12 College Planning Mistakes to Avoid

As tuition costs continue to skyrocket, families can no longer afford to make mistakes when it comes to paying for college.

Missteps in preparing and planning for college can cause families to pay thousands more than necessary.

In this brochure, we list the most common mistakes families make when saving and paying for college.

About Us

Send Your Kids To College is operated by experienced educators and a Certified College Planning Specialist. We are a non-profit organization that works with families to help prepare students for a successful college experience.

Send Your Kids To College utilizes a sophisticated student academic planning process to help your family identify the best career, major, and college for the student. We also offer SAT and ACT preparation in conjunction with All Pro Tutoring.

We possess the knowledge and experience to help you reduce the cost of college by employing more than 150 proven financial, tax, cost reduction, and loan strategies in our financial positioning process.

The professionals at Send Your Kids To College will work directly with you and your family to provide step-by-step guidance to assist you in navigating the maze of financial and non-financial choices, decisions, and deadlines that you will face throughout the college planning process. We help you to reduce the stress, frustration, and anxiety that has become a frequent, yet unnecessary, part of sending your child to college.

It is never too early or too late to start planning for your child's college career. To set up a free initial consultation call:

Send Your Kids To College
at 716-689-7477
or visit www.SendYourKidsToCollege.com

Jeffrey R. Boron CCPS, MBA
Jeff is a Certified College Planning Specialist (CCPS) and has helped hundreds of parents reach their dream of a college education for their children without sacrificing their retirement. Jeff works with families on financial positioning by utilizing over 150 different strategies to reduce the cost of college. Jeff is a graduate of Canisius College with a B.S. in Accounting and received his MBA in Finance from SUNY Buffalo. Jeff focuses on comprehensive planning to educate and enable families to make informed decisions toward meeting their specific goals

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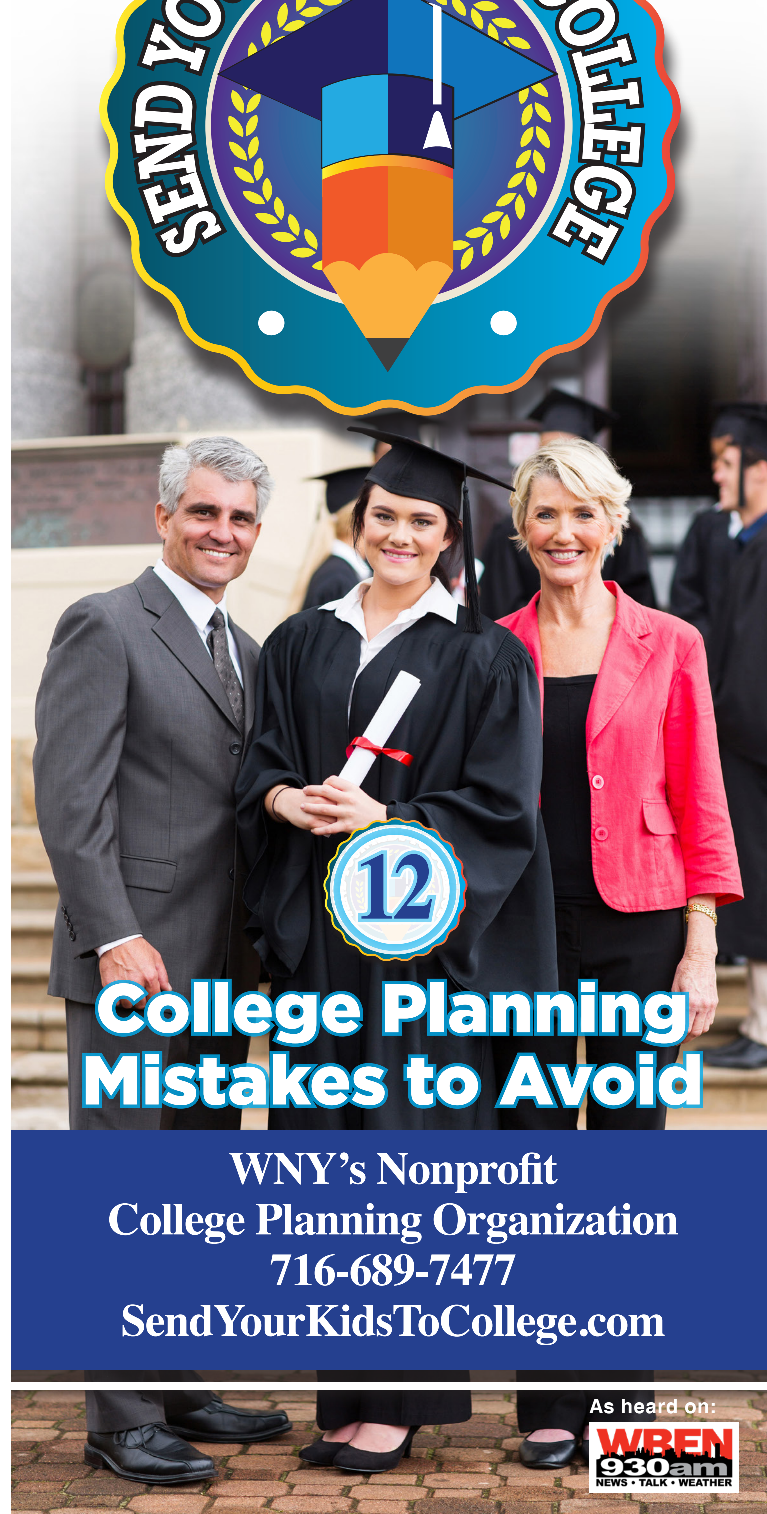

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WNY's Nonprofit
College Planning Organization
716-689-7477
SendYourKidsToCollege.com

As heard on: WBEN 930am NEWS • TALK • WEATHER

1. Not Having a Plan

A college education may be a family's single largest investment so "winging it" rarely leads to a successful outcome.

Parents and students need to be informed and develop a plan that takes into account self-awareness, career and major preparation, college exploration, college admission, scholarships, financial aid, tax and other financial strategies. Proper planning can save you thousands of dollars.

Many students pick a college without a focus on a field of study and flounder without graduating in four years. Changing majors and/or colleges is the biggest nightmare a parent may have about their child's education and continues to be the primary reason an overwhelming number of students do not graduate on time.

At public universities, only 31 percent of full-time students earn a bachelor's degree in four years while only 51 percent of students at private institutions earn their degree on time.

With a four-year degree from top colleges now costing over \$275,000 per child, the stakes are high, especially when you realize that this cost is paid for with after-tax dollars. Parents in the upper tax brackets need to earn about \$450,000 to pay for college; that's just for one child!

2. Procrastinating & Starting Your Planning Too Late

Since your baseline year for college financial planning starts in the junior year of high school, there may be things that you should do by the sophomore or early junior year, before the baseline year starts.

Starting early not only applies to the financial side but to many other aspects of college planning as well. Career, academic and standardized test preparation should be part of the planning process. Nobody ever says that they started their college planning too early but there are a lot of people who realize that they started too late.

3. Not Having the College Money Talk Before Searching for and Visiting Colleges

Imagine finally deciding to get your child their first car. Parents are happy because "Mom's taxi time" is coming to an end and the student will finally have the freedom they've been craving. We can't all afford to buy our kid a BMW 8 series at \$125,000, right? So why go out and visit the BMW dealer with your kid and have them fall in love with it knowing that everyone will be heartbroken when you realize it's not affordable?

Before even visiting a college, families should understand their EFC and get professional help in calculating the estimated total net price for the student's entire education.

The family needs to understand the financial resources available for all of their children. This includes how much the parents can contribute from income, assets, education tax benefits and student income and assets. The difference will need to be funded with a reasonable amount of education debt. If a college's total net price exceeds the total financial resources available to the family, the student should consider other colleges to avoid graduating with too much debt.

Sit down with your student before visiting colleges to talk about a college budget, the potential use of loans and your loan comfort level. Being on the same page financially avoids unnecessary stress and heartbreaks!

4. Not Applying for Scholarships

Each year there are over \$100 million in unclaimed scholarships in the U.S. because there weren't enough qualified applicants. There are scholarships out there for almost every student, you just have to know where to find them and get the student to apply.

Search for scholarships that fit your situation using online database and matching services at: *www.SendYourKidsToCollege.com*

5. Not Completing the FAFSA, CSS Profile, TAP and Other College Financial Forms

The Free Application for Federal Student Aid, or FAFSA, is the application form for federal grants and guaranteed college loans and is used by all public and private colleges to determine aid eligibility. Many private schools also require the CSS Profile to be completed each year.

Many parents assume they are above the income range to benefit from filing financial aid forms and don't apply because they believe they won't receive anything. This may result in unnecessarily throwing money out of the window for many students since families with substantial incomes often qualify for scholarships and grants of some sort. Some private colleges, for example, provide need-based aid to students from families that earn in excess of \$200,000 per year.

If a college wants to attract your student, you may very well be offered a tuition discount no matter what your income or assets. Colleges want full pay students and may offer awards to entice them to attend their school. You must apply for financial aid to have a chance at any of these offers. If you are a high income, or high-net worth family that won't qualify for traditional need-based financial aid, you still need to apply.

For those that do not meet the requirements for traditional aid, completion of the FAFSA is also required to gain access to low-interest Federal loans for students. Parents can start submitting these forms as early as October 1st of their Junior year in high school.

6. Not Understanding the Different Methodologies for Calculating Expected Family Contribution (EFC)

A parent recently followed his accountant's advice to cash out \$150,000 in stock funds and pay down the mortgage. He was told it would save a bundle on college. Under the Federal Methodology, this move may have achieved that result since home equity is not a factor in the Federal Methodology EFC (FAFSA).

This was not true with all three of the schools their daughter was interested in attending. These schools used the Institutional Methodology to determine EFC and home equity is assessed under that methodology.

Not only did this move actually decrease the family's aid, but the stocks the family cashed out would have increased significantly in value during that period of time and the sale created an increased and unnecessary tax bill.

7. Missing Important Tax Deductions & Tax Credits

Parents often make an error in paying the entire college cost out of their 529s only to find out later that they can no longer claim the American Opportunity Tax Credit.

Because the parent has already received a tax benefit from the tax-free distribution from their 529, the federal government considers that claiming a \$2,500 tax credit would be "double-dipping" and therefore not allowed. **You don't want to miss \$2,500 in free money from the government.**

8. Not Understanding How to Use the Appeals Process

Many people do not understand that there is still money that can be saved even after they receive their award letters. Awards can be appealed!

Obvious examples would include a change in family income or if the family was suddenly incurring some unexpected medical expenses.

What is really surprising to parents is that an appeal can also be made because another college, which is not your student's first choice, made your student a better offer.

Writing a successful appeal letter is more difficult than it appears and requires expertise to get desired results.

9. Using Retirement Funds to Pay for College

Many parents make the mistake of thinking they are getting a break from the government when they pay for college out of their IRA or 401k funds. After all, the government waives the 10% penalty for funds withdrawn that are used for college. What parents forget, however, is they are adding to their income when they withdraw funds from an IRA and the additional parent income from the withdrawl may be assessed at up to 47% by colleges.

Most parents typically are between the ages of 40 and 60 when their children start college. This leaves a painfully short amount of time to make up the depleted funds before retirement. Before a parent taps into a retirement account, they need a thorough understanding of their own financial position and their future retirement readiness. You can borrow money for college but you can't borrow money for retirement.

10. Borrowing Excessively to Pay for School

Student loan debt at graduation will ideally be less than the student's expected annual starting salary.

If the student's and parent's loan debt are not in sync with projected income, the borrower will struggle to repay the debt and will need an alternate repayment plan which can be more affordable but will stretch out the term of the loan causing a significant increase in the total amount paid.

Students who graduate with excessive debt have a tendency to delay life-cycle events, such as buying a car, getting married, buying a home, having children and saving for retirement.

11. Allowing Grandparents to Write Checks Directly to the College

First, the good news, grandparent income and assets are not included in the FAFSA or CSS Profile. Grandparents often pay tuition directly to a college because it helps move more money out of their estate without being subject to filing a gift tax return.

If a large check appears at the college registrar's office, funds that have not been listed on the FAFSA, the college has the right to consider this untaxed (and undeclared) student income. This will significantly reduce the student's eligibility for aid.

Cash support is counted as untaxed student income in the financial aid calculations, and students are expected to contribute up to 50 cents for every dollar of income toward college bills (after an income-protection allowance). Some colleges will treat such payments as a "resource" because they are restricted to tuition, in which case the payments can reduce a student's eligibility for need-based aid dollar for dollar.

12. Foregoing Professional Advice

Most people wouldn't enter a courtroom without a lawyer. Yet, many think nothing of making their biggest and most important investment without professional advice.

Some parents believe that they can rely on their child's high school, internet research, CPA, or friends and family who already have children in college to provide all they need to know about planning for college. All of these resources may be good places to start gathering information, but they will not provide the depth of knowledge and customization necessary for your family to reach the best outcome. These families routinely end up with added stress and an outcome of paying more than they had to for college.

A Certified College Planning Specialist (CCPS) has been trained to identify the most effective methods to obtain the college funding that aligns with your family's goals, income and lifestyle.

A Certified College Planning Specialist (CCPS) has also trained to identify the most economically advantageous and tax-efficient methods to save and pay for both college and retirement.