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## P.S. | Personally Sacha

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# Part 3: Paying for College – The Key Rules for Financial Aid

By Barb Kostanick

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Think medical care has gotten expensive? College costs have increased at almost twice the rate of medical costs. Next year, the Cost of Attendance (COA) for one year at Duke will be more than \$60,000. Sure, that covers tuition, fees, room & board, books & supplies, and some personal expenses, but ack! The University of Virginia (COA \$27,000 in-state) jumps to more than \$56,000 for out-of-state students. For one year. How many kids do you have? These costs are daunting.

### What about Financial Aid?

## Rule 1: Colleges expect families will be the primary source of funding to pay for college

Colleges look at income and assets for parents and students. Beginning in winter of senior year, the student and parents complete an annual aid application called the FAFSA, and as required by many private colleges, another application called the CSS/Profile. The FAFSA is free, and families pay a small fee to submit the Profile to each college that requires it. (Really adds insult to injury that you're asked to pay to apply for aid, doesn't it?)

Corollary A: Your income is more than what you reported on your taxes – it includes many sources that don't show up on your taxes. And, they look at many kinds of assets. Many private colleges look at some or all of your home equity as a possible asset. Special note for divorced parents: *Most selective private colleges insist on getting financial information from both parents - and their new spouses if the parents have remarried. They ignore prenups and divorce settlements. If the other parent won't provide the information, financial aid is rarely offered.*

## Rule 2: Different colleges have very different takes on what your family could contribute towards the cost of college, and what the college will do to help.

Harvard has a huge endowment, and can afford to offer generous financial aid even to families earning \$175K/year. The University of Chicago isn't quite so fortunate. And Berkeley has almost no funding for out-of-state students.

Not surprisingly, this plays out in financial aid. If you applied to and were accepted by all the colleges that claim to meet the full financial need, you'd find that there were remarkable differences between what the different colleges expected you to pay, even though they were all working from the same data.

The reality is that most colleges don't have Harvard's resources, and many students get gapped" – which means the college offers aid that is clearly inadequate. (*Parents...meet NYU, King of the Colleges that Gap.*)

## Rule 3: The colleges have the money, and they set their own rules.

Federal grants go only to low-income students, and many of the national scholarships also consider income. *For middle and upper middle class families it is all about what they can get directly from the colleges, but each college sets its own formula.*

You can get a good estimate of financial aid by running the **Net Price Calculator** at colleges that might be a fit for your student. (Be reasonable. If your son hates math, not much point in running the calculator for MIT, is there?) *Grab your 2013 tax return, search the name of the college and Net Price Calculator in Google and take fifteen minutes or so to run the calculators at three or four schools of interest.*

You'll see what you could expect to pay for one year at that college, and what they might offer as aid, loans, work-study funds and sometimes even scholarships.

*How does that fit with your expectations? Good numbers, or bad, this is important information to figure out before your student finalizes any college lists. You do not want to be the family figuring this out spring of senior year.*

## We'll Answer Your Questions

Send us any questions that come up and we'll be sure to answer them in the next blog.

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