

TOP TEN MYTHS ABOUT COLLEGE PLANNING AND FINANCIAL AID

Many parents and students have major misconceptions about the college planning and financial aid process. As a result, they often make mistakes which have long-term consequences for them and for their children. Let's look at some of these myths.

1. ***"My child will get a merit scholarship."***

Reality: According to the College Board, only 1% of college students receive merit scholarship money based on their SAT and transcripts; 99% comes from completing the financial aid forms.

2. ***"My child will borrow the amount needed through low interest government loans."***

Reality: The federal government caps an undergraduate borrower at \$26,500 over four years. The current interest rate for school year 2008-2009 is 6% for the Stafford Loan.

3. ***"Financial aid is only loan money."***

Reality: Between 60% - 70% of all financial aid awards will be in the form of grants (free money) that does not have to be repaid.

4. ***"My home equity is not an asset for financial aid eligibility."***

Reality: Yes and no. Universities using the FAFSA financial aid form and its methodology alone do not include home equity in determining financial aid eligibility. Colleges using the CSS profile financial aid form and its methodology (or perhaps their own financial aid formula) do include home equity as an asset. Some schools cap the value based on income.

5. ***"We won't get any Financial Aid."***

Reality: 65% of parents incorrectly assume that they will not receive financial aid, thus compromising the financial aid application process.

6. ***"We will use our savings to pay for our children's college expenses."***

Reality: This view isn't a myth but ignores a crucial reality: You can borrow for college but not for retirement.

7. ***"We will pay the college bills one year at a time."***

Reality: For college bills reaching in excess of \$50,000 per year, and with multiple children to educate, this approach can be fatal to a family's lifestyle and retirement plans.

8. ***"With two children in college we will have to pay twice as much."***

Reality: The federal (FAFSA) financial aid formula calculates the expected contribution for the whole family. If the government says a family can afford \$20,000 per year toward college, it is \$20,000 for one child in college or \$10,000 each if there were two in school at the same time.

9. ***"If we send our children to an out-of-state public college, they can become a resident of that state to qualify for in-state tuition."***

Reality: Each state has its own specific requirements in this regard. Some even restrict any change of residence by an undergraduate. Others have detailed standards which must be followed carefully.

10. ***"We will have our children apply for financial aid as an independent student."***

Reality: Federal regulations require an undergraduate to be 24 years old to file as an independent student.

