College Keystones
A College Planning Relief Publication

FAFSA: Your Gateway to Financial Aid

There should be no question the month of January is the month to complete the FAFSA – the Free Application for Federal Student Aid. Equally, there should be no question, the FAFSA is the *gateway to billions of dollars of financial aid.*

With that in mind, it's imperative the FAFSA form be submitted correctly. But, depending upon the statistic you believe, as many as 70% to 90% of all FAFSA forms are turned in with errors. Not only are the majority of FAFSA forms incorrectly submitted, but coupled with those parents and students who fail to file a FAFSA at all – it's obvious there's genuine need for education about the form itself.

Keep in mind there is help available on the FAFSA website: www.fafsa.ed.gov/. You can print out a worksheet, and then transfer your information onto the form. You can also input your numbers on the FAFSA 4Caster (also found on the website), which can transfer the numbers automatically to the FAFSA form. You can still make any necessary adjustments before submission.

Perhaps the single biggest mistake families make is the failure to submit the form at all. They assume their income is too high or some other financial factor will prevent them from qualifying for financial aid. Realistically, there are seven factors that aid eligibility. Income is only one of the factors that help determine financial aid eligibility for *everyone*.

Those seven factors are: 1) Parental income; 2) Parental Assets; 3) Student Income; 4) Student Assets; 5) Age of Parents (the older the parents, the more assets a family is allowed); 6) Number of members in the household; 7) Number of college students in the household. We at College Planning Relief® believe there is actually an eighth factor – school selection. We will address this concept in a future issue of *College Keystone*.

Other families make just the opposite mistake, thinking their income is so low they will automatically qualify for more financial aid than they actually receive. They have failed to plan for this possibility.

To maximize the amount of aid your family might receive requires submission of the FAFSA as early as possible. The first day the FAFSA can be filed is January 1. Many parents wait until they have all their financial aid data compiled and their income taxes completed before submitting the FAFSA. Make no mistake – ***waiting will cost you money***. It is not only accepted, but expected that you will submit the FAFSA with *estimates* of your financial data. Upon receipt of your Student Aid Report (SAR), you will have the opportunity to correct your financial figures.

It's important to keep in mind that a portion of federal aid is distributed on a first-come, first-serve basis. Thus, a delayed FAFSA submission could result in missing out on deserved financial aid. We recommend you make every effort to submit the FAFSA before the end of January.

If you submit the form on time, making common errors will likely get the form kicked back to you, causing delays in processing and only put you further back in line.

There are common errors in filling out the FAFSA that can be avoided:

- One of the biggest mistakes is choosing the wrong form to be completed and submitted for the FALL when your student enrolls. For example, the form this January to complete is the 2011-2012 form.
- Don't leave fields blank. If the question is not applicable, put in 0 (numeral zero).
- If the form asks you if you are interested in different forms of financial aid, always answer "YES." A "YES" response does NOT obligate you to accept the aid offered, such as a loan. Neither does a "NO" answer mean you will likely receive more gift aid. See what the college is willing to offer you before you make a decision.
- The FAFSA is written with the expectation the student will complete the form. Recognize that "YOU" and "YOUR" on the forms means the student and not the parents, even though the parents generally are the ones who complete the form.
- Each family is required to have a unique PIN Number that corresponds to your signature. Don't forget to put in your PIN Number where requested in order to submit the FASFA on the web.
- Listing assets that are not asked for and/or listing assets twice. For example, do not put student a counts that are owned by parents – such as a 529 Plan – in both the parents' and student's sections. That would be counted twice.

If parents are divorced and sharing custody of the student, the determination of whose parental income and assets to use on the FAFSA is crucial. This is especially true if step-parents are involved. The HOUSEHOLD in which the student spends the majority of his/her time is the HOUSEHOLD income and assets that should be used.

Note we stressed the word "household." If there is a step-parent in the house, regardless of their financial involvement in supporting the student for college, their income and assets must be included on the FAFSA. Please note also, that the parent the student is NOT living with may still be required to complete a supplemental form.

Even if you are using the proper HOUSEHOLD /parents' income and you have submitted the FAFSA on time, you may still have a problem if you do not calculate your income properly. Do not assume that your CPA/accountant can fill out the FAFSA form for you. The FAFSA uses different calculations in several areas, so be sure to ask if they are comfortable completing it.

You cannot simply transfer your Adjusted Gross Income (AGI) into the FAFSA and assume that is correct. For most, this will result in an *understatement* of income.

The biggest error in this area is if you are contributing to a pre-tax retirement plan such as an IRA, 401k, 403b or 457 plan – you must ADD these contributions to your AGI on the FAFSA. (The government believes this is a discretionary decision to put that money in to a retirement account, when instead you could use that money to fund your child's education).

Again the FAFSA is the gateway to your student receiving financial aid for school.
This Keystone should provide you a great foundation for better understanding the FAFSA and the FAFSA filing process. Your CPR representative can help you further with your personal situation.

We are in the business of helping families through the major life transition of sending their children to college. For many, it will be the most expensive time of their lives and, if not handled properly, could cost them their retirement. If you or someone you know needs the help and guidance of a trained financial professional, don't hesitate to contact your local College Planning Relief® Licensee. Remember, you shouldn't have to choose between your child's college and your retirement.

Scott T. Moffitt is one of the nation's leading experts in paying for college without jeopardizing retirement. He is the author of the book, "College and Retirement, You Can Do Both!" He is the founder of College Planning Relief[R], a national training and certification program for financial advisors in short-term college planning. For more information about Scott or to find one of his certified licensees in your area, please visit www.collegeplanningrelief.com.