GREAT ADVICE FOR PARENTS

FALL 2017

Brought to you by

Inceptia

A division of NSLP

nerdwallet

TABLE OF CONTENTS

Inceptia

A division of NSLP

LEADING THE WAY TO SMART BORROWING, FINANCIAL EDUCATION AND DEFAULT PREVENTION

888.529.2028 | Inceptia.org | @inceptia

Summer's end means back to school time and, for high school juniors and seniors, time to get serious about college planning. To be sure, it is a stressful time for students — but as many parents can confirm, talking about college and money can be just as stressful!

That's why, for the second consecutive year, Inceptia is proud to collaborate with the personal finance site NerdWallet to arm you with a parents' guide to navigating college finances. From how to budget for the application process, to understanding the FAFSA and CSS forms, to helping your student start making wise financial decisions now, we've got you covered! Within this guide, we've gathered some of the best guidance from NerdWallet's team of expert contributors to serve as a trusted resource for the challenges ahead.

With "Great Advice for Parents," our goal is to help families tackle the tough conversations that go along with applying to college: who's paying? How are we paying? What forms do we need to complete? Where do we even begin? This one-stop resource has it all.

In addition we also want to help your teens become financially empowered, too! Our online financial education program, Financial Avenue, is free to high school students and educators. Find out more on page 25 of this guide.

Most importantly, we hope you enjoy the experience of helping your student grow and explore their options as their high school years come to an end. The time will go fast and the lessons learned now will form the foundation upon which they will make many critical choices; there is no better time to help them develop confidence in their financial capability, a goal that is at the very heart of our nonprofit mission.

On behalf of NerdWallet and Inceptia, our hats off to you: parents, guardians, educators, and mentors. The journey to graduation is long, and it's not over yet—but the finish line is in sight because of your dedication to your student.

Best,

Carissa Uhlman
Vice President of Student Success
Inceptia

APPLYING TO COLLEGE? EXPECT TO PAY AT LEAST THIS MUCH

By Victoria Simons & Anna Helhoski

College attendance costs get all the attention, but you'll start paying for school when you begin the application process. Factoring in the costs of test preparation, test taking and applications, expect to spend at least $678 — and perhaps thousands more — before you've received acceptance letters, according to NerdWallet's calculations.

Read on to learn more about the college application process and how you can cut costs if they're unmanageable.

APPLICATION FEES

When asked how many applications students should submit, "It depends" is the answer college admissions experts give most. They mean you should apply to a mix of safety and reach schools, as well as "match" schools that are likely to be good fits — between five and 12 schools total.

If you're worried about affording tuition, you might benefit from applying to more schools, says Mandee Heller Adler, founder of International College Counselors, a college advising company based in Fort Lauderdale, Florida. You'll pay more in application expenses, but if you're looking for scholarships, the more opportunities, the better.

"My merit scholarship students apply to more schools than other students," Heller Adler says. "You can't be 100% sure how much a merit scholarship might be, so while I usually recommend seven schools to students, merit scholarship students should apply to closer to 10 schools."

Application fees range up to $90, but the most common amount is $50, according to a 2015 U.S. News survey. For our calculations, we assumed that students would apply to eight schools and pay $400 in application fees.

TAKING THE TEST

Choosing to take the ACT, the SAT, or both isn't a matter of cost: the two tests are widely accepted and similarly priced. Experts say you should take both and report the results of your highest-scoring exam.

Without the essay, the SAT costs $46 per student, and the ACT costs $46. We assumed a student would take each test once, then take one a second time. To approximate the costs of taking one of the tests a second time, we averaged the two costs ($46).

"If you do have a test you score better on, then we say, repeat your stronger test," says Beth DeBeer, high school guidance counselor at John Jay High School in Cross River, New York.

The price of each test includes the option to send your scores to up to four schools. Additional score reports cost $12 each for the SAT, and $13 each for the ACT. If you apply to eight schools, you'll likely need four additional score reports, costing a total of 48-$52.

PREPARING FOR THE TEST

To prepare for the SAT or the ACT, some students use books or online practice tests; others hire private tutors. Online test prep courses are a good middle ground for many. In our calculations, we used the cost of an online course by the test prep company Magoosh, which partnered with NerdWallet on this study. Their six-month online course costs $99. College preparation stalwarts Princeton Review and Kaplan each charge $299 for a self-guided SAT online test prep course.

APPLYING TO COLLEGE COULD COST MUCH MORE

"At least" is the operative term when ballparking college application costs. You'll see your test prep expenses increase quickly if you hire a tutor at $100-plus per hour or opt for a pricier test prep course. Princeton Review's "Ultimate Classroom" option, for example, is a traditional classroom prep course that starts at $849, while Kaplan's "Unlimited Prep" option costs $1,599. It lets you take and retake PSAT, SAT and ACT courses as often as you want until December of your senior year.

Add-ons such as the essay, an SAT subject test, or additional score reports also increase overall costs:

ADDITIONAL COSTS	SAT	ACT
Test with essay	$14 more	$16.50 more
Subject test	$26*	N/A
Additional score reports (4 included)	$12 each	$13 each
Rush/priority score reports	$31	$16.50
Late Registration	$29	$29.50
Test date or center change	$29	$26
Preliminary test (if not covered by your high school)	$16	$12

*flat rate registration fee for up to three subject tests, $21 for each additional test.

Visiting a far-off school can also add to your application expenses. And some students can't afford the costs of travel, accommodations, and food.

However, the college visit can signify interest, an important admissions factor, especially at the most competitive schools. According to the 2015 State of College Admissions Report by the National Association for College Admission Counseling, 16.9% of colleges surveyed said a "student's demonstrated interest" was of considerable importance and more than one-third said it was of moderate importance.

It's an important factor in admissions to Connecticut College in New London, Connecticut, says Andy Strickler, the school's dean of admission and financial aid. But the college recognizes that visiting campus can be cost prohibitive to some applicants, so it hosts an annual fly-in program known as Explore Weekend. During this weekend, interested students from underrepresented groups receive transportation to campus, lodging, and meals. Many colleges nationwide offer these programs.

"There's a certain level of access that's afforded to families who have socioeconomic means at their disposal, so this is an effort on our part to combat that barrier to the process that socioeconomically disadvantaged families might experience," says Strickler.

OTHER WAYS TO SAVE ON COLLEGE APPLICATIONS

If your family can't afford application costs, there are other ways to save. First, ask prospective schools about fee waivers. Schools typically require only that a high school guidance counselor confirm you qualify. You might if you benefit from free or reduced lunch programs.

"I haven't run into any institutions where an applicant says an application fee is a barrier to apply and have not been granted a fee waiver," says Strickler, adding that among Connecticut College's nearly 6,000 applicants last year, one-quarter were granted a fee waiver.

The SAT and ACT also offer fee waivers, and there are less expensive ways to prepare for standardized tests, including borrowing materials from your high school or local library. Some colleges today don't require a standardized test at all; if one of these is on your list, you stand to save some money.

NEXT STEPS

Once you've been accepted and chosen a college, turn your attention to financial aid. Exhaust your federal options first, including federal student loans, scholarships, and grants. Private student loans generally carry higher interest rates, but can help you cover additional expenses if necessary.

METHODOLOGY

- College application fee: $50, the most common amount reported by schools to U.S. News in a 2015 survey.
- We assumed students would apply to eight schools (8 x $50 = $400 in application fees).
- SAT fee, without essay: $46.
- ACT fee, without essay: $46.
- We assumed each student takes both tests once and takes one test again. We averaged the cost of both tests to represent an approximate cost of taking one test an additional time: $46.
- Because only four score reports are included in the base cost of the ACT or SAT and we assumed each student applies to eight schools, we assume students will pay $12 each for four additional score reports: $48 total.
- We used the cost of Magoosh's six-month online SAT prep course ($99) to calculate the minimum a student might spend on college applications.

Anna Helhoski *is a staff writer at NerdWallet, a personal finance website.*

Victoria Simons *is a data associate at NerdWallet.*

This article originally appeared on NerdWallet.

FAFSA VS. CSS FORMS:

WHAT THEY MEASURE, WHAT TO EXPECT

By Brett Tushingham

Summer is still winding down, but you might already be looking ahead to your child's financial aid application process. Families of incoming and current college students can submit their applications for the 2018-2019 school year funding starting October 1, 2017.

Before you get started, it's important to understand the primary financial aid application forms and how each impacts your child's eligibility for federal and institutional aid.

FAFSA AND THE CSS PROFILE

To apply for federal financial aid, such as Pell grants or loans, families must complete the Free Application for Federal Student Aid, or FAFSA. Some states and schools also use the FAFSA to **determine eligibility for their own scholarships and grants**.

The FAFSA uses your asset and income information, as well as your student's, to calculate your expected family contribution, or EFC. This is the minimum amount that your family will be expected to contribute toward your child's education during the following year.

The CSS Profile, administered by the College Board, is the application around 300 colleges **and scholarship programs use to determine eligibility for their own aid dollars.**

You might also have to fill out the FAFSA and CSS Profile to qualify your child for merit aid, even though these awards are based on achievements in academics, sports or other extracurricular activities, not finances.

KEY DIFFERENCES BETWEEN FAFSA AND THE CSS PROFILE

The CSS Profile can vary from school to school, but it generally requires more information than the FAFSA and weights income and assets differently. For instance:

- Unlike the FAFSA, the CSS Profile often asks for the noncustodial parent's financial information in cases of divorce and separation.
- The FAFSA excludes the value of small businesses and nonqualified annuities, as well as your primary residence's home equity, from aid calculations. The CSS Profile asks about such assets.
- The FAFSA considers gifts made to parents — including by grandparents who want to help with college costs — assets, which get more favorable treatment in determining aid eligibility than income. On the CSS Profile, such gifts are generally considered income.
- Schools that use the CSS Profile also collect information on your family's estimated academic year income, medical expenses, elementary school tuition, and any other circumstances that may affect your ability to pay.

The additional information on the CSS profile is meant to help aid officers better understand your family's ability to pay for college, not hurt your child's aid eligibility. The FAFSA aid calculation won't necessarily produce a more generous aid package.

But because of the differences, your child could receive a dramatically different level of need-based aid from different schools. This will drive the overall cost of college.

PLANNING FOR COLLEGE

Before your child applies to colleges, find out which aid application each school uses. This can help you prepare your finances and improve your child's chances of receiving financial aid. For instance, if he or she is applying to a CSS Profile school, it could be wise to use your home equity to pay down higher-interest debt. This would reduce your amount of equity, which is assessed in the CSS Profile aid calculation, thus increasing your child's aid eligibility.

It's important to be proactive in the college-financing process. Understanding how a college will view your finances for financial aid purposes will give you confidence in selecting schools that you can afford.

***Brett Tushingham** is a financial advisor and the founder of Tushingham Wealth Strategies in Wilmington, North Carolina.*

This article originally appeared on NerdWallet.

TAX BREAKS AND LOAN OPTIONS
TO PAY FOR COLLEGE

By Mike Eklund

Your child has selected a college, and now comes the fun part: figuring out how to pay for it.

As the four-year cost of college can range from $100,000 to $280,000 per child, parents must have a plan for how to fund their children's higher education. It's especially important because insufficient funds is a primary reason kids drop out of school.

First, a suggestion: manage your children's expectations by talking with them early on about what you can afford to pay for college. You don't want your kids to spend years imagining a certain college that you know you can't afford even with financial aid.

There are various sources of funding that can help you pay for your children's education. Here we'll look at two main ones: tax assistance and loans.

TAX ASSISTANCE

Many families earn too much money to qualify for need-based financial aid, but they may be eligible for tax breaks.

The American Opportunity Tax Credit **is a tax break available to help you pay for up to four years of undergraduate education for yourself or your dependents. As a tax credit, the AOTC gives you a dollar-for-dollar reduction in your total tax bill. In 2016, the credit could reduce your tax bill by up to $2,500 per student.**

The credit consists of 100% of the first $2,000 of qualified education expenses — tuition, fees, and course materials — and 25% on the next $2,000. However, the AOTC phases out at higher income levels — $160,000 to $180,000 for married couples filing jointly and $80,000 to $90,000 if the tax filer is single or head of household.

The Lifetime Learning Credit **is geared toward graduate school. It's a $2,000 tax credit for $10,000 of expenses, but it has lower income limits than the AOTC credit — $55,000 for single filers and $110,000 for married couples filing jointly.**

If your income is too high for tax credits, you may be able to give your child stock that has gained in value and eliminate up to $28,000 of capital gains by using a combination of the standard deduction, personal exemption, and AOTC. It's a complicated strategy, so I recommend working with a financial planner or tax advisor to implement it.

LOAN OPTIONS

If your family's college savings and any available tax credits don't reach far enough, your children could turn to student loans — but they should be cautious about taking on too much debt. According to the Institute for College Access and Success, the average college student had $28,950 of debt in 2014, a 56% increase over the past 10 years.

If loans become necessary, here are some options.

FEDERAL DIRECT SUBSIDIZED LOAN

After your student fills out the Free Application for Federal Student Aid (FAFSA) and demonstrates need, the U.S. Department of Education may offer a federal direct subsidized loan, also known as a Stafford loan. With this subsidized loan, which is available to undergraduates who demonstrate financial need, the government pays the interest while your student is in college. Since interest doesn't accrue until after graduation, he or she can accept the loan and pay it off after graduation.

Loan limits are based on years in college — $3,500 in year one, $4,500 in year two and $5,500 for however many more years your student needs to earn an undergraduate degree.

FEDERAL DIRECT UNSUBSIDIZED LOAN

This unsubsidized version of the Stafford Loan differs in a few key ways: it's open to both undergraduates and graduate students, there is no requirement to demonstrate financial need, and your student will be charged interest while he or she is in college. The annual limit on these loans is $5,500 in year one, $6,500 in year two, and $7,500 in year three and beyond. This loan may be an option for parents and students who can't demonstrate financial need but nonetheless require assistance to pay for school.

PARENT PLUS LOANS

Another option is Parent PLUS loans, which are federal loans that you can take out each year to cover the full cost of your child's education. This can become a large additional debt burden, and payments could stretch well into your retirement years, so think carefully about whether this is the right option for you.

PRIVATE STUDENT LOANS

A variety of banks and other lenders offer private loans, which typically carry variable interest rates, origination fees and other charges. Almost all private loans require a co-signer.

Private loans lack the flexibility of federal loans, and generally their repayment and forgiveness options aren't as advantageous. Therefore, your family should turn to private loans only after taking full advantage of other resources.

It's important to understand your family's options, when to use what funds and how it affects your child's overall financial aid eligibility. Working with a qualified fee-only financial planner can help you make smart decisions.

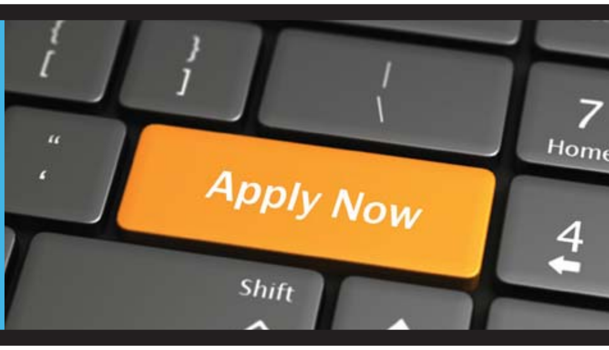
Mike Eklund is a financial planner at Financial Symmetry in Raleigh, North Carolina.

This article originally appeared on NerdWallet.

6 LAST-MINUTE STRATEGIES TO PAY FOR COLLEGE

By Anna Helhoski

Once you've chosen the school, made all your payments, and are ready to settle in, you'll have to move fast if you're still looking for financial aid to help cover your tuition. Here are six strategies recommended by people who specialize in college admissions.



1 CONTACT YOUR SCHOOL'S FINANCIAL AID OFFICE

Call your school today to discuss your options with a financial aid officer, who can lay out funding options or direct you to the school's payment plan, if available.

"They want the student, they're expecting the student, they have the deposit, they're holding a dorm for them, so they have a huge incentive to work things out for the student," says Donald Heller, provost and vice president of academic affairs at the University of San Francisco.

Confusion around borrowing money and questions about how to finance a degree can scare people off, says Ofelia Morales, director of financial aid at the University of Colorado, Boulder.

"Why not come to the people who understand it and can help guide you?" she says.

2 SUBMIT A STUDENT-AID APPLICATION

If you haven't already, fill out and submit the Free Application for Federal Student Aid, or FAFSA, which is used by the federal government, states, and schools to determine what kind of aid might be available to you.

If you're submitting it close to the start of the fall classes, you may have missed out on certain grants, scholarships or need-based aid, but federal loan options are still available. The student aid award letter you receive from filing the FAFSA will detail what federal loans you may qualify for. The sooner you apply, the better the chances that you'll receive any aid that's on the table. Let your school's financial aid office know that you have submitted the FAFSA and keep in touch once your award letter arrives.

3 APPEAL YOUR FINANCIAL AID OFFER

If your family's finances have taken a hit since you received a financial aid award, let your school know, since you could be eligible for more aid.

"They should be honest," says Lisa Sohmer, an independent college consultant in Los Angeles. "They should say, this is what happened — 'my mother left her job' or 'the family relocated' or 'my sibling had a health crisis' — or whatever it is that caused the sudden inability to pay the bill. Find out if there's anything the financial aid office can do to help."

4 FIND SCHOLARSHIPS

Look for scholarships with deadlines that haven't passed, or ask the financial aid office if your school has scholarships that haven't yet been awarded. Occasionally, a scholarship will remain open because an applicant has yet to meet the criteria, Heller says. You can find scholarships and deadlines at the U.S. Department of Labor's CareerOneStop scholarship finder.

5 CONSIDER PRIVATE STUDENT LOANS

Federal subsidized and unsubsidized student loans come with borrower protections and income-driven repayment options that private loans don't offer, so the federal options should be exhausted first.

Private loans usually require a co-signer and typically carry higher interest rates than federal subsidized loans, but the private-loan option may be necessary to close a funding gap. You can borrow private loans from banks, credit unions, and online lenders. College admissions experts advise to borrow no more in student loans over the course of getting your degree than you anticipate making in your first year's salary.

6 PLAN LONG-TERM OPTIONS

If you're still left with a money gap after trying other options, consider deferring your start date for a term or a year to maximize your financial aid. To decide if this will help your financial situation, find out what you may have been eligible for had you submitted a FAFSA on time.

"Ask 'What would my aid package look like if I did this earlier?' and 'Would it be possible for me to do that for next year?'" says Karen McCarthy, director of policy analysis for the National Association of Student Financial Aid Administrators in Washington, D.C.

But those who work in college admissions say you also need to think beyond last-minute funding and consider whether your school is affordable in the long run.

"Financial aid are presented as one-year deals, so students tend to think of them as one-year problems," says Bart Grachan, interim associate dean for progress and completion at LaGuardia Community College in Queens, New York. "So if they have cobbled all kinds of resources — 'I have this emergency funding, this local scholarship, grandma kicked in $2,000' — they need to multiply out the next four years and ask themselves, is that sustainable?"

__Anna Helhoski__ is a staff writer at NerdWallet, a personal finance website.

This article originally appeared on NerdWallet.

3 STUDENT LOAN RISKS PARENT BORROWERS SHOULD AVOID

By Anna Helhoski

When Carol Coleman went to college, she didn't need scholarships or financial aid to pay for her expenses. Her father gave her $800 a semester, and it was enough to cover all of her costs. Now, as a 51-year-old flight attendant and single parent, she's shouldering $70,000 in Parent PLUS loan debt she borrowed to pay for her daughter's degree at Michigan State University.

"I never imagined I would have such huge debt," Coleman says. "I saved, and I'm frugal. How did this happen to me?"

For some families, borrowing money is the only way they can afford a higher education for their child. But taking on a parent loan or co-signing a loan with your child is expensive. It also could jeopardize your credit or ability to borrow — or even lead to default.

Here are three common risks that parent borrowers face and how to avoid them.

1 OVERBORROWING PARENT PLUS LOANS

Unlike with undergraduate federal direct loans, you can pay up to the total cost of attendance annually after other financial assistance with Parent PLUS loans.

The annual and overall limits on federal direct subsidized and unsubsidized loans can keep students from taking on too much student debt. But the lack of a similar limit for PLUS loans can lead to overborrowing by parents. Coleman's daughter, for example, has loans of her own, but Coleman's debt is greater.

Among those who borrow to pay for college, parents borrow an average $3,915 more in loans than students, according to How America Pays for College 2016, a study by Sallie Mae and market research firm Ipsos. In the 2015-16 academic year, parents borrowed an average $11,293 in PLUS loans, while students borrowed an average $7,378 in federal student loans.

Taking on loans is especially costly for parents because interest rates on Parent PLUS loans are significantly higher than those of federal direct subsidized and unsubsidized loans available to undergrads: 7% compared with 4.45% for the 2017-18 academic year. A subsidized loan means the government pays the interest while you're in school.

Coleman says that by the time she starts paying off the PLUS loan, she's not sure what her monthly payment will be. But if it's greater than $300, she doubts she'll be able to meet it every month.

Parent PLUS loan borrowers also have fewer repayment options compared with federal direct subsidized and unsubsidized loan borrowers. Coleman says she plans to consolidate her loans to qualify for income-contingent repayment – the only income-driven plan for PLUS borrowers.

To reduce risk: Make sure your child completes the Free Application for Federal Student Aid, or FAFSA, and maxes out subsidized and unsubsidized federal loans before you borrow money yourself.

2 CO-SIGNING A PRIVATE LOAN BEFORE MAXING OUT FEDERAL LOANS

Turn to private loans **only after your family has exhausted grants, scholarships, out-of-pocket savings, work-study, and federal student loans.** Private loans tend to carry higher interest rates than federal loans and don't offer the federal protections, loan forgiveness and flexible repayment options that federal student loans do.

If there's a gap to close, your child may need a private loan. And if your child is under 21, he or she will likely need a co-signer. You'll be legally responsible for the debt if your child can't pay. Co-signing a loan will also impact your credit history, and it may make it more challenging for you to take on other loans or lines of credit. The only way to get your name off a loan would be when the debt is paid or if your lender offers co-signer release after a period of time or through refinancing.

To reduce risk: Exhaust all other financial resources before borrowing a private loan. If you co-sign a loan, discuss the seriousness of the debt with your child.

3 CHOOSING VARIABLE OVER FIXED-RATE LOANS

The Federal Reserve has issued two hikes in the federal funds rate in 2017 and one more is coming. Borrowers who have variable interest rates on their student loans feel the increases, even though they've been only a quarter of a percentage point. The Fed says increases are expected through 2019.

To reduce risk: Stick with loans that have fixed interest rates so you can lock in lower rates before another increase. If you have federal loans with a variable interest rate, which were last issued in 2006, you can consolidate federal loans through a federal direct consolidation loan to lock in a fixed rate. If you have a private loan with a variable rate, you could refinance through a lender to get a fixed rate loan. If you don't opt to consolidate federal loans or refinance private ones, then make a plan to pay off your loans quickly.

__Anna Helhoski__ is a staff writer at NerdWallet, a personal finance website.

This article originally appeared on NerdWallet.

STRATEGIES TO MAXIMIZE YOUR CHILD'S FINANCIAL AID ELIGIBILITY

By Mike Eklund

Parents need to be wise about how they will pay for the increasingly high costs of college. That means many families should be applying for financial aid — and preparing their finances to get the most aid possible. With smart college planning, you can maximize your student's financial aid eligibility.

TYPES OF AID

First, there are two main types of college aid: merit aid and need-based aid. Merit aid is straightforward — it is based on academic and extracurricular achievements. Students who excel in academics, sports or the arts can be awarded merit-based scholarships directly from their schools or through other institutions. Online tools such as Fastweb can help students seeking scholarship opportunities.

Need-based aid is more complicated. It depends on the student's financial circumstances and can take the form of grant money, loans, or work-study. Many affluent families assume that their children will be ineligible for need-based aid, but it often makes sense to apply anyway. By taking the right steps before the college-funding years, even affluent families may still qualify for a significant amount of aid. Plus, those who don't qualify will still need to go through the federal student aid application process to receive federal loans.

Because finances are generally not considered for merit aid eligibility, the financial preparations you do will impact your student's eligibility for need-based aid, whether it is federal or institutional.

APPLYING FOR NEED-BASED AID

To apply for federal need-based aid, families must complete the Free Application for Federal Student Aid (FAFSA), which is administered by the government. To apply for institutional aid from almost 400 schools and programs, students must also complete the CSS Profile, administered by the College Board.

These forms collect information about your family's finances to determine your expected family contribution (EFC), the minimum amount your family is deemed able to contribute toward the cost of college. The amount of need that a student is eligible for is the cost of attendance less the EFC. The EFC takes into account factors like family size and the number of children in college, but the key drivers of aid eligibility are the income and assets of the parents and the student. Note that the FAFSA and CSS Profile use similar formulas, but the CSS Profile considers additional factors like home equity and businesses.

The FAFSA and CSS Profile are available in October of your child's senior year of high school and each year thereafter until the year before they graduate from college. However, the income used to determine the level of need is based on the previous year's tax return. For example, if your child starts college in the fall of 2018, your income will be based on your 2016 tax return. (These are recent changes for the FAFSA, which used to open in January and require the tax return information from the year immediately prior to enrolling.) The federal FAFSA deadline is in June, but deadlines vary for your state, school, and the CSS Profile.

HOW INCOME AND ASSETS ARE COUNTED

For most families, the parents' income will be the most important determinant for aid eligibility. Under the EFC formula for the FAFSA and CSS Profile, up to 47% of parents' adjusted gross income (AGI) is considered available for college funding. (Since this is progressive and there is an income allowance, it typically averages 20% to 25% of AGI for most families.) Up to 5.64% of non-retirement assets are counted, with a small allowance as well. Students are expected to contribute as much as 50% of their income and as much as 20% of their assets.

It's important to note that your retirement assets are not counted in the calculation of EFC. Other assets like the value of small businesses, home equity, and nonqualified annuities are not included on the FAFSA either, but they are on the CSS Profile. However, in some cases, home equity is capped at 1.2 times the parent's adjusted gross income on the CSS Profile.

Also note that parent and student assets are based on their market value at the time that you complete the aid forms. However, remember that you'll be completing the financial aid forms annually, so as your financial situation changes so will your student's aid eligibility.

WAYS TO INCREASE AID ELIGIBILITY

There may be steps your family can take to increase your child's chances of receiving the most student aid possible. Here are some strategies to consider:

- **Max out your retirement accounts.** While your child is younger, you can build up significant savings in retirement accounts, which will not be included in determining aid eligibility. In the year your student applies for aid, you'll need to add contributions back into your income, but the assets still won't be included for aid. Assets in a bank or brokerage account, on the other hand, would reduce aid eligibility.
- **Pay down debt.** Use taxable accounts like bank or brokerage accounts to pay down expensive credit card or student loan debt. This not only reduces your interest costs, but reduces your taxable assets, which can help increase aid eligibility. Since home equity is included for the CSS Profile, paying down your mortgage may not be the best strategy. But remember, FAFSA does not consider home equity in determining aid and many CSS Profile schools place a cap on how much is counted.
- **Reduce income.** If possible, it helps to limit your income in years that are counted for financial aid. This is difficult to do if you have a regular salary, but you can watch out for selling assets that would trigger a large capital gain in your taxable accounts or look for ways to offset them with capital losses.
- **Do not open custodial accounts for your children.** Student assets are counted more heavily for financial aid purposes. If you already have custodial accounts, consider moving those assets to a 529 college savings plan for your child instead. Liquidating existing custodial accounts could result in capital gains, but you may still save more money in the long run. Since 529 assets are typically included at a lower rate than custodial accounts for financial aid, you'd want to run the numbers to see whether it is beneficial to make the move.
- **Plan ahead for family contributions.** Plan carefully if grandparents or other family members want to contribute toward college expenses. The amount and timing of this type of contribution can materially impact your child's aid eligibility, so it's critical to optimize such assistance.

Parents should also consider how aid is affected when they have more than one child in college. For instance, with two children in college, the parent's expected family contribution is not twice what it would be for one child. In fact, the parents' expected contribution is reduced for each child, though the percentage may differ on the FAFSA and CSS Profile.

> "APPLYING FOR FINANCIAL AID IS COMPLICATED, AND THE WRONG STRATEGY CAN RESULT IN PAYING THOUSANDS OF DOLLARS EXTRA FOR COLLEGE."

AID PACKAGES

When a student qualifies for a certain amount of need-based aid, it doesn't necessarily mean that the student will receive that much in the form of a grant. The college or university might not meet 100% of the student's need or may offer a combination of grant money, work-study and/or loans. Schools also base some of their aid package decisions on how desirable the student is to the school, so it's possible that the same financial information could produce very different aid packages from one school to the next.

You'll find the information about the type and amount of aid the school is offering your student in financial aid award letters. It's important to be sure you fully understand each type of aid being offered. You can compare award letters from different schools using the College Board's online tool. If you are not happy with your aid results, you can always appeal, especially if your financial situation changes.

Also, keep in mind that to receive federal loans, you have to file the FAFSA. Therefore, even if your income is too high for aid, but you would like your child to pay for a portion of college costs through federal loans, you should still complete this form.

FINDING YOUR STRATEGY

College funding and admissions experiences are unique to each family. There are so many variables that even minor differences can have a dramatic impact on a family's aid eligibility. Thus, it's best to base your college planning and decisions on your situation only.

In some cases, the cost of a bad decision can be painful, especially when parents end up spending money on college at the expense of their own retirement. To develop a sound financial aid strategy, I recommend working with a fee-only financial planner who understands the process and the potential pitfalls. Applying for financial aid is complicated, and the wrong strategy can result in paying thousands of dollars extra for college.

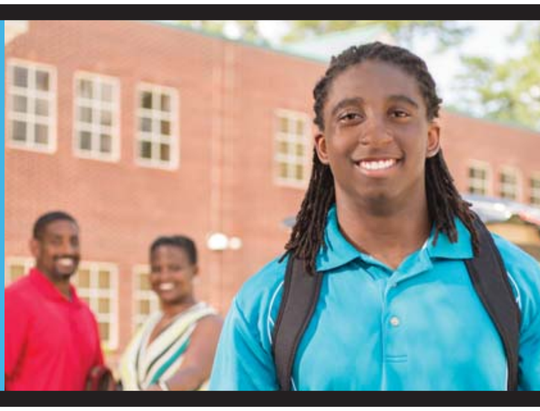
Mike Eklund *is a financial planner at Financial Symmetry in Raleigh, North Carolina.*

This article originally appeared on NerdWallet.

HOW TO KEEP AN EYE ON YOUR COLLEGE KID'S SPENDING

By Amber Murakami-Fester

When you're a parent shipping a kid off to college, it's hard not to worry about every possible financial mishap, like is that money meant for textbooks paying for a music festival ticket? But there are ways to ensure students are making the right financial decisions without hovering over them.



JOINT BANK ACCOUNT

Setting up a joint checking or savings account means parents and students have access to money in the account and can see all transactions.

In addition to tracking account activity online, parents can sign up for text or email alerts when their student's balance falls below a specified amount, for example, or when large purchases are made.

A joint account offers a bonus, too: transferring money from a parent's separate bank account is easy, particularly if all accounts are at the same bank.

Be aware that parents who co-own accounts can be held responsible for overdrawn balances, regardless of who spent the money. Americans ages 18 to 25 incur overdrafts more than any other age group, according to a NerdWallet study, so parents have an incentive to make sure their kids don't spend more than what's in the account.

JOINT CREDIT CARD OR AUTHORIZED USER

Getting a joint credit card or adding a student as an authorized user on a credit card is another way for parents to keep track of spending, says Winnie Sun, a financial advisor in Irvine, California.

Just as with joint bank accounts, having a joint credit card means a parent can check transactions. Most credit card companies, Sun says, also offer text or email alerts for out-of-the-ordinary activity like big purchases or when balances approach the card's limit. Parents can ensure their student stays on top of payment due dates, which if missed can bring down the parent's score.

BE AWARE THAT PARENTS WHO CO-OWN ACCOUNTS CAN BE HELD RESPONSIBLE FOR OVERDRAWN BALANCES, REGARDLESS OF WHO SPENT THE MONEY. AMERICANS AGES 18 TO 25 INCUR OVERDRAFTS MORE THAN ANY OTHER AGE GROUP…

NEW OPTIONS

If these traditional methods of sharing funds don't fit your needs, financial services companies offer alternatives.

Companies like Greenlight have released reloadable cards that can be used like regular debit cards — but only for stores preapproved by the card's primary account holder. Parents can make sure the $500 earmarked for textbooks, for example, is spent only at the campus bookstore, says Greenlight CEO Tim Sheehan.

Another company, True Link, offers a similar service and allows account holders to block categories of purchases, such as alcohol, in addition to individual merchants.

Though it could be nerve-wracking watching your student stumble through adulthood for the first time, methods like these will show if he or she can be financially responsible.

"At some point, you're going to have to release the reins and let them go," Sun says. "If you raised them properly, you've got to trust yourself, too."

Amber Murakami-Fester *is a staff writer at NerdWallet, a personal finance website.*

This article originally appeared on NerdWallet.

WHY KIDS SHOULD STASH SUMMER JOB CASH IN A ROTH IRA

By Arielle O'Shea

There's nothing quite like a first paycheck.

For many teens, it comes alongside another first: weighing how to spend money they've worked hard for, rather than how to spend money their parents worked hard for. There's a difference in how you process those dollars, mentally. A tank of gas turns into four hours behind the cash register. A new pair of jeans costs a day of mowing lawns.

That means a summer job is the perfect opportunity for parents to introduce kids to some smart money habits, such as saving at least a portion of each paycheck in a Roth individual retirement account. But how do you make a convincing case, especially when you're pushing something with the word "retirement" in its name to a 15-year-old?

Here are four Roth IRA selling points to highlight. A common thread: Put the benefits into terms a teen may appreciate, such as more independence and minimal effort.

1 INVESTING TURNS MONEY INTO MORE MONEY

When you invest money over a long time frame, that money grows. The best part: you don't have to lift a finger.

This is an argument with wide appeal, but you can imagine it might especially pique the interest of someone who's just been introduced to the monotony of eight hours spent in front of a burger grill.

For 15-year-olds who invest $3,000 worth of summer job paychecks in a Roth IRA, that could grow to $4,500 by the time college graduation rolls around, assuming a 6% average annual return. The magic of investing means the money slowly adds up, whether they're studying or at a fraternity party.

If your teen leaves that $3,000 in the Roth IRA for longer — let's say 50 years, which would put today's teen right around retirement age — it would grow to more than $55,000. And what if your teen added $3,000 every summer, from age 15 to 22? At college graduation, the Roth IRA balance would exceed $30,000, a figure that could grow to more than $380,000 by retirement.

Worth noting here: the Roth IRA contribution limit is the lower of $5,500 or your teen's taxable compensation for the year. If taxable compensation is $2,000, that's the most he or she can contribute to an IRA. This is also good to know if you decide to encourage your wary teen with an earnings match. Doing so would give the kid spending money while still putting his or her full paycheck in the Roth.

WHEN YOU INVEST MONEY OVER A LONG TIME FRAME, THAT MONEY GROWS. THE BEST PART: YOU DON'T HAVE TO LIFT A FINGER.

THE KEY THING TO HIGHLIGHT HERE: A SUMMER SPENT PUSHING A LAWN MOWER COULD MEAN NOT HAVING TO MOVE BACK HOME AFTER COLLEGE GRADUATION.

2 ROTH IRAS ARE FLEXIBLE

This is not the type of retirement account that swallows your teen's money and refuses to give it back for 40 or 50 years. Because your teen would make contributions to a Roth IRA with after-tax dollars, he or she can withdraw them at any time, with no taxes or penalties.

The ability to withdraw contributions penalty-free makes putting money into a Roth IRA a low-commitment decision, one that your teen can reverse at any time. Of course, removing contributions will stunt or eliminate investment growth. But knowing it's possible to get this money back could put your kid at ease.

3 A ROTH IRA ISN'T JUST FOR RETIREMENT

Yes, that's the intended purpose. But on top of the flexibility of withdrawing contributions, there are a few circumstances that also allow your teen to take out earnings without penalty.

As long as the Roth IRA has been open for five years — the clock actually starts on January 1 of the year of the first contribution — your child can take out up to $10,000 in earnings to buy a first home, tax- and penalty-free. He or she can also use Roth IRA earnings for qualified education expenses such as college tuition, though only the penalty will be waived in that case.

The key thing to highlight here: A summer spent pushing a lawn mower could mean not having to move back home after college graduation. At the very least, it might mean walking across that graduation stage with a little less student loan debt.

4 QUALIFIED ROTH IRA DISTRIBUTIONS ARE TAX-FREE

OK, this is a hard sell, but see it through. Your teen probably just felt the burn of watching hard-earned money get siphoned off to the IRS.

The Roth IRA doesn't help with that. Because Roth contributions are made with after-tax dollars, there's no tax deduction on contributions as there is with other retirement accounts, like a traditional IRA. But for a low earner such as a teenager with a summer job, that tax deduction on a traditional IRA is unlikely to be worth much, if anything.

That makes the main benefit of a Roth IRA even more attractive for kids: distributions starting at age 59 1/2 — or for that first home — are not taxed. That means as long as the rules for distributions are followed, the investment growth skirts taxes completely. And skirting taxes — even in the future — may be something they're very interested in right now.

Arielle O'Shea is a staff writer at NerdWallet, a personal finance website.

This article originally appeared on NerdWallet.

3 QUESTIONS TO ANSWER
BEFORE TAKING OUT STUDENT LOANS

By Brett Tushingham

America has a student loan problem. Default rates **are more than 11%, and based on recent research those numbers might be** understated. Student loans should be the last option when funding an education. However, they appear to be the first option for many people.

The good news is that each family can develop its own strategy to pay for college, one that reduces the reliance on student loans and the overall cost of an education. It starts by answering three questions.

1 ARE YOU BEING FLEXIBLE ENOUGH IN YOUR COLLEGE SELECTION?

If your child insists on going to one particular school, your chances of finding an affordable way to fund higher education may be limited. The more flexible you are in the selection process, the greater the opportunity to reduce your need for student loans.

>>MORE: How to know if your college choice is affordable

Begin by researching schools to determine where your child will be a good fit and how their academic profile compares with those of current students. College Navigator is a great resource for assessing this. If a school finds your child academically desirable, he or she is more likely to be accepted and awarded financial aid in the form of grants and scholarships.

Community colleges are also an excellent option, as they can offer quality education and flexibility at a fraction of the cost of most other schools.

2 HOW WILL YOUR SELECTED SCHOOLS ASSESS YOUR FINANCES FOR AID PURPOSES?

After you find schools where your child will likely be accepted, you will need to determine your eligibility for financial aid. Colleges use one of two aid applications, the Free Application for Federal Student Aid **(FAFSA) and** CSS Profile.

Each application has its own aid methodology **that produces your expected family contribution, or EFC**.

Your EFC is the minimum amount that you will be expected to contribute each year toward your child's education. Two schools might produce a dramatically different EFC, so it's important to do research and determine beforehand what your EFC will be. The cost of attendance minus your EFC will produce the amount of need-based financial aid, if any, that you qualify for.

3 WHAT FINANCIAL RETURN CAN YOU EXPECT FROM OBTAINING YOUR DEGREE?

Not all gains can be measured in dollars, but for now let's focus on the financial aspect of the return on your investment in your education. We are told that earning a degree will open the door to more career opportunities and greater income. And although I generally agree with this statement, there are a number of caveats.

College is an investment, and like any other investment you have initial costs. Keeping your upfront costs to a minimum should logically help boost that return.

Once you confirm your initial costs, you can then calculate a future salary based on your degree. PayScale **offers salary projections for specific majors and offers a return-on-investment calculation based on future income and college costs. Students pursuing advanced degrees might have greater upfront costs, but their starting salaries after graduation generally justify the expense.**

Almost anybody can qualify for student loans nowadays, regardless of credit score or future income potential. For this reason, most students neglect to consider their ability to pay them off or the impact they can have on meeting their goals. Be proactive, establish a college planning strategy, start saving early, and make education your greatest investment.

***Brett Tushingham** is a financial advisor and the founder of Tushingham Wealth Strategies in Wilmington, North Carolina.*

This article originally appeared on NerdWallet.

6 FINANCIAL AID QUESTIONS
YOU'RE TOO EMBARRASSED TO ASK

By Teddy Nykiel

While many colleges will soon send bills for this fall's tuition, most won't expect payment until late summer. That gives college-bound students and their families time to finalize financial aid details. Here are six basic, but crucial, things to know about using student loans, scholarships and more to pay for college.

1 WHEN I TAKE OUT A STUDENT LOAN, WHERE DOES THE MONEY GO?

Student-loan dollars go directly to your school and are typically applied to outstanding tuition and fees first. If there's money left over, the bursar's office will issue you a refund of the remaining balance through a check, debit card, or electronic bank account transfer.

Tip: Don't panic if you get the tuition bill before your financial aid disbursement. Colleges cannot credit federal aid to students' accounts sooner than 10 days before classes start.

2 CAN I USE MY STUDENT LOANS TO COVER LIVING EXPENSES?

Yes, if there's money left after tuition and fees. If you're living on campus, the school will apply that money toward room and board costs. Students living off campus will receive a loan refund and they should plan to use it for necessities like rent, food, and transportation.

Tip: Just because you can take out loans for living expenses, doesn't mean you should if you can cover those costs another way. Remember, you'll have to repay anything you borrow, plus interest.

TIP: JUST BECAUSE YOU CAN TAKE OUT LOANS FOR LIVING EXPENSES, DOESN'T MEAN YOU SHOULD IF YOU CAN COVER THOSE COSTS ANOTHER WAY.

3 HOW DO I GET MONEY OUT OF MY 529 ACCOUNT?

Simply contact your plan provider — you can make a withdrawal online or you can make a request via phone or mail. The complicated part is figuring out how and when to use 529 savings — that's a topic worth consulting a financial advisor or tax professional about.

Tip: Money you withdraw from a 529 plan is tax-free if used for qualified higher education expenses. You'll owe federal income taxes and a 10% penalty on earnings from the withdrawn amount if you use the money for nonqualified expenses like transportation, and fraternity or sorority dues.

4 WHAT SHOULD I DO IF I DIDN'T GET ENOUGH FINANCIAL AID TO COVER MY COLLEGE COSTS?

First, appeal your aid award letter with your college if your financial situation has significantly changed since filing the Free Application for Federal Student Aid. If your situation is largely the same but you need more college funds, contact the school's financial aid office to ensure you're aware of all options. Some colleges may offer more financial help if you show proof of a better aid package from another institution.

Beyond that, be creative when pooling college funds. For example, apply for scholarships and plan to work part-time during school. As a last resort, you may need private student loans. If you go this route, compare your options before borrowing to make sure you find a loan with the best interest rate you qualify for.

Tip: Many campuses offer payment plans that allow families to swap a lump-sum tuition bill for smaller, monthly installments.

5 DO I HAVE TO PAY TAXES ON FINANCIAL AID MONEY I RECEIVE?

Generally, no. Student loans, and most gift aid dollars, aren't considered taxable income. You'll owe taxes on grants and scholarships only if they total more than your qualified education expenses.

Income earned from a federal work-study job is taxable. Employers will deduct taxes from your paychecks, and you should report work-study income when filing taxes.

Tip: Money earned through a work-study job won't count as income on your next FAFSA. In other words, a work-study job won't prevent you from qualifying for financial aid in the future.

6 CAN I GET FINANCIAL AID AS A PART-TIME STUDENT?

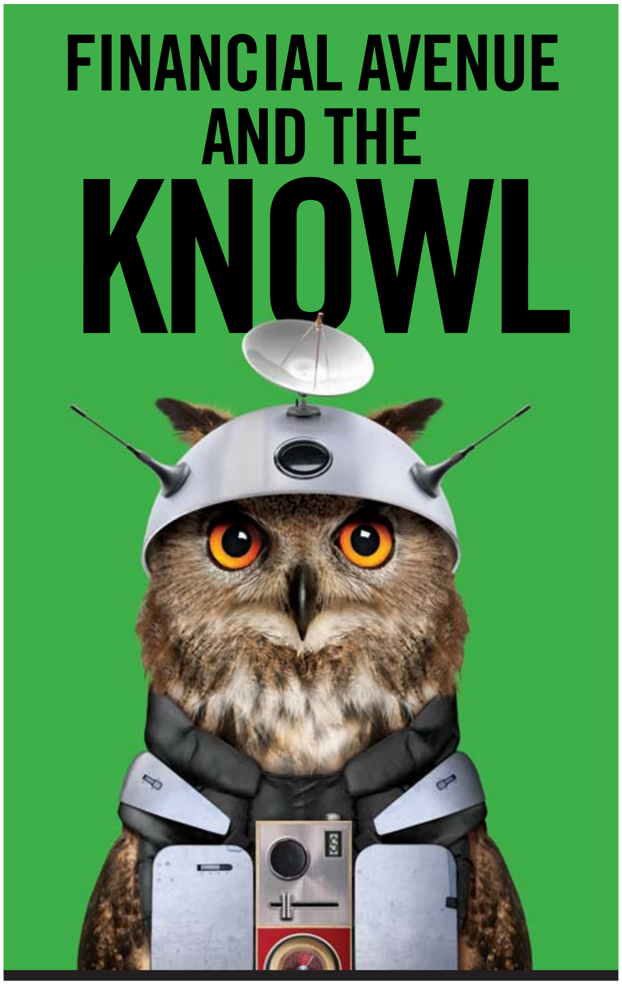
Yes, but you may not get as much money. For instance, part-time students who qualify for federal Pell Grants will receive a prorated amount based on the number of credit hours they're taking.

Students need to be enrolled at least half-time, meaning they're taking classes worth at least six credits each term, to be eligible for federal student loans.

Teddy Nykiel is a staff writer at NerdWallet, a personal finance website.

This article originally appeared on NerdWallet.

MASTERING YOUR MONEY JUST GOT A LOT EASIER



Inceptia can work with your student's school to provide a leg up on financial education with our online program, Financial Avenue. Financial Avenue offers smart resources to help demystify the world of personal finance. Trust us — getting a handle on your money doesn't have to feel overwhelming or restrictive. It's all about empowering students with smart basics, and planning from there.

With Inceptia's money mascot – the Knowl — as a trusty guide, students can choose from ten online courses that take on big financial topics without snore-inducing jargon. Using quizzes, videos, interactive tools, and easy-to-understand tips, the Knowl explains subjects such as paying for college, budgeting, credit and identity theft, career planning, managing student loans, understanding a paycheck, and even bigger concepts like the psychology of money, which helps you to understand your personal relationship with money, and why you spend the way you do.

Getting started is easy. Ask your student's teacher to visit FinancialAvenue.org to create an account and receive an access code to share with you. Before you know it, your teen will be so money-savvy that she or he may have some advice for you!

For more great articles and tips from NerdWallet, including help for filling out the FAFSA, be sure to check out their higher education website.

nerdwallet

Inceptia, a division of National Student Loan Program (NSLP), is a nonprofit organization committed to offering effective and uncomplicated solutions in financial aid management, default prevention, and financial education. Our mission is to support schools as they launch brilliant futures for students, armed with the knowledge to become financially responsible citizens. Since 1986, we have helped more than two million students at 5,500 schools reach their higher education dreams. Each year, we help more than 160,000 students learn how to pay for college, borrow wisely, resolve their delinquency issues, and repay their student loan obligations. Our solutions are designed to support student success by helping financial aid administrators maximize resources, so they can spend more time focusing on students. More information at Inceptia.org.