College Planning: The Six-Step Financial Aid Process

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Recent statistics on the cost of college from the ***Trends in College Pricing 2015***, published by the College Board, detail one of the major problems facing students and families paying for higher education.

Since 2005, the average public four-year-cost of attending college has increased 40%, or 3.4% above the average inflation rate.

The average published fees for in-state public school for a four-year program, including tuition, fees, and room and board charges is $19,548. The average published out-of-state college cost is $34,031. The average private,non-profit, four-year cost is $43,921.

The result of this increase is that student debt is now the second largest sector of borrowing in America behind home mortgages. Currently, the total amount of student debt is over $1.3 trillion dollars, and in 2016, the graduating student has an average loan balance of $35,000.

It is important for students and parents to understand the Financial Aid process with the overall goal of lowering their Expected Family Contribution (EFC) and minimizing their net out-of-pocket cost. **The Six Steps of the Financial Aid Process** are:

1. File for Admission
2. File for Financial Aid
3. Review the Student Aid Report (SAR)
4. Verification
5. Review and Compare Awards
6. Appeal Awards

Your ability to maximize this process starts with understanding and completing the Free Application for Federal Student Aid (FAFSA). The information on FAFSA, which details the Adjusted Gross Incomes and assets of both the parent and the student, will determine your Expected Family Contribution or how much the family can expect to pay towards college. This can be in the form of current savings or investments, loans, or cash flow from current earnings.

Recent changes in how the EFC is calculated include an 85% decrease in the amount of parental assets that are not assessed in this calculation. In 2005, for a 45-year-old parent, the amount of assets protected from assessment was $44,300. In 2016, amount that is reduced to $6,300. Also, distributions from a 529 savings plan owned by someone other than the student or parent, a grandparent for example, is treated as a resource to the student, and the result is a dollar-for-dollar decrease in the amount of aid available to the student based on the amount distributed.

Today, the optimal time to start college planning is when the student is in the 9th grade. But even if your student is enrolled in college now, there may still be strategies you can implement that will lower your EFC over the coming years.

To avoid these pitfalls and to maximize your college savings, discuss options with your Allegheny Financial Group adviser.

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