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FOUR DISTINCT AVENUES FOR FINANCIAL AID

There are four ways to pay for a college education: save, pay as you go, borrow, or let someone else pay.

All four methods work, but for some worthy students who do not have the financial strength to save or pay as you go, borrowing and letting someone else pay may be the only alternative. Grandparents with excess cash flow are a great source of education funding, since they are allowed to make education gifts directly to a college in amounts that can exceed the \$10,000 annual gift exclusion. Wealthy grandparents notwithstanding, financial aid may be the answer.

There are four types of financial aid; need based, merit based, negotiated, and selectively discounted tuition. Raymond Loewe, president of College Money, a Marlton, NJ (609/596-4702) college planning firm who has helped over 50,000 parents deal with college problems, suggests parents not look at the typical need based aid. Says Loewe, "most parents, at all income levels, look at the need based or merit based aid. Most parents and students are not even aware of negotiated or selectively discounted tuition aid".

It is easy to understand why financial aid is needed. Average costs for tuition have skyrocketed over the last ten years at an annual inflation rate of 6.43 percent, well above the national consumer price index (CPI), about 3.5 percent. Tuition at the Ivy League schools has expanded to about \$32,000 per year, while private and state schools are averaging \$18,000 and \$12,000 per year respectively. On top of tuition, add transportation and miscellaneous weekly (pizza) money to the pot.

Need based financial aid is dependent upon various income driven formulas. The basic formula incorporates 50 percent student income (all sources), 47 percent parent income, 35 percent of the student's assets, and 6 percent of the parent's assets. Need based aid is available at the federal, state, and directly at the college level. There is no straight cutoff point for income levels, which makes this type of planning difficult.

Merit based aid is the scholarship route, either scholastic or athletic. Merit based aid packages are few in number and difficult to get unless the student is a *Good Will Hunting* type or shoots basketballs like Michael Jordan.

Negotiated aid is simply old fashion bargaining. Loewe suggests that in

today's environment, college is a buyers market. In other words, as prices escalate, the student populations are becoming barbell configurations with the Ivy League demand on the high side and the state schools on the low side. In between are the private schools that do not always get full enrollment. If the student is willing to attend one of these lesser-known schools, the college may be willing to accept less than the published tuition in order to fill the classrooms.

Selectively discounted tuition is the fourth type of financial aid that may be available to those students that fall within the top 25 percent of the college's admission requirements. Again, like the negotiated aid, selectively discounted tuition has to be pursued aggressively. Loewe points out that selectively discounted tuition is available to all students at all income levels. Says Loewe, "too often, middle and high income parents look for need based aid when they should be concentrating on negotiated or selectively discounted tuition".

Timing is also the other key factor to securing aid. Bernice Rydell, vice president for Finance and Administration at Millersville University in Lancaster County, PA, suggests making inquiries for financial aid early in the senior year of high school. Says Rydell, "the aid process can be tedious, but with proper timing, patience, and diligence, the result can be rewarding". Rydell also suggests checking eligibility with the student's high school guidance counselor as early as junior year. "The rules and formulas can be daunting, but the guidance personnel usually have excellent knowledge of the methods best suited for a particular situation".

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