

College Financial Aid: Understanding and Comparing Options



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Getting your children ready for college entails all sorts of challenges. When the time comes, you would like them to be prepared not only academically but also financially. Once your child applies to prospective educational institutions and is accepted, it is important to evaluate your financial recourses and be aware that financial aid could be a significant part of it. This article can be your guide in understanding and comparing financial aid awards that various colleges might offer.

College financial aid is money provided by colleges, governments, organizations, and businesses to help students to pay college expenses. This money is characterized as either self-help aid or gift aid.

Self-help aid must be repaid through financial obligation (loans) or service to the college (work-study). These offers are awarded primarily on the basis of the financial need of the family. There are effective strategies that can have a significant impact on financial aid eligibility.

Gift aid is financial aid that does not require repayment or work (i.e., grants and scholarships). It may be awarded based on either merit or need. Merit-based aid is awarded to students with a special talent (e.g., academic, musical, athletic, etc.). Heavy involvement

in activities that colleges are most interested in can earn substantial merit scholarships that cover a significant amount of college costs.

Aid covers school expenses, including tuition and fees, room and board, books and supplies, transportation, and some personal expenses. Once need has been established, eligible students may be offered some combination of different types of financial aid by their college of choice:

- Work-study.** The Federal Work-Study Program encourages community service and work related to student's course of study. Students earn at least the current federal minimum wage, but the amount might be higher.
- Loans.** The federal government offers two primary loan programs: Perkins loans and Stafford loans. These loans are desirable because they offer low-interest rates and generous repayment terms.
- Grants.** The federal government offers several grant programs for certain low-income students or students in certain fields of study.

Example: Comparing Financial Aid Awards. Jason has been accepted to four colleges.

	Allen College	Bard College	Cole College	Dade College
Cost of Attendance (COA)	\$20,000	\$20,000	\$25,000	\$30,000
Expected Family Contribution (EFC)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>
Financial Need	<u>15,000</u>	<u>15,000</u>	<u>20,000</u>	<u>25,000</u>
Grants	5,000	6,000	10,500	12,500
Work-Study	-	1,000	1,500	1,500
Loans	<u>10,000</u>	<u>7,000</u>	<u>7,000</u>	<u>8,000</u>
Total Financial Aid Award	<u>15,000</u>	<u>14,000</u>	<u>19,000</u>	<u>22,000</u>
Out-of-Pocket Cost (COA less Total Award)	<u>5,000</u>	<u>6,000</u>	<u>6,000</u>	<u>8,000</u>
True Cost to Family (COA less Grants)	<u>\$15,000</u>	<u>\$14,000</u>	<u>\$14,500</u>	<u>\$17,500</u>

The family should appeal the financial aid award offer if the total amount or the type of financial aid does not meet the family's expectations. The appeal could involve the elements of the EFC (e.g., income and assets), household information (e.g., divorce or death of a parent), the amount and type of aid offers, or any special circumstance (e.g., unemployment of a parent or unusual medical expenses) that the family may want to point out to the Financial Aid Administrator. The appeal should be documented with items such as tax returns, projected budgets, or other verifiable material.

If EFC was higher than anticipated, it is important to develop strategies that might qualify the student for more financial aid in subsequent years. The financial aid application must be submitted each year and a new EFC is calculated on the new information.

Questions on financial planning for college? Please contact your Keiter representative, information@keitercpa.com or 804.747.000.

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