

Are You Eligible For Need-Based Financial Aid?

If you're like most families with teenage kids you want to know the answer to one very important question...

Is my kid going to get financial aid to help pay for college?

It's the \$64,000 question every parent with college bound kids wants to know.

But before you can get aid it is critical to learn the answer to this question...

How is college financial aid determined?

Here it is.

It all really comes down to this formula:

C.O.A. – E.F.C. = F.N.

What this formula stands for is...

Cost Of Attendance, minus Expected Family Contribution, equals Financial Need.

Seems pretty straightforward right? There are a couple tricky variables with it.

Number 1 is, Cost of attendance can vary pretty wildly from school to school. The average state school is around \$18,000 versus the average private college cost of \$34,000. Also, you need to make sure the cost of attendance includes all costs. I see a lot of colleges advertise their tuition without including room and board and fees, and any other spending money that should be included.

Now, the EFC or Expected Family Contribution is the biggest variable in this formula. This number is determined by your family's income and assets, including your child. With the income of the family as by far the biggest factor.

Here is where a lot of families get tripped. They assume their income is too high. Without every knowing what their EFC is. Therefore they never take the necessary steps to maximize need based for their child. This is a huge mistake.

But it can be fairly easily avoided.

Avoided by running a quick calculation. And there are plenty of ways to find this number out. One of the easiest is to take 21% of your adjusted gross income on your 1040. This will give you a rough estimate of what your EFC # is. There are also EFC calculator's that will give you a more precise number. But the 21% method is a good start.

Let's use an example to see how this works.

COA is \$28,000 – EFC is \$21,000 (*The families income is \$100,000 x .21 = \$21,000*)=FN is \$7,000

So in this particular case, the family would be potentially eligible for \$7,000 of need based aid. I say potentially because not every college is created equal when it comes to dishing out need

based aid. Some colleges will meet 100% of the need. Which in this case is \$7,000. But some colleges will meet less than that. Like maybe only 50% or \$3,500.

This is where it pays to research colleges and determine before applying how strong they are in giving out need-based aid.

The other thing this formula will help you do is figure out if need based is NOT going to be a factor. So then you can focus your attention on areas ways of paying for college. Such as merit based aid, loans, and cash flow planning.