



# *How to Reduce* the Cost of College

*A Practical Guide to Mitigate Costs  
Associated with Earning a College Degree*

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## Reducing the Cost of College

As with most things in life, once you understand how something works it becomes easy to use. Think about the first time you learned how to drive. The fear of the unknown. The anxiety associated with the mechanical moving parts coupled with laws and cultural rules of the road. It was nothing short of a daunting process for the vast majority of us...until you understood the moving parts. The car became navigable. Rules became second-nature. Driving simply became part of your life subsumed into your day just like any other task.

Understanding how to reduce the cost of college is no different. If you take the time to understand the components in place and use them to your advantage, you will be sure to mitigate costs during your time in college.

Is it worth the time to understand how to reduce the cost of college? Yes! The odds of reducing your college bill are quite high and well worth the time invested for most everyone.

**Fact:** Billions and billions of aid are available for college students.

**Fact:** Nearly 70% of college students receive grants and/or scholarships to attend school with private schools at a 85% rate of aid.

**Fact:** The most deserving students do not always get the most aid. The college students that understand the process best will attain a disproportionate amount of financial aid.

Our goal is to help you understand the process better in an effort to reduce your overall college tab. With that being said, let's get started!



## Finding Money for College

The primary source of grants and scholarships for your college expenses will come from:

- The Federal Government
- State Government
- Private Entities
- Colleges and Universities

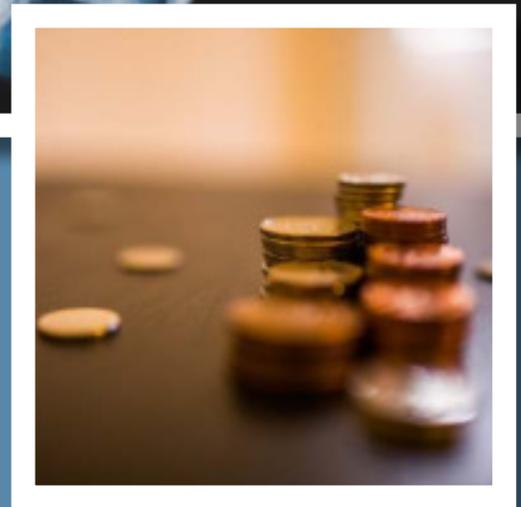
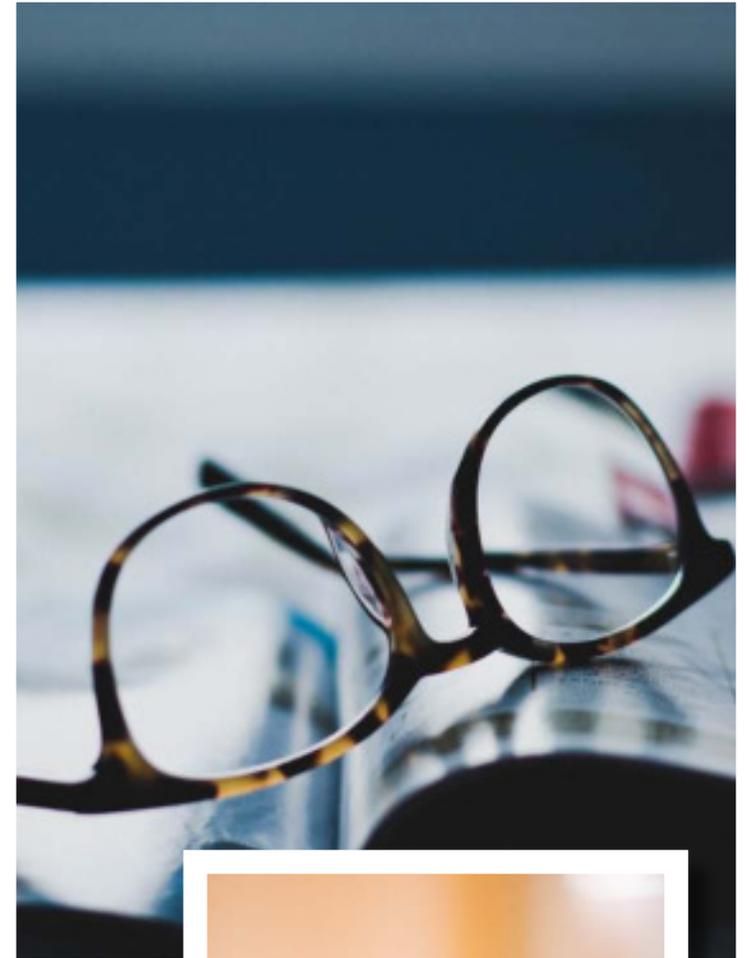
A common misunderstanding by students and parents is that private entities will make up the majority of a student's grants and scholarships. The fact is that most of your aid will come from the federal government and colleges.

In fact, you may be surprised to know that private scholarships make up around 6% of all scholarships granted. The federal government accounts for 44% of all scholarships awarded and colleges are at 36% overall.

**Myth:** Private scholarships will make up most of your financial aid.

- ✓ **Pro Tip:** Most people will waste time in the wrong place to reduce the costs associated with college.
- ✓ **Pro Tip:** The largest source of student aid comes from your college.

**Summary:** Take the time to understand how to make the most of your college experience by maximizing the resources available. Read on to learn how to boost your odds of securing funds from the sources listed above.



## Retail Price for Tuition

Read this carefully: Do not expect to pay the published tuition for college. After reading this guide, you should expect to successfully navigate the process with deft ability to help you pay less than retail price for college.

You should fully expect to obtain some form of financial aid, grants, and/or scholarships to help you pay for college. Smart students rarely pay full price for their college tuition. Instead, they rely on resources available to them to reduce the cost of tuition year over year.

**Retail price versus net price.** The tuition published by a college or university is akin to retail or sticker price. On the other hand, the net price is the published rate less your awarded financial aid, scholarships, and/or grants. You may be shocked to learn some of the most prestigious schools in the country with the highest tuition also offer the best financial aid packages. Net-net, a student getting into an elite, top-tier school may pay the same as a student attending an in-state university after taking into account financial aid.



**Myth:** A student's cost of attending college increases every year

- ✓ **Pro Tip:** The published tuition rate for a college may increase year over year but after netting out aid, the net cost to students has remained relatively flat for some time.
- ✓ **Pro Tip:** Smart students rarely pay full tuition for their college education.
- ✓ **Pro Tip:** Get familiar with a college's net-price calculator found on their website.

**Summary:** Why pay retail when you can earn a reduced price? Be willing to pay the retail price for tuition if you are not willing to learn how to navigate the process.

## Free Money: Grants & Scholarships

It is important to understand public and private colleges are similar in that both types of institutions routinely discount the price of tuition for their students. Reductions in tuition are called grants and scholarships in the world of academia but they are discounts nonetheless.

In a private college, students of all income levels are eligible to receive scholarships and grants. It may come as a surprise to most but the average tuition discount at private universities across the country is 51%. Further, nearly 85% of all students attending a private college received a grant or scholarship of some kind.

Why private colleges and universities provide so much aid to enrolled students? On the surface, it may seem perplexing why private colleges provide aid to such a large percentage of students. The primary reasons they offer aid to students is:

- **Competition:** private schools need to compete with public universities and state schools. Likewise, private schools are competing amongst themselves for talented students to keep on a U.S News & World Report or Forbes 'Best of' list.
- **Perception:** it is a common belief price equals quality. A college with an outrageously expensive rate of tuition must be markedly better than a less expensive college. This artificial inflation gives a more expensive university the ability to heavily discount tuition for the most coveted students.
- **Selectivity:** As a rule of thumb, the more selective the college, the fewer discounts it will provide. Conversely, the less selective a university the more discounts it needs to provide to keep pace.





At public colleges, the discounts are smaller as tuition is less than their private school counterparts. State colleges will discount published tuition for students based on financial need as well as for affluent students. There is an obvious reason to discount tuition for students in need as they may not be able to afford college otherwise; while the reason to discount the tuition for an affluent student is a bit less clear to most.

Much like private universities, the majority of public universities are tethered tightly to a media world that broadcasts an array of 'Best of' lists for prospective college students. Specifically, a state college is bent to attract and retain the best and brightest students that test well and complete their degrees in four years' time. In turn, they are favored by Forbes and U.S. News & World Report in their annual publications reinforcing the self-fulfilling cycle of attracting and retaining the best and brightest.

**How prevalent is aid for public colleges?** According to a recent survey performed by the Education Trust, aid was provided to 50-55% students at public universities. The interesting twist you need to know is that top tier state colleges awarded an average of \$4,158 to students while public colleges in the bottom quintile provided an average of \$4,910 in aid. Net-net, there is not a significant difference from school to school in terms of aid provided.

In a recent survey by the National Association for College Admission Counseling of private and public colleges the following criteria was listed from greatest to least when considering scholarship awards.

## Top Scholarship Criteria for Public Universities

Grades: 83%

SAT/Act Tests: 79%

Class Rank: 47%

Talent: 30%

Athletic Ability: 29%

Legacy Status: 11%

## Top Scholarship Criteria for Private Universities

Grades: 76%

SAT/Act Tests: 74%

Talent: 44%

Class Rank: 40%

Athletic Ability: 20%

Legacy Status: 12%



**Myth:** Grants and scholarships are only offered at private colleges

✓ **Pro Tip:** Nearly 85% of private universities provide aid to students. Do not use published tuition as a deterrent right out of the gate.

✓ **Pro Tip:** Public colleges with a lower tuition does not equate to a lower level of quality.

✓ **Pro Tip:** Find the best school for you. Avoid the pull from big media and set your own criteria for the best college

or university.**Summary:** Public universities offer fewer dollars in aid as tuition is less than their private school counterparts; however, the lofty tuition at private schools is offset by larger aid dollars to compete with public schools.

## Financial Aid Basics

**True or false.** My family makes too much to qualify for college financial aid? In reality, most families are eligible for some form of financial aid. Unfortunately, this myth will persist throughout time as most people refuse to take the time to understand how financial aid really works. Believe it or not, having a large retirement account, substantial equity in your home, and a college savings account will adversely affect financial aid. In most cases, none of the above will detract from your financial aid options. Read on to learn the truth.

**1. Most families qualify for some form of financial aid.** Even for those earning six-figures a year, financial aid is still a viable option for a wide range of accredited colleges and universities.

**2. Financial aid is scaled based on the published tuition.** Meaning, a student may qualify for a small financial aid package at a state school while earning a substantial financial aid package from a more expensive private institution.

**3. You need to understand this equation:  $SN = COA - EFC$ .** What does this mean? Simply put, this is the cost of attendance (**COA**) less your expected family contribution (**EFC**) to figure out student need (**SN**). Since the cost of attending a college is determined by each school and part of their disclosures to each student, we will spend some time to understand your unique EFC.

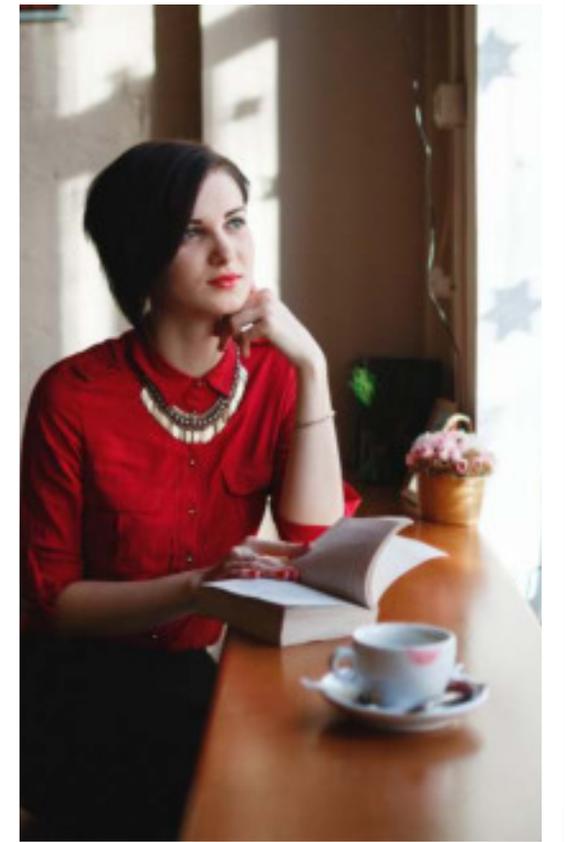
How is the expected family contribution (EFC) calculated? The EFC is comprised of the amount of money your parents can pay from their income and assets plus your contributions from income and savings plus any contributions from a gift that does not have to be repaid. Financial aid should be viewed as a partnership between financial aid providers and a student's family. An EFC can be as low as \$0 vastly increasing your odds of receiving a robust financial aid package. On the other hand, an elevated level of affluence increases your EFC. Determine your family's EFC by setting up a [profile](#) and using the FM & IM formula to keep your school options open. Follow the profile questionnaire to calculate & understand your unique EFC.



**4. Complete a FAFSA.** To be considered for financial aid, a prospective student must complete a FAFSA. A FAFSA stands for Free Application for Federal Student Aid and may be the only application required, depending on the college. Since most schools have moved to digitizing the application process, you can hop online here and complete the form before the deadline. The FAFSA form opens you to the opportunity to receive Pell Grants, Perkins Loans, Federal Direct Loans, Federal Work-Study, state-based grants, and the Federal Supplemental Educational Opportunity Grant program.

Some schools do require a financial aid form specific to the school be completed called the CSS (College Scholarship Service) through the College Board.

Regardless of which forms you need to submit to the college of your choosing, make sure to be diligent about following directions and be specific with your responses. Inaccurate information or missing data will likely have an adverse impact on the speed of processing your application and possibly the amount of aid you receive. It may seem like a lot to digest but it is a necessary step in the process to determine what aid is available for you as you move into this exciting chapter of your life. If you need assistance, your guidance counselor or the Federal Student Aid Information Center (800-4FED-AID) is available to help.



**Myth:** Making too much money automatically disqualifies you from financial aid.

- ✓ **Pro Tip:** Adjust financial aid expectations with each college application. The more expensive the school, the more aid you may receive.
- ✓ **Pro Tip:** Most families will qualify for some form of financial aid, thus reducing your overall cost associated with college.
- ✓ **Pro Tip:** Understand your EFC as early in the process as possible. The more you know about your expected financial contribution the better you can align your college of choice with the reality of attending.
- ✓ **Pro Tip:** Complete a FAFSA in October of your senior year or as soon as you qualify. The earlier the better as more financial aid is available early in the school year.

**Summary:** Calculate your federal and institutional EFC to help determine your net price of attending a particular college. Utilize your EFC in tandem with the school's net price calculator and the college's admission team to determine your expected costs for college. Complete a FAFSA as soon as you/your student qualifies.

## Student Loans

Student loans are not inherently a poor choice for students. We do highly recommend you fully exercise your other primary sources of financial aid and personal assets while using student loans to bridge remaining gaps. Student loans can serve a vital function for many families to help afford college and remain enrolled in college through graduation.

How to be a responsible borrower when it comes to student loans:

- Carefully read all documents. If you need help understanding the terms of a loan program, ask your admissions counselor, trusted advisor, financial advisor, parent, attorney, and/or CPA.
- Track how much you are borrowing and the payments associated with each loan as it/they aggregate. Keep all legal documents in a safe place so they can be referred to later.
- Understand a typical range of salaries for your given profession to ensure you do not overborrow.
- Make all payments on time and in full. It is your responsibility to pay your student loans with or without notification from your loan servicing company.
- Communicate effectively with your loan servicing agency. Make sure they have proper contact information and the terms of the loan match your paperwork.

Unlike the other types of aid mentioned above, a student loan must be repaid (usually with interest). The types of loans vary from private loans to federal student loans to federal parent loans. Most federal student loans are based on need and more information about the types of loans can be found below:

**Perkins Loan:** In terms of student loans, the Perkins Loan is a great loan product. With a low rate of interest (fixed at 5%) and a large loan balance (up to \$5,500 per year for undergraduates and up to \$8,000 per year for graduate students), a Perkins Loan remains a viable loan option for many students.

**Stafford Loan:** A Stafford Loan is another type of loan available to graduate & undergraduate students and must be repaid.





**Subsidized Stafford Loan** - A type of student loan whereby the federal government pays the interest on your behalf while you are attending school, during any deferment periods, as well as during any grace periods.

**Unsubsidized Stafford Loan** - A type of student loan whereby you are responsible for paying interest as it accrues from initial disbursement through the time which the loan is paid in full.

**PLUS Loan:** A loan underwritten by the U.S. Department of Education and made to students and/or parents of undergraduate students to absorb costs associate with college not included in other provided financial aid.

**Private Loan:** Private loans are provided by non-government agencies and will typically come with more onerous interest rates and terms than federal programs. A private loan should be your last resort after all other financial aid and loan programs are fully exercised if and only if the terms of the loan are amenable.

**Myth:** I should consider student loans to finance my college education before all other financial aid options.

- ✓ **Pro Tip:** While not the first option for most students, loans may be a necessary way to bridge your EFC with grants, scholarships, and work-study programs
- ✓ **Pro Tip:** Understand how much you can reasonably borrow given your career track and projected income.
- ✓ **Pro Tip:** Read all documents carefully. Do not sign anything you do not understand.

**Summary:** Our goal is to reduce your costs associated with college so make sure to utilize student loans on an as-needed basis behind other financial aid tools instead of a primary option.

## In-State vs. Out-of-State Schools

If you are as student intending to study in another state, be aware there is a difference in tuition between residents and non-residents. The tuition for in-state universities is often two to three times less expensive than attending a college out-of-state. Quite a deterrent for most students! Here are five tips to help reduce the cost of out-of-state tuition:

**1. Adjacency:** A number of great colleges and universities are located adjacent to another state border. If your college of choice is near another state, simply ask the admissions team if there is a discount for nonresidents in your adjacent state or county.

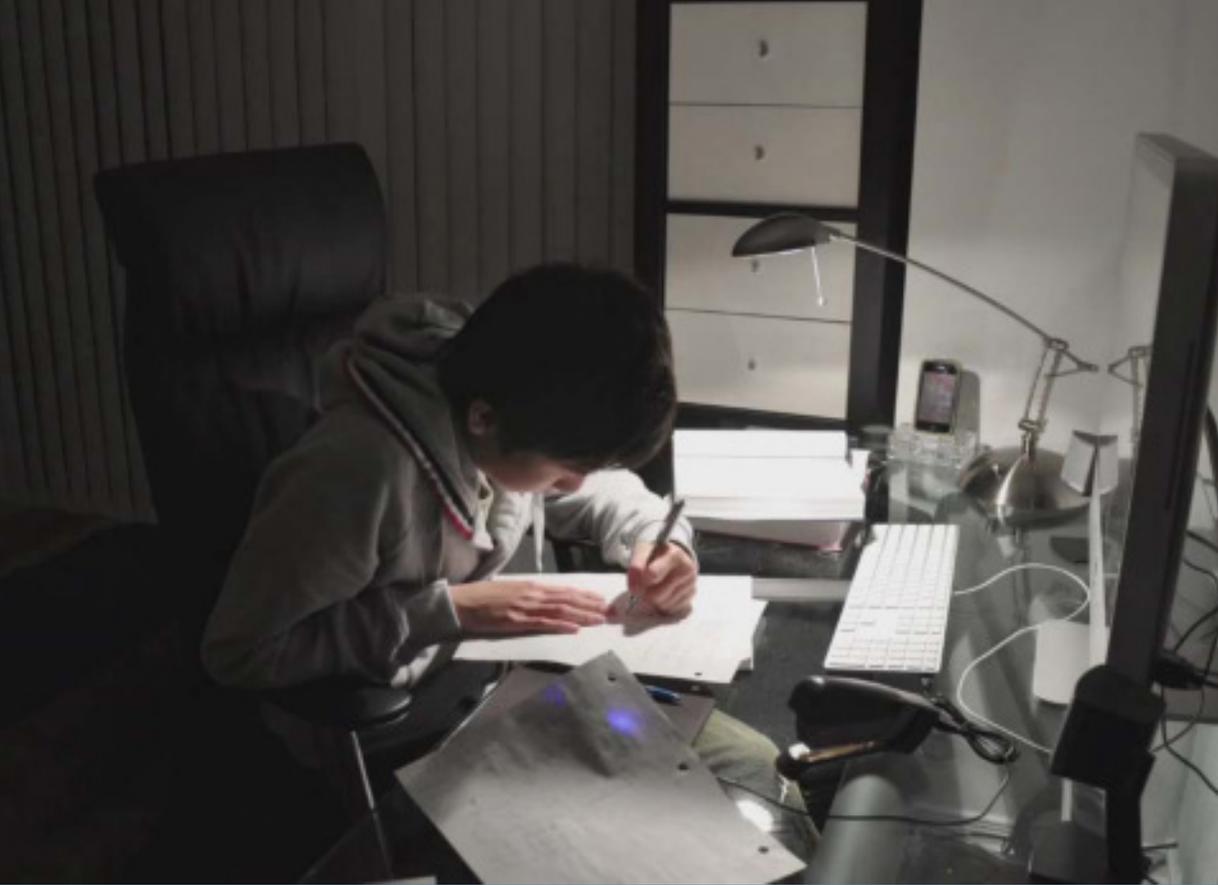
**2. Ask:** The most obvious way to obtain a tuition discount is to simply ask. You would be surprised how often a college or university is willing to discount their tuition based on macro-economic factors. Perhaps a lull in enrollment based on demographic birthrates will motivate admissions to consider discounts at a greater rate than the following year.

**3. Grades:** Your GPA and test scores may qualify you for an additional tuition discount and/or an acceptance notification from a great school. If your grades and test scores are top-tier, be sure to ask for additional aid.

**4. Reciprocity:** There are many schools that observe reciprocity agreements with other states. If you are able to align yourself with such a program, the tuition discounts can be substantial. A few examples of reciprocity agreements include: Academic Common Market states, Western Undergraduate Exchange states, New England Board of Education, and Midwestern Higher Education Compact states.

**5. Become a resident:** Find out what it takes to become a resident of the state where your top college resides. The benefits of attaining residency may be well-worth the extra time involved to become a resident.





**Myth:** Obtaining great grades cannot help offset a higher rate of tuition in another state.

- ✓ **Pro Tip:** Many state colleges and universities will consider a tuition discount for the right reason. Find the reason! Grades, reciprocity, adjacency, timing. Ask or be relegated to pay more
- ✓ **Pro Tip:** If your reach school exists in a regional compact, contact them to determine the eligibility for non-residents.

**Summary:** Use the system to make the most of your situation. Think through the options available to garner the best school for the greatest discount available to you given your list of priorities. Do not be afraid of asking for aid based on bona fide factors.



## Make Timing Work for You

One of the biggest controllable expenses of college is the length of time you attend. Approximately 35% of students who attend a 4-year college graduate in the traditional eight-semester time frame. In fact, fewer than 60% of students that attend a four-year college graduate in six years.

- ✓ **Pro Tip:** Map your classes to ensure you graduate with the degree you want in as little time as possible.
- ✓ **Pro Tip:** In addition to the obvious cost associated with taking extra classes, the opportunity cost of earning a working wage are also lost compounding the costs.

**Summary:** Plan your college work and work your college plan. Be efficient to minimize inherent costs associated with college.



## Do Savers Get Punished?

In real terms, savers often get punished in a low interest rate environment. Low interest rates are great for borrowers but those that save and place money in a checking account are not afforded a substantial return.

Are families punished for saving for college? You may think so but the fact remains that most families come out ahead for saving for college. Let's break down a few misconceptions:

**1. Retirement assets.** Colleges do not account for your retirement assets when determining financial aid. In fact, the FAFSA form does not ask about your qualified retirement accounts such as a SEP-IRA, Roth IRA, Traditional IRA, 401(k) or other such accounts. Likewise, schools that use the CSS/Financial Aid PROFILE will rarely detract financial aid from a family based on retirement assets.

**2. Savings accounts.** Savings accounts will not adversely affect aid. In fact, only about 4% of families who apply for financial aid are affected by their savings accounts.

**3. Liquid assets.** Financial aid formulas will allow most families to shelter some or all your liquid assets not included within a qualified retirement account. There are specific tables embedded within the EFC calculation to determine how much can be shielded based on eldest parent.

**4. Big savers:** If your family has been extremely diligent about saving for college via qualified and/or unqualified accounts, you can expect a minimal adjustment to financial aid.





**Myth:** Saving too much will disqualify my student for any financial aid.

- ✓ **Pro Tip:** A 529 college plan is considered a parent's asset not your student's asset.
- ✓ **Pro Tip:** The financial aid formula will cap a family's assets so saving a large chunk of assets for your child's college will have minimal impact.
- ✓ **Pro Tip:** Your student's assets are more heavily weighted in financial aid calculations than a parent's assets.

**Summary:** Save early, save often. Save for your retirement and for your child's college education. The financial aid process will not substantially penalize you for being diligent about saving.

## Negotiate Your Financial Aid Package

As unbelievable as it sounds, after you have completed form after form there may still be a real option to sweeten your financial aid package. How do you negotiate college financial aid? Here is a list of **Pro Tips** to consider:

- ✓ **Pro Tip:** Respond immediately to the college or university after receiving your financial award letter. There is only so much money the school has available so your odds are better early in the process.
- ✓ **Pro Tip:** Ask the college or university about its appeal process for financial aid decisions. Once the process is understood, make the request to the proper person or department for a financial aid review. Keep the request short and on-point.
- ✓ **Pro Tip:** Build a compelling case for additional financial aid. Echo information in your application, relevant personal considerations, and the importance of a great education from their institution.
- ✓ **Pro Tip:** Be as specific as possible about the financial aid being requested. If you receive a lump sum of \$4,500 and \$5,100 will get you into school, clearly state that to the admissions department.
- ✓ **Pro Tip:** Be gracious and diplomatic for the financial aid you have received. Treat the financial aid officers in a manner that you would like to be treated as this relationship is just beginning.

