aid programs • Review the admissions application for information about recruitment scholarships and begin to tailor the essays toward winning these
November, Senior Year	• Students applying Early Action or Early Decision to a college may need to submit financial aid applications in November, in order to receive "early consideration" for financial aid
January, Senior Year	• January 1 is the earliest day that the FAFSA can be submitted to the federal processor. Look for the Student Aid Report (SAR) a few days after filing the FAFSA and review the SAR for accuracy
After the FAFSA or Profile has been filed	• Look for "missing information requests" from the schools. Colleges may send letters or e-mails requesting more information from the student
March and April Senior Year	• Keep an eye out for responses to your admissions and financial aid applications • The student and the parents should send the college copies of their tax returns after they have completed them, if requested
Anytime during the Application Process	• If the family's financial picture changes after filing the financial aid applications, report the change to the college. This is called "appealing" for more aid
May 1st Senior Year	• Decision Day: Colleges expect students to accept, or turn down, their offer of admission • Be prepared to pay a deposit to hold a place in the class, and perhaps the dormitories, by May 1 • Sign up for a Payment Plan that allows you to pay the semester's balance on a monthly basis
July, Summer before the Freshman Year in College	• Expect a bill for the fall semester that will reflect costs billed by the college (tuition and fees, dormitory rooms, meal plans) and anticipated financial aid and loans. This will be due in full about a month later, unless the student has signed up for a payment plan
December Freshman Year in College	• Expect a bill for the spring semester • Look for the financial aid application for the sophomore year

Appendix: Resources

***Tax Benefits for Education,* IRS Publication 970**
http://www.irs.gov/pub/irs-pdf/p970.pdf

An extensive, easy to read (for an IRS Publication) description of all federal income tax benefits related to higher education. The Hope Credit, Lifetime Learning Credit, Tuition and Fees Deduction, Student Loan Interest Deduction, and Savings Bond Interest Tax Exemption are all explained in this Publication.

***The Student Guide* by the US Department of Education**
http://studentaid.ed.gov/students/publications/student_guide/index.html

Detailed descriptions of all aspects of federal financial aid, from the application process through the repayment of student and parent loans. Includes extensive lists of contact phone numbers and web sites.

FAFSA on the Web
http://www.fafsa.gov/

The official US Department of Education website for the Free Application for Federal Student Aid. The FAFSA can be filed on-line at this site.

Completing the FAFSA
http://studentaid.ed.gov/students/publications/completing_fafsa/index.html

Step by step instructions for filing the Free Application for Federal Student Aid.

Direct Loan Servicing Center
http://www.dl.ed.gov

The official US Department of Education website for Direct Loans. Includes customer service, account access, and payment options.