



Five Most Common Mistakes Parents Make When Paying for College...

And How to Avoid Them!

Mistake #1: Parents don't plan far enough in advance for what events are to come.

The first obvious thing to point out here is the fact that if you're like most parents, you didn't start early enough and/or haven't saved enough to pay for your child's college education. It's the ole "I have plenty of time." or "My kid is going to go to a state school so I only need \$xxxxx." But that's water under the bridge. An even bigger mistake parents make is not utilizing "late-stage college funding" strategies to dramatically lower their college expenses.

Regardless of your family's income level, you need to determine the most efficient way for your family to pay for college. Once your child is in high school, you need to familiarize yourself with the entire college process. It's not just getting into one school, it's choosing majors/minors, picking appropriate schools, applying for financial aid and paying your out-of-pocket cost. Developing a comprehensive, multiyear solution that takes into account college admission strategies, financial aid strategies, cash flow strategies, in addition to tax and other financial strategies will make your life much easier.

Using the services of a college funding advisor who is a specialist in late-stage college funding is highly recommended. Most families are not even aware this type of service exists. For a reasonable fee, you can consult with a good, qualified college funding advisor that may be able to save your family literally tens of thousands of dollars in future college expenses.

The key here is not to wait until your child is just about to leave for college. This work should be done before your child starts applying to colleges, preferably before your child is a sophomore in high school. Addressing this problem in advance may very well be one of the best financial decisions you ever make and will enable you to pay for college and still be able to save for retirement and other financial priorities you may have.

Mistake #2: Parents don't learn the "rules" to the college funding "game."

Although the rules are universal, you and your family are unique and how you apply the rules to your situation should be unique. Many parents assume they can just "wing it" when the first college bill comes their way. You figure you can just rely on your child's high school, books, the Internet, your CPA, or friends who already have children in college to provide you with all you need to know about paying for college.

All these resources are good places to start to gather information, but they will not provide the depth of knowledge and customization necessary for your family to reach the outcome you seek. Don't be like the majority of families who make the mistake of thinking they can easily navigate through the college funding process themselves and that the colleges will help them. These families routinely end up with a lot of added stress and a less-than-ideal outcome of paying more for college than they should have.

You need to be proactive when it comes to paying for college. You need to be informed and develop a strategic solution specifically for your family that takes into account admission strategies, financial aid strategies, and tax and financial strategies. Again, a combination of pertinent strategies for your family's unique situation may save you tens of thousands of dollars once you're done with the "college years".

The financial aid rules alone cover more than 2,100 pages! Make sure you learn "the rules" for strategies you can implement to ultimately lower your college bill. Decide what you should and should not do before applying to colleges and financial aid. A professional college funding specialist can be your best ally as you navigate through this maze. Don't end up paying a lot more for college than you need to.

Mistake #3: Parents believe that high school counselors can provide all the information they need.

Use the available resources for what they are, nothing more. High school counselors can be a tremendous resource for the basic college information, but realize, it is not unusual for one high school counselor to work with several hundred students at a time. Counselors routinely spend 90 percent of their time working with only 10 percent of their students. They mainly focus on academic college preparation and their student's emotional health. Counselors can be very helpful, but you cannot rely on them to help you in all required areas of the college process - such as showing you how to lower your family's college expenses to the degree it may be possible.

Many high schools offer meetings for parents at the school that will describe the financial aid process and some of the forms that need to be filed, such as the FAFSA (Free Application for Federal Student Aid). However, high school counselors are not trained in financial aid planning for individual families. They don't know how all the different types of savings and assets may or may not hurt or help you. They are not qualified to give advice on all the ways your family can maximize your opportunities for financial aid. Counselors are typically not familiar with all of the ever-evolving financial aid rules!

In addition, financial aid is only part of the college funding process. How much you pay for college will also be contingent upon how you handle the admissions process and what tax and other pertinent financial strategies you end up putting into action.

Mistake #4: Parents with higher incomes or assets assume they won't qualify for financial aid.

First, you must understand there are two different types of financial aid offered by colleges and universities. The first type, "*need-based*" aid, takes the parents' and student's income and assets into account. The second

type is "*merit*" aid, which is based on academic achievements and has nothing to do with financial need. (And don't think your child needs to have a 4.0 grade point average to be awarded merit aid! There are plenty of great colleges that will award merit aid to students with 3.0 or higher GPAs.)

If a college wants to attract your student, no matter what your income or assets, you may very well be offered a tuition discount to entice your child to attend if he or she is marketed effectively. But to have a chance at any of these offers you must apply for financial aid. If you are a high-middle income, high-income, or high-net worth family that won't qualify for need-based financial aid, you still need to apply.

Up to now you probably thought there is not much you can do to lower your college expenses. You most likely believed the myth that all you can do is apply for education loans or write a check when the bill comes. Your college funding plan is simply, "Whatever the cost is, it is. Somehow we'll find a way to pay for it." This line of thinking can cost you thousands of dollars of potential savings! If you are a high-middle income, high-income, or high-net worth family, with proper planning, not only can you get money from colleges, but you can also let the IRS pay a big piece of your college expenses! This is "financial aid" for the affluent!

Mistake #5: Parents assume they are doing their child a favor by not making them responsible for any of their college expenses.

The years your child spends in college are a time of transition and a bridge between being a teenager and becoming a young adult. Parents can be very valuable in helping to guide their child into becoming a responsible adult. Taking this into account, many adults today have never been taught how to be financially responsible. Many adults do not know how to effectively manage debt, develop and follow a spending plan, or set and work toward achieving financial goals. The years spent attending college can be used to help your child develop healthy financial habits that will follow him or her into the adult years.

It is a well-known fact that most people will better appreciate and take care of something they have paid for. Having a student take on responsibility to pay for some of his or her college expenses can provide a valuable lesson in fiscal responsibility. At a minimum, we recommend a student be responsible for earning their spending money. To accomplish this, your child can work during the summer or work part-time during the school year. It is interesting to note, some studies have shown that students who work (up to 15 hours per week) during the school year tend to receive higher grades in college. These students are forced to focus more on time management than students who do not work.

In addition, students who earn money (rather than those who are just given money for their college expenses) will usually think a lot harder about how they are spending it. These students tend to spend wiser and have a higher likelihood of developing good budgeting skills. The earlier your child can develop healthy financial habits, the less likely he or she will have financial challenges later in life. Having your children be responsible for a portion of your family's college expenses can help them learn, in a small way, what it is going to be like after college when they are completely on their own financially.