

Ways to Pay For College

47 Cost Cutting Strategies

1



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College Selection Strategy

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“47 Strategies to Cut College Costs”

College is “big business”, and as such should be treated like a business. For most families paying for college will be the first or second largest possible expense they will face. It certainly is the largest when considering the span of time in which the expenses occur.

These are projected after-tax costs based upon the referenced source calculated by the author over a four year period.

Trends in College Pricing 2011 The College Board	Tuition & Fees	Room & Board	Total Charges
Public 4-Year In-State	\$32,976	\$35,548	\$68,524
Public 4-Year Out-of-State	\$83,080	\$35,548	\$118,628
Private 4-Year Not-for-Profit	\$114,000	\$40,356	\$154,356

Now the problem gets larger when you consider that you have to earn the money first, then be taxed, then pay for college.

Below you can see the before tax costs at various tax brackets.

Your Tax Bracket	Public 4-Year In-State	Public 4-Year Out-of-State	Private 4-Year Not-for-Profit
10%	\$76,138	\$131,809	\$171,507
15%	\$80,616	\$139,562	\$181,595
25%	\$91,365	\$158,171	\$205,808
28%	\$95,172	\$164,761	\$214,383
33%	\$102,275	\$177,057	\$230,382
35%	\$105,422	\$182,505	\$237,471

There are three other problems that can increase your total costs.

1. Most students do graduate in four years, one extra year add 25% to your total cost.
2. If you borrow part of the cost, then you have interest added to the total cost.
3. Opportunity costs and wealth transfers – when you spend a dollar or borrow/repay, the dollar is gone forever. You cannot earn interest on that dollar. The dollar plus the lost interest is a wealth transfer away from you.

Enough said. Now the question becomes with this amount of money at stake, why don't more families seek professional help in helping reduce this problem?

Expected Family Contribution – “EFC”

EFC is the way colleges determine the family's ability to pay for college. Schools use EFC as a benchmark to determine how much the family should pay for college. There are two formulas's used and you need to understand the differences.

Federal Methodology Formula (“FM”) is used by every accredited undergraduate, graduate, and trade school in the United States to determine how much federal money can be disbursed to a college to cover the student's Cost of Attendance (“COA”). Many states use FM as a basis of distributing state financial aid funds.

Institutional Methodology Formula (“IM”) -The College Board created this formula and can make annual changes.

The formula computes an Institution specific EFC. It is used by some private colleges.

Therefore when planning on possible asset/liability restructuring, the key question would be, “Is the student considering a school that uses the IM Formula?”

The IM formula assesses more assets than the FM formula such as the family home, sibling's assets, and other items in “Section Q Questions”. This Financial Aid Profile form is referred to as the “PROFILE Form”.

Two supplemental forms to the PROFILE form that may be required are;

- Business / Farm Supplement
- Non-Custodial Parent Supplement

Remember; when the PROFILE form is required some schools might require additional institutional application information that is not requested in the FAFSA form or the PROFILE form such as value of retirement accounts.

Planning Tip:

- You must file the FAFSA and the PROFILE forms (if required) to safeguard your opportunity to appeal to the Financial Aid Officer even if you initially believe you cannot qualify for financial aid. Circumstances might change in the future so protecting the right should be exercised.

Assessable and Non-Assessable Income / Assets are the driving force behind the EFC calculations and the final family's "college liability number" toward paying for college. Important, these are "moving parts" and with proper planning this is where your EFC calculation can change drastically. Here is a simplistic overview of the process. The important take-away, there are "moving parts" which can change with proper planning (Source: NICCP)

Cost Cutting Strategies

Here are 47 cost cutting strategies that are relatively simple for the family to execute. The objective is not to confuse you but to provide helpful ideas.

The cost cutting strategies might reference financial aid. This might be "self help" such as merit scholarships or it might be "gift aid" which is based upon the financial need of the student.

We are just brushing the surface. The big money savings occur when you develop a professional plan of action, but this is a great start and executing a few of these suggestions can improve your financial health.

Financial Aid – 8 Strategies

1. Should the student have earned income they might consider purchasing a Roth IRA.
2. The family should pay down personal debt with "assessable assets" such as "cash on hand – savings, etc." to reduce their expected family contribution ("EFC").

3. You might consider purchasing “overfunded” life insurance and/or annuities because in many instances the cash value will not be assessed against your EFC. However, some private schools will assess insurance policies so you must do your homework.
4. When you are making family purchases you want to use assessable assets such as cash to buy non-assessable assets such as a computer.
5. Be aware, there are certain sources of non-assessable income that do not affect EFC, for example loan proceeds from a life insurance policy and contribution to a Health Savings Account.
6. The financial aid application should be signed at the date your assets are at their lowest level and understanding what is assessable and not assessable can help you make the correct decisions regarding personal financial strategies.
7. If the family holds income generating assets, if possible, shift those to growth assets. The assets count at a low rate but there would be no income generated (income assessed much higher).
8. If possible the family may want to delay the financial aid application until the older parent’s birthday. Under the federal formula this will increase the “Asset Protection Allowance”.

TAX Relief – 9 “Education Related” Strategies

1. Withdrawals from an IRA when the student is eligible for financial aid should be avoided since there will be aid reduction.
2. Parents who are ineligible for student loan interest deduction might consider taking out a deductible home mortgage loan (line of credit).
3. Qualified Tuition Plans might be an effective way to shift income to a child on a tax free basis.
4. “Tax Capacity” strategies are varied, but shifting income from parents in the proper structure while not falling prey to the “kiddie tax” can provide meaningful tax savings.
5. Pay attention to the timing of payments of qualified educational expenses to ensure that the maximum tax credit such as Hope Credit/Lifetime Earning Credit/American Opportunity Credit can be claimed. Individual family circumstances dictate the proper approach with these credits, pay attention to the rules to see which would apply but in most instances the American Opportunity Tax Credit is the best. Seek professional help to implement tax credit and tax deduction strategies.

6. Interest paid on loans from relatives does not qualify for student loan interest deduction and student loan interest cannot be deducted until paid.
7. The timing of when you pay student loan interest to maximize your interest deduction should be considered.
8. If you are using withdrawals from Regular or ROTH IRAs to pay for college, withdrawals should occur during college years to escape the 10% early withdrawal penalty.
9. Qualified Tuition Plans can be used as a vehicle to defer income.

Academic - 5 Strategies

1. If possible the student should take as many Advanced Placement courses as possible.
2. The student should try to increase their SAT/Act test scores through preparatory course. We recommend [ePrep](#).
3. Students should position themselves with good grades and extracurricular activities showing leadership qualities to qualify for merit scholarships. Here is a brief guide on [how](#).
4. Through a properly executed [college selection process](#) the student should examine the availability of College Level Examination ("CLEP") credit at prospective colleges.
5. The student should take as many honors and advance course as possible when they have identified a top tier school as their primary focus for admission.

Admission – 9 Strategies

1. Some colleges waive the admission fee if the application is filed over the internet.
2. The student should not apply for "early decision" unless they are on the borderline regarding acceptance criteria or the desire to go to that school is greater than the need for financial aid. "Early decision" can lead to poor financial aid offers.
3. The student should apply early to capitalize on the college's desire to meet their enrollment criteria at an early date so they can attract "free" scholarship opportunities.
4. Students should apply to a minimum of 6 – 8 colleges that they have identified through the college selection process. Schools should be divided into "reach", "target", and "safety schools".

5. When putting together the final list of schools, students should group schools when possible creating "competition" among the schools for the student's abilities possibly leveraging additional financial aid.
6. During the selection process families should review college demographics of the student population looking for colleges that give special consideration for the student's unique talents.
7. The quality of the admissions package is very important and should be organized to professionally present the student's outstanding achievements, grades, and professional help with the essay / personal interview can be well worth the small investment compared to the potential returns.
8. Some colleges consider "[demonstrating interest](#)" for their school more important than entrance exams. Colleges are in competition for students and they understand a student who has carefully researched their school is more likely to stay and graduate on time which helps their graduations rates.
9. Use Professional Tools - We recommend using (only \$29 – our cost) "My Career Profile" software which will save tons of planning time and allow you to systematically accomplish choosing the correct schools to apply for and building a personal portfolio that creates a "unique approach" for the student. In addition, we recommend the student participate with <http://www.applywise.com>, indisputable value at a very affordable rate (contact us for discount).

Award Letter 9 Strategies (Compare College Offers)

1. Check the deadline date for award letter acceptance
2. Make sure the Student Aid Report ("SAR") from the FAFSA matches the EFC on the award letter if it is shown.
3. Reverse "engineer" if the True Cost of Attendance ("COA") not on the award letter or if it is but some costs appear to be left out. What you are looking for is the "True COA", ask the College for the PLUS loan eligibility number and then add that to your financial aid award to compute the True COA.
4. Determine if grant and scholarships are renewable each year and carefully check for and monitor continued qualification requirements such as student status ("full-time") or minimum grade point average.
5. Ask for an extension of time if you cannot meet the acceptance deadline; if it is not granted sign the award letter to protect the award. This will not commit the student to attend the college.
6. When you accept the award letter you can still file an appeal asking for a rendering of "professional judgment".

7. If the award letter does not meet the expectations of the family you should appeal to the Financial Aid office.
8. Should the student have “private scholarships” determine how this will affect the four year scholarship awarded by the college. A key issue is do they reduce loans or grants that might be in the offered financial aid package.
9. Don’t be afraid to appeal especially if circumstances have changed such as a job loss, job change, accounting transaction that might be unusual resulting in higher than normal annual income, etc. Colleges do change their awards, remember “creating competition”, “demonstrating interest” and “professional judgment”, - they make a difference when properly applied.

Appeal Strategies – 7 Strategies

1. When you appeal, never use the word “negotiate”, you want to “appeal the award offer”. Remember; be respectful, polite, and concerned about the ability of the student to attend their college with the current financial award package and the family’s ability to pay.
2. Professional judgment allows the financial aid officer to change reported information that in his judgment better reflects the family’s ability to pay for college.
3. You must be able to provide “special circumstances” with proper documentation. There are many, a few are divorce, death, unemployment, sickness, one-time bonus, etc.
4. Your appeal should request a specific amount of increased financial aid and in creating competition situations asking that the college you are appealing to match the current offer you have from another college.
5. The better the merit of the student compared to their normal freshman entrant profile, the more successful your chances. This is critical; understand the student’s competitiveness with the respective schools they are applying towards.
6. Private colleges are more favorable to granting appeals than public schools making private schools more affordable than many think.
7. Extend the personal touch; if possible go visit the financial aid office. Put a face and personal impression on the college financial aid person who is reviewing the appeal.

Wrap-Up

If you are like most families you are looking for ways to cut college costs.

College can be a costly financial matrix with many confusing choices.

We can always help make families aware of money saving opportunities and simplify the process as we become your guide through the “what is the best option” dilemma.

It is not whether you can save money with help; it is how much can you save?

When we work together, our process Liability Asset Performance™ examines both sides of the family balance sheet. Then we utilize our knowledge of the college planning process to find solutions that allow your family to make the best choices.

The most important thing to understand is there are strategies that when deployed can save you thousands of dollars in college costs.

College can be more affordable when you have a professional guide to help you through the college process. That is what we do; guide you through making recommendations based upon our discovery of your family’s unique situation.

Here is one final STRATEGY saving you money and family stress. How many students actually select and attend a college with this primary goal?

GRADUATE IN FOUR YEARS!

“Let’s see if what I do is what you are looking for, let’s talk.”

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