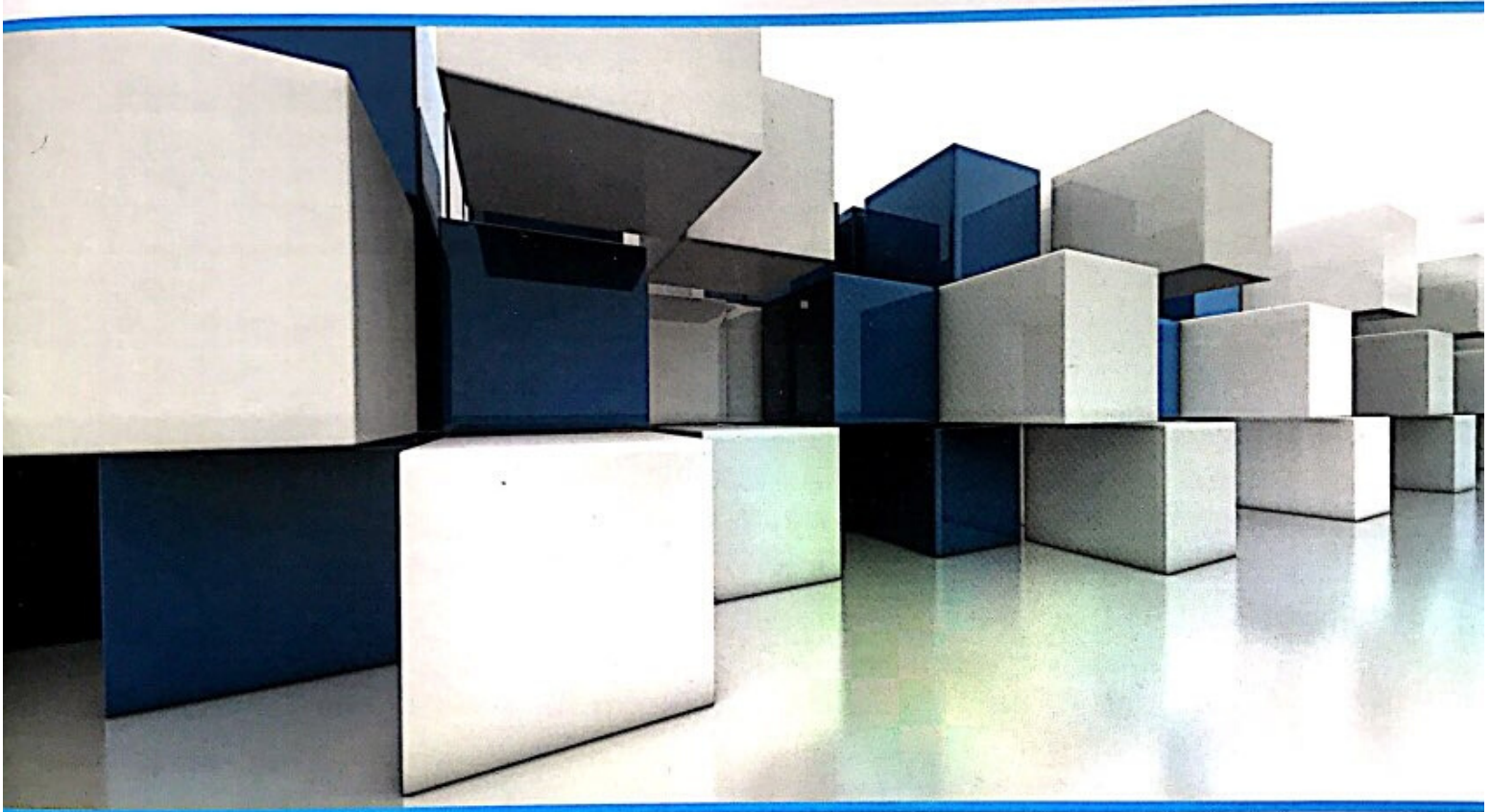


The Truth About Financial Aid and Paying for College

Building blocks for a successful college funding plan

Including...

Top college funding myths you need to know before your child falls in love with a college!



VALARK
Financial Services

750 Main Street Suite 400
Hartford, CT 06103
860.218.2048 | www.Valark.com

School Year 2019 - 2020
V2

Welcome!

Meeting you where you are

Parenting a teen is quite an adventure. You have successfully navigated all the successes and trials of parenting little ones, and then suddenly you have a teenager. They experience so many different phases and stages that on some days it makes the days of raising toddlers seem easy.

The world is opening up to them as they plan for their future. There are so many new, exciting milestones ahead. Your child is transforming before your eyes into a young adult ready to take on the world.

Where will their dreams lead them?

You are so proud of what they have accomplished and you want to help them attend the college of their dreams.

You might also be wondering if the planning and saving you have done so far will be enough. Are you on the right track? Will there be a funding shortfall? How much financial aid will they be eligible to receive? How can you help them make the right choices about their future?

College always seemed so far off, the years have flown by and now here you are, facing that big transition. Maybe, over the years, you have been offered conflicting opinions about paying for college.

Have you heard that money you worked hard to save will count against you when it's time to apply for financial aid? Were you told to hide all your money under a mattress and then you would receive enough "free" money for your child to attend college?

Conflicting advice leads to lots of confusion about the best way to approach college funding. Many families expect to receive more "free" financial aid than what is likely for them to receive.

All of this leads them to where you are right now, with lots of questions, and needing to complete their plan for college funding.

Bringing your child (along with you) into reality

Junior and Senior year brings a chance for much celebration and also a long to do list for future planning.

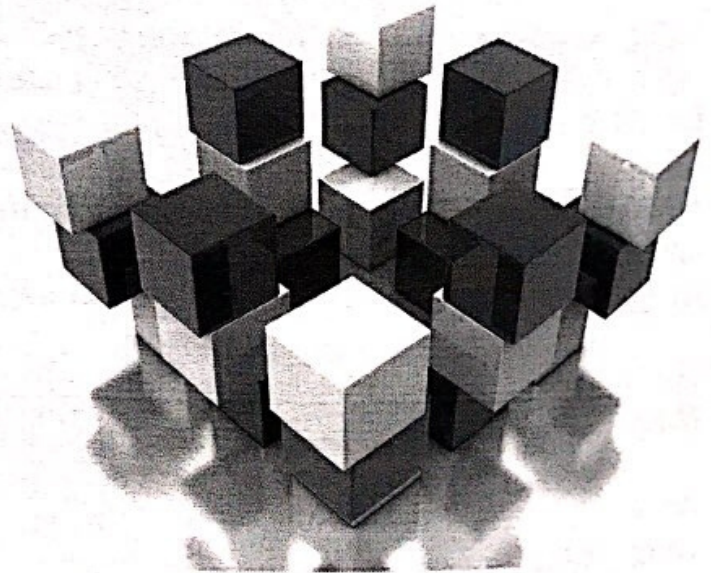
Your child is squarely in the sights of every college recruiter's aim. Your mailbox is full of college brochures everyday. They are being inundated with marketing emails, brochures, letters and even phone calls from all the schools.

The colleges' "one message" is that their school, regardless of the cost, is a great place for your child. Their message is full of promises of money, of the right "experience," of the best name brand program, and of a successful future based on choosing their school.

Students have done their work through high school, and many believe they *deserve* the best college experience. They look at the stack of brochures from their mail pile, and they see themselves attending class in those picturesque buildings, sprawled out studying on the manicured lawns, cheering with new friends at the big game... just living a carefree college life.

But rarely do they understand the financial implications of the experience they are being sold. Often there is a disconnect between the expectations of college and the reality of college from both students and parents.

If you are starting to feel a bit of stress about paying for college right now, then that just means you're normal!



Myth

Many families believe that assets count more than income when it comes to qualifying for "free" money for college.

Truth

The college funding problem families face actually has less to do with what they have saved, but more to do with how much they earn.

How do colleges and funding agencies work with families in so many different circumstances? The concept of the "Income Hot Zone" will help you see where your family fits in relation to all the others applying for the limited amounts of "free" money available.

What is the Income Hot Zone?

Regardless of the financial advice families have received until this point about saving or not saving for college, **the college funding problem they face has less to do with what they have saved, and more to do with how much they earn.**

The "Income Hot Zone" is the income range that exists between \$60K- over \$120K per year of joint household income. Understanding where your family falls is the critical first step in determining which strategy you should follow for financial aid and college planning purposes.

| Joint Household Income Annual | Financial Aid Expected Outcome |
|--------------------------------------|---|
| Approximately \$60,000 | Will likely qualify for the vast majority of "free" or grant monies available. |

| | |
|---------------------|---|
| \$60K-\$120K | Might be able to increase chances of receiving some level of "free money / grants" as a portion of a total financial aid package (which includes loans) by moving assets around. |
| Over \$120K | Will likely qualify for "Basic Package" only. Stafford loan and work study (Merit Dollars) from schools themselves may be additional. |

Expected Family Contribution (EFC)... defined

Upon completing paperwork such as the FAFSA or CSS Profile (more info on those later), you will receive a report with a number called your Expected Family Contribution (EFC). This is the magic number that says what the U.S. Government feels you can afford to pay for college expenses each year.

All financial aid decisions and packages offered from the colleges stem from this number.

Be aware that most families find that they disagree with what the EFC the FAFSA generates for their household. Typical families in the Income Hot Zone of \$120K+ self report they can afford to pay \$5,000 per year but actually receive an EFC of \$25,000. (More on how to close this gap later on.)

To give you a basic understanding of what to generally expect, the below table illustrates the EFC as it relates to Combined Household Income and Assets (excluding primary residence and retirement accounts). *Please keep in mind that all households have different factors involved in their financial picture, and this table is only a general overview and not meant to be a financial advice or an estimate.*

Please visit <https://studentaid.ed.gov/sa/fafsa/estimate> to complete your own estimate.

Sample Expected Family Contribution (EFC)

*Sample EFCs based on income and assets to be used only as a general guide.
Notice that income, not assets, has the largest impact on a family's EFC.
 Calculate yours at <https://studentaid.ed.gov/sa/fafsa/estimate>

Assets (excluding primary residence and retirement accounts)

| Combined Household Income | \$0 | \$25,000 | \$50,000 | \$75,000 | \$100,000 | \$150,000 | \$200,000 | \$250,000 | \$300,000 |
|---------------------------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| \$50,000 | \$0 | \$285 | \$945 | \$1,605 | \$2,265 | \$3,585 | \$5,135 | \$7,035 | \$9,423 |
| \$75,000 | \$3,916 | \$4,318 | \$5,127 | \$6,005 | \$7,025 | \$9,409 | \$12,229 | \$15,049 | \$17,869 |
| \$100,000 | \$9,884 | \$10,640 | \$12,050 | \$13,460 | \$14,870 | \$17,690 | \$20,510 | \$23,330 | \$26,150 |
| \$125,000 | \$17,576 | \$18,332 | \$19,742 | \$21,152 | \$22,562 | \$25,382 | \$28,202 | \$31,022 | \$33,842 |
| \$150,000 | \$25,312 | \$26,068 | \$27,478 | \$28,888 | \$30,298 | \$33,118 | \$35,938 | \$38,758 | \$41,578 |
| \$175,000 | \$33,102 | \$33,858 | \$35,268 | \$36,678 | \$38,088 | \$40,908 | \$43,728 | \$46,548 | \$49,368 |
| \$200,000 | \$40,744 | \$41,499 | \$42,909 | \$44,319 | \$45,729 | \$48,549 | \$51,369 | \$55,189 | \$57,009 |
| \$225,000 | \$48,093 | \$48,849 | \$50,259 | \$51,669 | \$53,079 | \$55,899 | \$58,719 | \$61,539 | \$64,359 |
| \$250,000 | \$55,443 | \$56,199 | \$57,609 | \$59,019 | \$60,429 | \$63,249 | \$66,069 | \$68,889 | \$71,709 |

Myth

The Federal Financial Aid System is meant to give all families as much free money they need.

Truth

The Financial Aid system was never designed to support the high cost of expensive colleges.

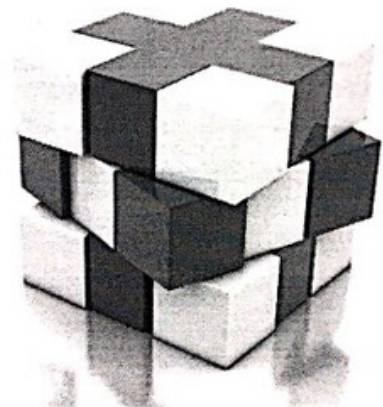
An Overview of Financial Aid:

Below is a listing of the various forms of financial aid that can be available to students. Not all students will qualify for each type of aid, and note that only the top "Grants" section is "free money."

Most families have a tendency to approach the following information without an understanding of how to apply it to their unique situation. Please read the notes to understand which aid types for which your student might be eligible.

Grants, Work-Study, Loans and Scholarships

For additional information on all types of Financial Aid, please visit <https://studentaid.ed.gov/sa/types>



Types of Financial Aid: Grants, Work-Study and Loans

Program
and Type of Aid

Eligibility
and Program Information

Annual Award Amounts
(subject to change)

GRANTS: Money that does not have to be repaid. "FREE" Money!

For more info, visit <https://studentaid.ed.gov/sa/types/grants-scholarships>
<https://studentaid.ed.gov/sa/sites/default/files/federal-grant-programs.pdf>

**The \$60K and below income category will have the most likely chances of receiving Grant aid.*

**Federal Pell
Grant**

-For undergraduate students
(who have not earned a bachelor's or
professional degree) demonstrating
exceptional financial need

**Up to \$6,195 for the
2019-20 award year**

- Lifetime eligibility is 12 semesters (roughly 6 years)

Federal Supplemental Educational Opportunity Grant (FSEOG)

- For undergraduates demonstrating exceptional financial need.
- Federal Pell Grant recipients receive first priority.
- Must meet application deadline at the school, funds are available through the school (not all schools participate).

Up to
\$4,000 a year

WORK-STUDY: Earning money that does not have to be repaid while attending school.
For more info, visit <https://studentaid.ed.gov/sa/types/work-study>

- *The \$60K and below income category will have the most likely chances of receiving Work Study aid.
- *It is also possible for the \$60-\$120K and the \$120K + income category to qualify.
- *If not awarded the opportunity to earn Work Study aid, it is possible to appeal this decision with the college.

Federal Work Study

- For undergraduate and graduate students demonstrating financial need.
- Part-time employment on or off campus during the school year.
- Administered by schools that participate in the Federal Work-Study program.

Can earn up to your award amount.
This depends on

- when you apply
- your financial need
- school's funding availability.

LOANS: Money borrowed while attending school that does have to be repaid with interest.
For more info, visit <https://studentaid.ed.gov/sa/types/loans>
<https://studentaid.ed.gov/sa/sites/default/files/federal-loan-programs.pdf>

*All income categories will be offered the basic package for Federal Stafford loans.

Direct Subsidized Loans

- For undergraduate students with demonstrated financial need.
- School determines how much you can borrow.
- US Dept. of Education pays interest while student is in school (at least half time) and for 6 months after leaving school.

-Total loan value for first year students can be \$5,500, with no more than \$3,500 being subsidized.

- Amounts increase each year in college.
- Interest rates for loans first disbursed 7/1/19 and before 7/1/20 for sub or unsub loans, and fixed for the life of the loan:
 - =4.53% for undergraduate students
 - =6.08% for graduate or professional students.

Direct Unsubsidized Loans

- For undergraduate students with demonstrated financial need.
- School determines how much you can borrow.
- Student is responsible for the interest payments the moment the loan begins.

Types of Financial Aid: Grants, Work-Study and Loans

SCHOLARSHIPS: Money that does not have to be repaid.

**All students have the opportunity to apply for various local and school based scholarships. These can be based on merit or talent. It is the students' responsibility to find these opportunities, fill out the applications and meet the deadlines in order to be considered. Some scholarships are renewable from year to year.*

| | |
|---------------|--|
| Local | Information regarding local scholarships can be found through the High School counselor's office and on-line. |
| School | Colleges offer various scholarships. Information about them can be found during the admission process, usually in the acceptance letter and letter from financial aid. |

As you can see from the above tables, the majority of "financial aid" that students will receive will come in the form of loans. Many families enter this process having high expectations, but low chances of receiving free financial aid money.

Repeated for emphasis: "Financial aid" is a terrible word to describe what families receive, since the majority of what they are receiving falls under the category of a "loan package."

Starting the discussion early

The first step to prepare your child for a future with minimal student loans happens before they even begin the application process. Start helping them understand the difference between college success vs seeking a "name brand" education.

Discussing their future goals and earning potential while considering how much student loan debt they may be accruing will help them have ownership of the decision. Do some projected salary research for their chosen field, divided into monthly income minus sample expenses. Calculate a monthly student loan payment by doing a little math for a ballpark idea of what to expect for a future monthly payment:

Estimated loan payments after graduation

One of the issues we sometimes face is that students have NO IDEA what \$80,000 dollars of student loans means! But they DO know what \$800 a month of loan payment means. So, when you chat with your students about how much debt they will be taking on, DON'T phrase it in terms of the total dollar amount, phrase it instead in terms of how much their monthly loan payment will be.

We've developed a handy thumbnail formula that can help with this. Take what ever the total student loan amount will be and divide it by 100. The result will be pretty close to what your monthly payment will be. So yes! \$80k of total loan will lead to about \$800 per month of loan payment after graduation.

A frank discussion about how much you plan to contribute on a monthly or yearly basis will help them to put these numbers together to see the whole picture.

Sitting down and looking at real costs for various schools and reviewing all the options such as:

- consider schools at a greater distance from home that may be less expensive due to lower cost of living
- looking at schools closer to home and consider commuting
- consider schools that are “academically safe” i.e. those that you are very sure your child will be accepted to, and also have a good chance to receive some merit scholarships
- consider schools that are “financially safe” i.e. maybe not your child’s first choice school, but one that you are sure you can pay for in case other aid money or scholarships don’t come through for their number one choice

FAFSA

Next you’ll need to fill out the Free Application for Federal Student Aid (FAFSA). This is a requirement for every college student, and must be completed every year. It’s available on October 1 for the upcoming school year.

Myth

The FAFSA is an application to receive “free” money.

Truth

The FAFSA is an assessment to measure how much your family can afford to pay for college.

This is a relatively easy form to complete, once you gather your financial papers and tax return from the previous year. There is no charge to complete this form.

Go to <https://studentaid.ed.gov/sa/fafsa> to begin.

Once completed, you will choose the schools to which your child is applying and they will automatically receive your financial report which contains your Estimated Family Contribution.

Although this might sound scary, just complete the FAFSA in October when it comes available. Especially if this is your first child going to college, learning your EFC, early on will arm you with information you need to proceed with a realistic plan for “college shopping” and applications.

Ready to fill out the FAFSA?

- You and your child will each need to register for your own individual FAFSA ID.

Here are the documents you will need to gather to make the process as painless as possible:

- Social Security number for parents and child
- Driver's License number
- Alien registration number if you are not a U.S. Citizen
- Federal tax information or tax returns (if you filed electronically, the FAFSA can pull your info in automatically)
- W-2 information for child and parents
- Records for untaxed income (child support, interest, or veterans noneducation benefits)
- Information on cash (checking and savings balances) - estimate to the average amounts
- Information for investments including stocks, bonds and real estate (not including primary residence)
- Business or farm assets

CSS Profile

So you thought you were done filling out forms, did you? If your child has a more elite school in mind, then you might have the privilege of completing another set of financial forms.

The CSS Profile is not required by every college, but a lot of private schools will utilize this form. It examines a more in depth financial picture and considers items the FAFSA did not. Be prepared to spend a fair amount of time on the CSS, and also have your credit card ready, as there is a fee of \$25 to complete it and send it to the first school, and an additional fee of \$16 for each additional school added.

- You will need to register for and use a student College Board account.

Where does the money come from?

The FAFSA and CSS people are not the same people that bestow the money on those they deem worthy of receiving it, they are simply tools for measuring need. Once your child has applied to the schools of their choice, they will receive a letter from the school stating their acceptance (or their blessing for your future elsewhere).

A few weeks later (by April), the Financial Aid Office from the various schools that accepted your child will send a letter with the financial aid package information. **Note that some schools will send this information via email to your child - not to you.* Just another thing to add to your to do list for your striving-for-independence young adult – remind them to check their email and share the information with you!

Rosie: Lower Income Range Offer Letter

Rosie will most likely be pleasantly surprised. She will see that her EFC number will correctly show that her child has a high financial need and will require assistance to attend school. Those within her income range (less than \$60,000 per year) will likely be awarded enough grants or work study to meet their financial need to attend a community based or small state school.

Here is an example of what an offer letter might look like for someone with a similar income range at align priced schools, in this example St. Joseph's College in West Hartford, CT.

Dear Rosie,

Your request for assistance has been carefully reviewed and we are pleased to provide you with the following sources of financial aid for the upcoming school year:

| Source: | Fall Semester: | Spring Semester: | Total: |
|-----------------------------------|----------------|------------------|---------------|
| College Award | 6,500 | 6,500 | 13,000 |
| Federal Pell Grant | 1,450 | 1,450 | 2,900 |
| Federal ACG Grant | 650 | 650 | 1,300 |
| Federal SEOG Grant | 250 | 250 | 500 |
| College Grant | 1,550 | 1,550 | 3,100 |
| CT Independent College Grant | 2,000 | 2,000 | 4,000 |
| Direct Subsidized Stafford Loan | 2,250 | 2,250 | 4,500 |
| Direct Unsubsidized Stafford Loan | 1,000 | 1,000 | 2,000 |
| Total Awards | 15,650 | 15,650 | 31,300 |

Below are the financial totals for the Cost of that school and the shortfall Rosie will need to absorb for each semester.

| | | | |
|---|--------------|--------------|--------------|
| Total Cost of Attendance (COA) | 20,105 | 20,105 | 40,210 |
| Less grant totals from offer letter | 12,400 | 12,400 | 24,800 |
| Less loan totals from offer letter | 3,250 | 3,250 | 6,500 |
| Total awards | 15,650 | 15,650 | 31,300 |
| Funding shortfall to be funded by family | 4,455 | 4,455 | 8,910 |

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A Tale of three Families - Which one is yours?

Let's begin by sharing some stories you might be able to relate to so you can understand the possibilities of what the next year of college preparations might bring.

Meet Rosie, a single mom.

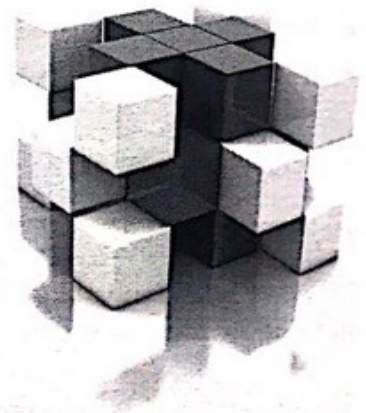
- Earns \$50,000 per year between her two jobs
- She has 2 children
- Just able to make ends meet every month
- She is not sure how she will find the money to pay for college

Next, meet John and his wife Emma.

- Their household income is \$85,000
- They have 3 children
- They live in a blue collar town with decent schools
- Not much college savings
- Hopeful to qualify for need-based financial awards

Lastly, meet Mary and Tim.

- Household income of \$170,000
- They have 3 children
- On paper, their income looks great
- Lives in an affluent community with a top school district
- Has savings for retirement and college, but not sure if its enough or in the right place
- Although they might think their family will be eligible to receive "free" financial aid, the colleges will not necessarily agree.



All three families work hard and want what's best for their child's future. They all have their hopes set on receiving as much "free" financial aid as possible. What can they really expect? Upon filling out the FAFSA, and receiving some acceptances and financial aid packages:

Some applicants might be eligible for a Simplified Version of the FAFSA, which benefits low income students and families.

There are two versions of the Simplified FAFSA eligible to low income students:

- The **Simplified Needs Test** disregards all assets if the parents' adjusted gross income is below \$50,000.
- The **Auto-Zero Estimated Family Contribution** automatically sets the household's EFC to zero if the adjusted gross income is below \$24,000.

In both cases, parents must also have filed, or were eligible to file, a tax form 1040A or 1040EZ. Dependent students gain eligibility based on their parents' income. Independent students gain eligibility based on their income (and their spouse, if applicable).

In order to attend this school, a total of $\$6,500 \times 4 \text{ years} = \$26,000$ of student loans divided by 100 is $\$260$ of loan payment per month for her child after graduation.

The funding shortfall can be met by the family by using a combination of the stacking strategies described in the final section of this book.

- An acceptance letter from a similar school in this example Northeastern in Boston, MA would look like this:

Dear Rosie,

We have calculated your tentative offer of Financial Assistance for the upcoming school year based on your financial need as demonstrated in the FAFSA and CSS/ Profile as well as your academic performance.

| Source: | Fall Semester: | Spring Semester: | Total: |
|---|----------------|------------------|---------------|
| University Grant | 8,450 | 8,450 | 16,900 |
| Federal Pell Grant | 1,900 | 1,900 | 3,800 |
| Federal SEOG Grant | 1,500 | 1,500 | 3,000 |
| Federal Work-Study Program | 1,100 | 1,100 | 2,200 |
| Federal Direct Subsidized Stafford Loan | 1,750 | 1,750 | 3,500 |
| Federal Direct Unsubsidized Stafford Loan | 1,000 | 1,000 | 2,000 |
| Federal Perkins Loan | 1,000 | 1,000 | 2,000 |
| Total Awards | 16,700 | 16,700 | 33,400 |

Below are the financial totals for the Cost of that school and the shortfall Rosie will need to absorb for each semester.

| | | | |
|---|---------------|---------------|---------------|
| Total Cost of Attendance (COA) | 28,033 | 28,033 | 56,066 |
| Less grant totals from offer letter | 11,850 | 11,850 | 23,700 |
| Less work study totals from offer letter | 1,100 | 1,100 | 2,200 |
| Less loan totals from offer letter | 3,750 | 3,750 | 7,500 |
| Total award | 16,700 | 16,700 | 33,400 |
| Funding shortfall to be funded by family | 11,333 | 11,333 | 22,666 |

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In order to attend this school, a total of \$7,500 x 4 years = \$30,000 of student loans divided by 100 becomes \$300 of loan payment per month for her child after graduation.

The funding shortfall could potentially be met by the family using a combination of the stacking strategies described in the final section of this book.

John and Emma: Mid-Range Income Offer Letter

John and Emma, with an annual income over \$60,000 and less than \$100,000 might be found eligible to receive some grant assistance. People within this income range will usually receive a package with a mixture of loans, maybe some work study and some grants.

There will likely be a gap between what they can afford and the EFC the Government has decided they can afford. The offer might include a significant amount of "unmet need," which is the amount between the EFC and the total Cost of Attendance. "Unmet need" is typically filled with the parent (PLUS) loan.

Here is the offer letter they received from UConn in Storrs, CT.

Dear John and Emma,

We have reviewed your financial information from the FAFSA and have determined your eligibility for financial aid for the upcoming school year.

We are pleased to offer you this package:

| Source: | Fall Semester: | Spring Semester: | Total: |
|---|----------------|------------------|---------------|
| Perkins Federal Loan | 370 | 370 | 740 |
| Federal Direct Subsidized Stafford Loan | 2,250 | 2,250 | 4,500 |
| Federal Direct Unsubsidized Stafford Loan | 1,000 | 1,000 | 2,000 |
| Parent (PLUS) Loan Eligibility | 9,179 | 9,179 | 18,358 |
| Total Awards | 12,799 | 12,799 | 25,598 |

Below are the financial totals for the cost of that school and the shortfall John and Emma will need to absorb for each semester.

| | | | |
|---|--------------|--------------|--------------|
| Total Cost of Attendance (COA) | 15,242 | 15,242 | 30,484 |
| Less grant totals from offer letter | 12,799 | 12,799 | 25,598 |
| Total award | 12,799 | 12,799 | 25,598 |
| Funding shortfall to be funded by family | 2,443 | 2,443 | 4,886 |

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In order to attend this school, a total of $\$7,240 \times 4 \text{ years} = \$28,960$ of student loans divided by 100 is $\$289.60$ of loan payment per month for their child after graduation.

Additionally, if this package is accepted as is, John and Emma will take on $\$18,358 \times 4 \text{ years} = \$73,432$ of parent loans, not even counting the $\$4,886$ per year funding shortfall. This could put their retirement as well as the college education of subsequent children into serious jeopardy.

Mary and Tim: Upper Income Range Offer Letter

Mary and Tim will have somewhat of a surprise when they receive their EFC. Their income of over $\$120,000$ per year will leave them in great shape to pay for the cost of their child's college (so the government has decided). Their EFC will be somewhere in the range of $\$25,000$ per year, whether they agree with that figure or not. What they will most likely see as far as "financial aid" goes will be mostly loans. There may also be a gap between their offer and what they can afford to pay.

Here are examples of their college financial letters: First from University of New Haven in CT.

Dear Mary and Tim,

The Financial Aid Office has reviewed your financial aid application, and we are pleased to offer you the following financial aid package:

| Source: | Fall Semester: | Spring Semester: | Total: |
|---|----------------|------------------|---------------|
| Presidential Scholarship | 10,000 | 10,000 | 20,000 |
| Federal Direct Subsidized Stafford Loan | 1,750 | 1,750 | 3,500 |
| Federal Direct Unsubsidized Stafford Loan | 1,000 | 1,000 | 2,000 |
| Total Awards | 12,750 | 12,750 | 25,500 |

Below are the financial totals for the cost of that school and the shortfall Mary and Tim will need to absorb for each semester.

| | | | |
|---|--------------|--------------|---------------|
| Total Cost of Attendance (COA) | 20,970 | 20,970 | 41,940 |
| Less scholarship totals from offer letter | 10,000 | 10,000 | 20,000 |
| Less loan totals from offer letter | 2,750 | 2,750 | 5,500 |
| Total award | 12,750 | 12,750 | 25,500 |
| Funding shortfall to be funded by family | 8,220 | 8,220 | 16,440 |

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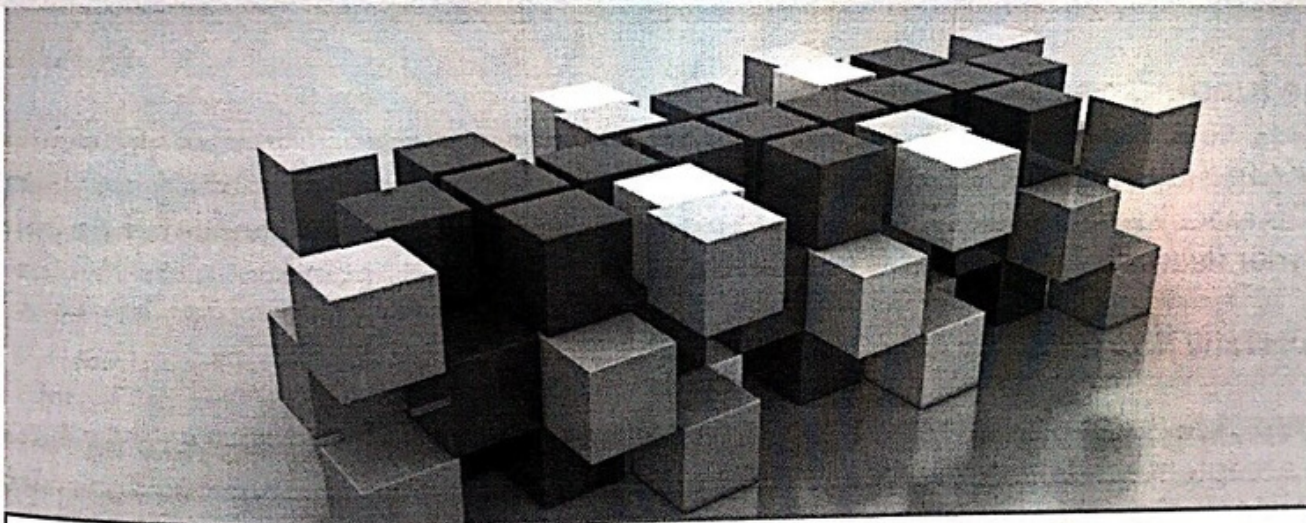
In order to attend this school, a total of $\$5,500 \times 4 \text{ years} = \$22,000$ of student loans divided by 100 becomes $\$220$ of loan payment per month for their child after graduation.

The funding shortfall can be met by the family by using a combination of the stacking strategies described in the final section of this book.

Their child also received an offer letter from another school, Northeastern in Boston, MA see below for the financial aid package information:

Financial Aid Summary:

| Source: | Fall Semester: | Spring Semester: | Total: |
|---|----------------|------------------|---------------|
| University Grants and Scholarships | 14,000 | 14,000 | 28,000 |
| Federal Direct Unsubsidized Stafford Loan | 2,750 | 2,750 | 5,500 |
| Total Awards | 16,750 | 16,750 | 33,500 |



Below are the financial totals for the cost of that school and the shortfall Mary and Tim will need to absorb for each semester.

| | | | |
|---|---------------|---------------|---------------|
| Total Cost of Attendance (COA) | 33,800 | 33,800 | 67,600 |
| Less scholarship totals from offer letter | 14,000 | 14,000 | 28,000 |
| Less loan totals from offer letter | 2,750 | 2,750 | 5,500 |
| Total awards | 16,750 | 16,750 | 33,500 |
| Funding shortfall to be funded by family | 17,050 | 17,050 | 34,100 |

Examples provided are for illustration purposes only and may not be representative of all scenarios. Opinions expressed are believed to be reliable but cannot be guaranteed. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing.

In order to attend this school, a total of $\$5,500 \times 4 \text{ years} = \$22,000$ of student loans divided by 100 is $\$220$ of loan payment per month for their child after graduation.

The funding shortfall can be met by the family by using a combination of the stacking strategies described in the final section of this book. Depending on the amount determined as their EFC, Mary and Tim may or may not be able to cover the funding shortfall.

Financial Aid Package = Loan Package

Now that you see what an offer letter and financial package looks like, the next myth will make more sense.

Myth

The financial aid package that every student will receive will include a lot of "free" grant money.

Truth

The term "financial aid package" misrepresents what it actually is... it could more correctly be called the "loan package."

The funding gap and how to fill it

The gap between the Cost of Attendance, the financial need, and even the gap within the EFC is exactly what families fear. But keep reading! We have several strategies to help you roll up your sleeves and see just how you can approach this gap.

Appeal and negotiation process

Some schools will be able to add more to their initial offer letter as the days come closer to the acceptance deadline. One strategy for accessing this money is to write an appeal letter and negotiate for a larger award.

You will need to have a valid reason for requesting more award money. Reasons may include:

- Demonstrated unmet need from the original offer letter
- Unrecognized achievement earned by the student
- Unusual circumstances such as a job change, health or family situation
- Competition between schools

Not all schools have the ability to increase their award, but it doesn't hurt to try.

The Stacking Solution

Myth

You are too late to make a meaningful investment into your child's college education.

Truth

You are never too late! Even though a college education can be one of the biggest investments your family will make, there are many small strategies you can put in place. Working with your child to make a smart decision about where they attend school is the first step. Then, stacking lots of small solutions into one larger solution and allowing them to work together will be your best solution.

This is the same approach you might use for any large project or goal, just pick one and start from there, and then work to stack more strategies into your plan. Together, these will go a long way toward closing any funding gaps.

Cash Flow

Your monthly income is your best tool you have to help you pay for college. Look at that number as early as possible, and start making small changes now. A few ideas are:

- reduce 401k contributions to the company match
- reduce debt payments to the minimum
- reduce discretionary expenses
- convert hobby to a business
- capture student work income
- start putting aside money each month NOW so you can stack up some money before you start making the college payments
 - Consider saving \$400 per month from the beginning of your child's Freshman year in High School. Just this alone could save up to \$20,000 by the time the first college bill arrives. This, in conjunction with student work income, and possible merit or talent scholarships and the minimum Stafford loan, could cover the cost for a modestly priced State level school.
 - Rebudgeting to contribute \$1000 per month at the moment college begins can allow you to cash flow the cost of college up to \$48,000. Adding the minimum Stafford loans as well as merit or talent scholarships increases the possibilities even more.
- Create an education cash flow model to help you realistically forecast college expenses for all of your children.

529 Plans

Connecticut Higher Education Trust Program (CHET), is the 529 plan for CT. Residents receive a tax deduction of \$5,000 (\$10,000 for taxpayers filing jointly) for the contribution year.

Federal Stafford Loan

The financial aid letter from the college might include an offer for a Federal Stafford Loan. A portion of it will be subsidized, which means the US Department of Education will pay the interest while your child is in school and for a grace period after graduation. The unsubsidized Stafford loan means that your child will be paying the interest right away.

The Stafford loan typically has low and fixed interest rates (4.53% for undergraduates for 2019-20 school year). Each year a student is eligible, the loan amount may increase slightly. The Basic Stafford loan package is \$5,500 per year.

CHESLA

Connecticut Higher Education Student Loan Authority (CHESLA) offers supplemental higher education loans for students in CT. CHESLA offers a low interest rate of 5.15% for the 2019-20 school year, and a low monthly payment, which begins 6 months after school ends. You can learn more about CHESLA at www.chesla.org.

Scholarships

Scholarships can be a significant source of "free" funding for college. After applying to colleges at the end of the fall and early in the year, the winter and early spring months of your child's Senior year will be busy with scholarship applications.

The deadlines come fast, and yes, there will be essays to write for many of the applications. No, your child will not feel they have time for "one more thing!" Preparing one or two essays they can tailor to fit for different scholarship application questions will help.

This is absolutely worth their time! High School Counselors, local organizations or extra curricular organizations all will have scholarship applications available. Students should make a habit of stopping by frequently to find new applications.

Colleges also award scholarships based on merit or talent. This information will come in the financial aid award letter. Don't forget to appeal for more!

Recategorize Roth

Consider using Roth dollars to pay for college. There may be some tax advantages to do so, especially if the proceeds are filtered through an in-state 529 plan.

Consider raiding IRA or 401k balances

While generally not recommended, sometimes in a pinch withdrawing funds from retirement accounts can close a financial gap. The 10% penalty can be waived, but regular taxes will still apply. Your retirement plan should also be updated to make sure you didn't withdraw too much, that it affects your ability to retire!

State Sponsored Assistance

States sometimes offer state specific college support through grants or scholarships. Information would be available through the High School guidance office or an online search.

Local support / family stakeholders

It takes a village to raise a child. Are you lucky enough to have a village who might be able to contribute toward their college education?

Let grandparents, aunts, uncles, and any other support system you may have know about your child's plans for their future. Instead of purchasing another gift, they might decide to start contributing a bit toward their college education. Every little bit helps and can stack up to help your child meet their educational goals!

As you prepare to build your plan...

As with anything in parenting, there are always many, many different ways to meet your goals. The Stacking Solution provides you not only a variety of options but also hope for being able to manage piecing together the college funding solution for supporting your child the best way you can.

It seems that every major transition period also attracts opinions (both solicited and unsolicited) of anyone who has been through it before. Each family is in a different situation, and each family will approach the road to college admissions and funding in their own way.

Keeping your sense of humor, an open mind, and an eye out for opportunities will help you blaze your own path in supporting your child. Regardless of your income level, how much you have or haven't saved, or where your child's dreams are leading them... maintaining a positive and supportive relationship through these transition years will be one of the most important investments you can make as they ready themselves to launch into their future.

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