

## Are College Financial Aid Dollars Drying Up?

College bound students and their parents who are counting on financial aid to be there to help defray some of the cost of college are in for a bumpy ride ahead in the coming year.

Despite new financial aid budgets not being due for another few months, colleges are clearly nervous. For the current academic year, private institution spending on aid jumped a median 9.3%, while tuition rose by a median of just 4.1%, according to an October survey by Moody's Financial Rating Service. That leaves a greater than 5% gap. Moody's says nearly 30% of private institutions are projecting a decline in net tuition and fee revenue for fiscal year 2010. That is up significantly from recent years, when less than 10% of institutions anticipated drops in revenue.

What's more, many private university endowments – which impact how universities subsidize their operating budgets – were hit hard by the market downturn earlier this year and still haven't fully recovered. This month, Dartmouth announced that its endowment fell by \$835 million, more than 20%, during the 2009 fiscal year. And according to news reports, impending budget cuts may affect the university's financial aid program. A Dartmouth representative wasn't available for comment."

While these numbers just reflect private colleges, public universities are not immune to the financial aid crunch. Hundreds of state sponsored colleges across the country are coming under fire for raising tuition despite state governments being faced with budget cuts.

To deal with this impending problem, cities and states are choosing to deal with it in different ways. The state of Massachusetts is slashing 10% from all higher education spending. The city of Pittsburgh has proposed a city wide 1% "tuition tax" for all students enrolled in its colleges. In the state of Oregon 38,500 college students will get less than promised in state grants this school year because demand far exceeded the program's budget for the second consecutive year. Oregon legislation is asking for an additional 20% increase in student grant money to help offset this demand. And the University of California and all its branches raised its fees by 32% this year alone to defray the increase in student aid demand.

So what does all this mean for families with college bound kids? It can mean a lot of headaches without taking these proper steps to securing the maximum financial aid possible. Here are 3 steps any family can take to insure they are getting every dollar of aid they can...

**Step #1:** Search and apply for any private scholarships that are available. The easiest and fastest way to complete this search is to use one of the many college scholarship search engines that are available. The best of which is fastweb.com.

From this website you can type in your child's information (which takes about 5-10 minutes) and then you will receive email alerts to all the different scholarships that your child can apply for. Please keep in mind that private scholarship money is a small drop in the bucket compared to all the other money available. In fact, less than 4% of the \$175+ billion dollars of total aid

given out last year. So don't spend too much time on this step. Pick 4-5 scholarships that your child has the best shot to receive and focus on those

**Step #2:** Maximize any "need based" financial aid dollars you are eligible for. This step starts with completing on time and correctly the Free Application for Federal Student Aid Form also known as the F.A.F.S.A. This can be a tricky form. Take your time and answer each question. But don't make the common mistake of providing too much of your families financial information. Home equity and qualified retirement assets do NOT need to be included on the FAFSA. Contributions to retirement accounts do count but not the balances.

**Step #3:** Take the appropriate steps to qualify for the American Opportunity Education Tax Credit, which can potentially give your family an extra \$2,500 dollars per year for college. Here are some details on determining if your family is eligible:

To qualify, students must be in their first four years of an undergraduate education. (This credit replaces the Hope Scholarship credit, which offered up to \$1,800 during the first two years of undergraduate studies, for 2009 and 2010.) It's phased out for single filers with an adjusted gross income (AGI) of more than \$90,000 and for joint filers with an AGI of more than \$180,000.