

10 Things You Should Know About Applying for Financial Aid

Financial aid is complicated, but here's what you need to know to set your family up for success.

Last year, 29% of families didn't apply for financial aid because they thought they wouldn't qualify for any, and 20% found it too complicated.¹ Avoid missing out on potential funds with these 10 important points:

- 1 What is the FAFSA?** – The Free Application for Federal Student Aid (FAFSA) is the form that both prospective and current college students complete each year so their college (or prospective colleges) and state of residence can determine how much aid they're eligible for.
- 2 Where should I start?** – You can apply online at fafsa.gov or by mailing in an application; in some cases, your college may apply for you. You'll need your Social Security number or Alien Registration number (if you aren't a US citizen), federal tax returns for you and your child, W-2s, bank records, statements of investments, and records of untaxed income. Both parent and student will also be asked to create an FSA ID.
- 3 Fill out your FAFSA early** – Filing season typically opens every October and closes at the end of June. Even if your student is undecided, apply ASAP because when you apply can make a big difference in the amount of aid offered. Some financial aid is limited and is awarded on a first-come, first-served basis. While you're likely to still be offered aid, waiting longer may result in being offered fewer grants (that don't need to be repaid) and more loans (that do need to be repaid).
- 4 Know your aid** – Students may be eligible for two kinds of aid: need- and merit-based. Need-based aid is calculated by the FAFSA and your family's ability to pay for college; it's typically represented as federal student loans, federal grants, and on-campus work-study programs. Merit-based aid is usually a scholarship awarded by a college or private institution for outstanding academic or athletic abilities.
- 5 Financial aid can coexist with a 529 plan** – While 529 plans are considered an asset under the federal aid formula, their impact on eligibility may be less than you think. Plans owned by parents or students could potentially impact aid up to 5.64%²—a small sacrifice when you consider all the other benefits.
- 6 How family can impact aid** – In divorced families, your student's FAFSA is based on whichever parent provided the most financial support over the previous 12 months. If both parents provided equal support, responsibility falls to the one with the greater income or assets. If the custodial parent has remarried, their spouse's income is also factored into the FAFSA, even if the spouse has no intention of contributing to the child's college costs.
- 7 Timing and arrival of aid** – If you fill out the FAFSA as soon as filing opens, you should begin receiving financial-aid award letters in the following months (think winter and early spring) from each university where your student has been accepted. These letters will detail what you're being offered and allow you to be more informed before your student makes a decision.
- 8 Appealing an unappealing offer** – Appealing a financial aid offer isn't bartering for a better offer because you didn't get as much as you felt you should. Rather, it's an opportunity for families with legitimate financial reasons (e.g., job loss, divorce, natural disasters, death of a parent, etc.) to request a second look, called "professional judgment." Don't overlook this option if extenuating circumstances have impacted your finances.
- 9 Sticker shock** – Just as you shouldn't assume that you won't be awarded any aid, don't assume that a dream (albeit pricey) school is out of reach. Private universities and pricier colleges may be more generous with the amount of aid offered. Wait to receive your financial-aid award letters before making a final decision.
- 10 College Scholarship Service (CSS) Profile** – There's one additional form you may need to fill out. The CSS Profile is provided by The College Board, is mostly required by private universities, and gives students access to nonfederal scholarships and other institutional aid. The form is available in early October, deadlines vary by school, and students should expect a fee for each school that they'll be sending the CSS Profile to.

FAFSA Mistakes to Avoid

Potential Mistake	Why It Matters
Not filling out the FAFSA at all	Some people don't fill out the FAFSA because they don't think they'll get any aid. Not filling it out ensures you won't be offered any.
Not preparing ahead of time by creating a FSA ID	Your FSA ID will be linked to your FAFSA application and serves as your login and electronic signature. Having this ready to go avoids any delays in the process.
Not using the IRS Data Retrieval Tool	This is the easiest way to accurately report your tax return info to your college, and it may eliminate the need to provide additional info.
Not listing all your potential schools on your application	Students often list the schools they've applied to but skip the ones they're still considering. List all of them, but make sure you know your state's requirements for how you list them.
Waiting too long to file	You're still likely to receive aid, but since the FAFSA works on a first-come, first-served basis, you might be offered less aid (or offered more loans that you'll have to repay instead of grants).
Missing deadlines	Deadlines can sometimes be appealed, but it's better to stay organized and get in ahead of the pack rather than potentially missing out altogether.
Not being thorough or being inaccurate	Missing sections of the FAFSA or making mistakes might mean delays in processing—and less money for your child.
Missing important communications	FAFSA or your school may reach out because they need important or additional info. Keep an eye on incoming mail and email inboxes throughout the process.
Not exploring other scholarship opportunities	Not exploring or applying for scholarships is potentially like turning down free money. Don't assume you won't be selected. Instead, research ones that are applicable to you.

Familiarize yourself with the financial-aid process and talk to your financial professional about how your family plans to save for college.

¹Sallie Mae, "How America Pays for College 2023," 8/8/23.

²The New York Times, "How Do I Pay For College?," 2/27/24.

Investment returns are not guaranteed, and you could lose money by investing in a 529 plan.

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