How To Reduce Your Expected Family Contribution

The Smaller Your EFC, The More Money You Get

If you're applying for financial aid, there are two basic numbers that go into the equation. First, there's the cost of schooling – that includes tuition, room, board, textbooks, and other supplies.

Then comes your expected family contribution (EFC) – the amount of money an institution believes you have available to pay for schooling. Don't be surprised if that number assumes rather austere living for the rest of the family.

Your financial aid eligibility is basically the cost of school minus your EFC. As there's no way to change the cost of the school – you've got to concentrate on ways to reduce your expected contribution. Here are a number of perfectly legitimate ways to reduce your expected contribution – without doing anything untoward.

Reducing Your Expected Family Contribution

- **Don't lie.** There is always a temptation to fudge the numbers. Don't do it. If you get caught, you're in for a world of hurt. The government could impose fines and up to 5 years of jail time, you could be required to pay back moneys received – and, worst of all, you may be declared ineligible for any aid going forward. It's just not worth it.
- **Time your application carefully.** Be entirely truthful – but be smart. Everything you enter on your FAFSA form has to be accurate for the date you submit. That means, if you've got a raise coming up or a financial windfall in your future, make sure you get the application in beforehand. If your child is planning to get a job to help pay for education – get the FAFSA in first!
- **Spend your child's money first**. The actual student is expected to pay the highest percentage of income and assets – reduce these first. Then come parents, and finally any other sources (like grandparents). Spend down assets accordingly.
- **Avoid capital gains and other forms of income**. Income counts much more than assets when calculating EFC. That means keep your stocks in stocks – at least until your application is complete. If you sell your stocks and take gains, that will hurt much more than leaving them alone as assets (the opposite is true for losses).
- **Delay gifts**. If a grandparent is planning to help contribute – hold off. Make it a graduation gift.
- **Pay off debts**. Credit card debts, auto loans – these things don't count against your assets when calculating the EFC. If you spend the money to pay them off, though, then you've erased that from your assets.
- **Minimize withdrawals**. While 401(k) assets don't count against you – if you withdraw from them to help pay for college, they do. Plus, you'll be paying hefty penalties. A bad idea all around.
- **Accelerate any necessary purchases**. If your family needs a new computer – get it before you submit your FAFSA. Same for a new car, or any other expenses. The smaller you can make your assets, the better. Don't spend wildly – just move purchases up.
- **Have more than one child in college**. By maximizing your expected college costs, you will receive more financial aid for each.

These are all entirely legal ways to help maximize the aid you get. Practice them all, and you've got a much better shot at receiving adequate financial aid.