Financial Planning For College

Focusing on the Future 2020
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Where to start?

Involve your Student in Planning through Orientation

You can't micromanage their college experience – in most cases you have jobs and other children, elderly parents, etc to manage. Get them involved now.
The Magic Answer . . .

Kidding, there is no magic answer.
First Thing Is First

Ask your student to think about these questions.

▪ What do they think they want to do, what is most important to them in a school.
  ▪ Study Abroad opportunities
  ▪ Major in Music, Journalism, Education, Biology, etc
  ▪ Long term plans – if they include MD, JD or PhD – then the most affordable bachelors program is ideal

▪ How do they want to live as an adult (that’s coming faster than you think)
  ▪ Lake house, condo, apartment, your parent’s basement?
  ▪ Annual vacations or staycations?
  ▪ Married with children or without?
  ▪ Saving for retirement, college funds, etc.
Involving your Student with Money Conversations

Why does my student need to be involved with my finances?

- The don’t necessarily need to know the ins and outs of your finances, but you have to remember that the FAFSA belongs to the student, they will have access to all information in their financial aid file, the FAFSA, and likely will become your on ground liaison with that office.
- Understanding that dreams come with a cost will help them to understand Cost Benefits Analysis and using those principles on evaluating life decisions and budgeting.
- Becoming a partner with planning this experience with you may help in having an invested understanding of the cost and appreciation to the experience
- If student loans are a part of the plan, they belong to the student. With the exception of Parent PLUS loans. Even if you promise to pay those loans back for your student, you cannot predict the future – it is possible that your student will have to be responsible for that debt.
- Planning for the future – Yours, Theirs and any other college bound children
How Expensive Is College?

- Be realistic about categorizing schools
  - Safety – affordable, admission with scholarship and loans may only be necessary if doing a special program or event.
  - Mid-Range – pricier, admission without scholarships and loans will be a strong possibility
  - Reach – pricier, admission without large scholarships will make loans a requirement.

- Understanding Net Price
  - The Net Price is going to be how much a student or family needs to pay after all financial aid or other resources are applied.
    - All schools participating in Federal Aid are required to provide a Net Price Calculator – take these with a grain of salt (the figures the school has may not be updated and you may not always put in the right numbers in your assumptions). The best way to understand Net Price is to look at the financial aid award and the cost of attendance.

    - The student is admitted to a $60,000 a year school with a $40,000 scholarship, a $6,195 Pell Grant and a $5,500 student loan. The Net Price for this school is $8,305

    - The student is admitted to a $35,000 and is offered a $15,000 scholarship, a $6,195 Pell Grant and a $5,500 student loan. The Net Price for this school is $8,305
Who Should Apply for Financial Aid?

- Every Student should apply for financial aid.

- Each school works with the financial aid application(s) in their own way. These forms could be used to award merit funds, need based financial aid, or even a combination of the two.

- The best case scenario, your student gets some money for college.

- The worst case scenario, your student is offered loans for college – which they are not obligated to accept.
How does My Student Apply for Financial Aid?

- Check with the schools your student is interested in to determine what exactly is needed. (*Keep notes*)
  - Every school will require the FAFSA – The Free Application for Federal Student Aid
  - Some schools might require the CSS Profile
  - Some schools may still have specific institutional applications for aid consideration.
Why File The FAFSA?

- **Its Free.** Don’t pay someone to prepare your FAFSA.
- **Its Easy.** See above, don’t pay someone to prepare your FAFSA.
- **Your student could get some grant or gift funds.**
  - [https://studentaid.gov/h/apply-for-aid/fafsa](https://studentaid.gov/h/apply-for-aid/fafsa)
  - [https://fsaid.ed.gov/npas/index.htm](https://fsaid.ed.gov/npas/index.htm) - (website to create an FSA User ID and Password)
Prior Prior Year

- The FAFSA began using prior prior year data in October of 2016 (also the first year FAFSA was available so early). This means that the FAFSA is going to ask you about tax data and other questions that happened in 2019.
  - The FAFSA will tell you what data to use, some questions will state “As of Today” and some questions will fall under the heading of 2019. Read the questions fully.

- This is awful, we had a huge change in 2019!
  - You should reach out to the schools your student is applying to and find out from their financial aid representative if your situation qualifies for a Special Circumstances Appeal or Professional Judgement Review. If it does they should point you to the right steps to get the process started. Every school should have a method in place for Professional Judgement.

- This is great, I got a raise in 2019 and we are rolling in excess funds!
  - Awesome! Please keep in mind this means that your student’s sophomore year will likely see a reduction in need based financial aid (if your school reviews and renews annually – most do).
What about my 529 Plan?

- A Custodial 529 (in which the parent is only the custodian of the plan because the student is a minor, the student is considered the owner) — If the student is a dependent for FAFSA purposes the funds are counted as a parent asset on the student’s FAFSA. If the student becomes independent for FAFSA purposes, then the asset is reported as a student investment.

- A 529 (in which the parent is the owner of the account) is reported as an asset of the parent.
  - What if parents are separated/divorced?
    - If the custodial parent (parent in which the student lives with/provides more than 50.1% support) is the owner of the 529 plan, the plan is reported as a parent asset on the student’s FAFSA.
    - When the non-custodial parent owns a 529 plan, that 529 plan is not reported as an asset on the student’s FAFSA, but any distributions from such a 529 plan are reported as untaxed income to the student on the FAFSA or Verification documents.

- Grandparent Owned - not reported as an asset on the student’s FAFSA, but any distributions from such a 529 plan are reported as untaxed income to the student on the FAFSA or Verification documents.
Tips and Tricks

- File the FAFSA online – this expedites the processing of the data and can cut down on potential errors. The FAFSA On The WEB (FOTW) uses skip logic and is able notify if major rejection errors are being made.
  - Print a copy of the paper FAFSA and complete it before going online to file. The paper has notes for questions and filing it out physically will help you when completing the FOTW.

- Keep a spreadsheet of at a glance data on each school your student is applying to.
  - Notes such as applications required, school codes, deadlines, contact data, how to submit documents (IDOC, upload, fax, mail, etc.) and the student assigned identification number.
  - If you feel very diligent keep a file on each school where you can keep notes about communications you have had.

- Go ahead and request copies of your IRS Tax Return Transcripts for 2019, find your W2 and other earning statements (if you no longer have those you can request a Wage and Earnings Transcript from the IRS). If your student filed taxes or worked in 2019, obtain the same information for them.
  - Never send your original documents, and you are allowed to redact social security numbers from these filings.

- Make sure your student’s full name and if you have it, school specific identification number is written on documents that you send in (especially tax and wage documents).
Take Always & Questions

- Don’t pay someone to do the FAFSA.
- It’s not that scary, it’s not that hard.
- Read Most schools with have comprehensive information on their website.
- Talk to Your Student. In many cases the student will be the primary contact for communication. Set aside specific times to go over new information and be realistic about planning for the expense of the next four year.
- Ask Questions. Write them down before you call.
  - Ask the right people, not your neighbors or cousin’s friend. Go to the horses mouth so to speak.
  - Take notes when you do ask questions.