SmartSearch

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SmartSearch Report for Luke Smith

Sample Report

Welcome to your SmartSearch report. Below is the list of colleges that you selected. Beneath that, you will find a breakdown of the estimated financial aid at each college. Following the Financial Aid table is a list of all of the data that you entered as well as some relevant information from the calculations. Finally, the report finishes with notes and general information related to funding college.

Colleges

College	Admissibility	Price	EFC	Need	Aid Estimate	Annual Cost	
Cornell University, NY	Very Difficult	$75,189	$20,625	$54,564	$56,564	$18,625	Funded
University of California - Berkeley, CA	Very Difficult	$42,950	$21,359	$21,591	$21,216	$21,734	Funded
UCLA, CA	Very Difficult	$41,534	$21,359	$20,175	$18,745	$22,789	Almost Funded
San Francisco State University, CA	Very Likely	$31,194	$21,359	$9,835	$8,294	$22,900	Funded
USC, CA	Very Difficult	$76,178	$25,395	$50,783	$52,783	$23,395	Not Funded
Santa Clara University, CA	Likely	$73,442	$16,858	$56,584	$41,609	$31,833	Not Funded
University of Michigan - Ann Arbor, MI	Very Difficult	$70,380	$64,095	$6,285	$8,285	$62,095	Not Funded
University of San Francisco, CA	Likely	$72,096	$64,095	$8,001	$7,601	$64,495	Not Funded
New York University, NY	Possible	$77,471	$64,095	$13,376	$10,561	$66,910	Not Funded

Four-Year Affordability Legend: - Funded - Almost Funded - Not Funded - Not Calculated

Affordability Settings

Parents' Pledged Monthly Income	**$2,000**	Parents' Pledged Assets	**$0**
Student's Pledged Monthly Income	**$0**	Student's Pledged Assets	**$0**
Parents' Maximum PLUS Loan	**$0**	Student's Maximum Private Loan	**$0**

Affordability Details

College	Total Cost	Total Aid	Stu. Income	Stu. Assets	Par. Income	Par. Assets	Plus Loan	Private Loan	Unfunded Cost
Cornell University	$321,673	$231,256	$0	$0	$90,417	$0	$0	$0	$0
University of California - Berkeley	$183,748	$89,864	$0	$0	$93,884	$0	$0	$0	$0
UCLA	$177,690	$79,980	$0	$0	$96,000	$0	$0	$0	$1,710
San Francisco State University	$133,454	$38,176	$0	$0	$95,278	$0	$0	$0	$0
USC	$325,904	$216,132	$0	$0	$96,000	$0	$0	$0	$13,772
Santa Clara University	$314,199	$171,436	$0	$0	$96,000	$0	$0	$0	$46,763
University of Michigan - Ann Arbor	$301,099	$38,140	$0	$0	$96,000	$0	$0	$0	$166,959
University of San Francisco	$308,440	$35,404	$0	$0	$96,000	$0	$0	$0	$177,036
New York University	$331,436	$47,244	$0	$0	$96,000	$0	$0	$0	$188,192

Financial Aid

College	EFC Method	Need Met	Merit Aid Status	Merit Aid	Pell	Other Aid	Sub. Stafford	Unsub. Stafford	Total Aid
Cornell University	Consensus	100%	Unknown	$0	$0	$51,064	$3,500	$2,000	**$56,564**
University of California - Berkeley	Federal	89%	Available	$0	$0	$15,716	$3,500	$2,000	**$21,216**
UCLA	Federal	83%	Available	$0	$0	$13,245	$3,500	$2,000	**$18,745**
San Francisco State University	Federal	64%	Unknown	$0	$0	$2,794	$3,500	$2,000	**$8,294**
USC	Institutional	100%	Available	$0	$0	$47,283	$3,500	$2,000	**$52,783**
Santa Clara University	Institutional	70%	Unknown	$0	$0	$36,109	$3,500	$2,000	**$41,609**
University of Michigan - Ann Arbor	Institutional	100%	Unknown	$0	$0	$2,785	$3,500	$2,000	**$8,285**
University of San Francisco	Institutional	70%	Available	$0	$0	$2,101	$3,500	$2,000	**$7,601**
New York University	Institutional	64%	Unknown	$0	$0	$5,061	$3,500	$2,000	**$10,561**

Colleges with a merit aid status of 'Calculable' with an asterisk are not yet factored into SmartSearch's calculation. We are working to add the calculation.

Debt Summary

Borrowed

College	Sub. Stafford	Unsub. Stafford	Private Loans	PLUS Loans	Student	Overall
Cornell University	$19,000	$8,000	$0	$0	$27,000	$27,000
University of California - Berkeley	$19,000	$8,000	$0	$0	$27,000	$27,000
UCLA	$19,000	$8,000	$0	$0	$27,000	$27,000
San Francisco State University	$19,000	$8,000	$0	$0	$27,000	$27,000
USC	$19,000	$8,000	$0	$0	$27,000	$27,000
Santa Clara University	$19,000	$8,000	$0	$0	$27,000	$27,000
University of Michigan - Ann Arbor	$19,000	$8,000	$0	$0	$27,000	$27,000
University of San Francisco	$19,000	$8,000	$0	$0	$27,000	$27,000
New York University	$19,000	$8,000	$0	$0	$27,000	$27,000

Monthly Payments - 10 Year Repayment Schedule

College	Sub. Stafford	Unsub. Stafford	Private Loans	PLUS Loans	Student	Overall
Cornell University	$196	$83	$0 - $0	$0	$279 - $279	$279 - $279
University of California - Berkeley	$196	$83	$0 - $0	$0	$279 - $279	$279 - $279
UCLA	$196	$83	$0 - $0	$0	$279 - $279	$279 - $279
San Francisco State University	$196	$83	$0 - $0	$0	$279 - $279	$279 - $279
USC	$196	$83	$0 - $0	$0	$279 - $279	$279 - $279
Santa Clara University	$196	$83	$0 - $0	$0	$279 - $279	$279 - $279
University of Michigan - Ann Arbor	$196	$83	$0 - $0	$0	$279 - $279	$279 - $279
University of San Francisco	$196	$83	$0 - $0	$0	$279 - $279	$279 - $279
New York University	$196	$83	$0 - $0	$0	$279 - $279	$279 - $279

Total Repayment - 10 Year Repayment Schedule

College	Sub. Stafford	Unsub. Stafford	Private Loans	PLUS Loans	Student	Overall
Cornell University	$23,575	$9,926	$0 - $0	$0	$33,501 - $33,501	$33,501 - $33,501
University of California - Berkeley	$23,575	$9,926	$0 - $0	$0	$33,501 - $33,501	$33,501 - $33,501
UCLA	$23,575	$9,926	$0 - $0	$0	$33,501 - $33,501	$33,501 - $33,501

College	Sub. Stafford	Unsub. Stafford	Private Loans	PLUS Loans	Student	Overall
San Francisco State University	$23,575	$9,926	$0 - $0	$0	$33,501 - $33,501	$33,501 - $33,501
USC	$23,575	$9,926	$0 - $0	$0	$33,501 - $33,501	$33,501 - $33,501
Santa Clara University	$23,575	$9,926	$0 - $0	$0	$33,501 - $33,501	$33,501 - $33,501
University of Michigan - Ann Arbor	$23,575	$9,926	$0 - $0	$0	$33,501 - $33,501	$33,501 - $33,501
University of San Francisco	$23,575	$9,926	$0 - $0	$0	$33,501 - $33,501	$33,501 - $33,501
New York University	$23,575	$9,926	$0 - $0	$0	$33,501 - $33,501	$33,501 - $33,501

Monthly Payments - 25 Year Repayment Schedule

College	Sub. Stafford	Unsub. Stafford	Private Loans	PLUS Loans	Student	Overall
Cornell University	$105	$44	$0 - $0	$0	$149 - $149	$149 - $149
University of California - Berkeley	$105	$44	$0 - $0	$0	$149 - $149	$149 - $149
UCLA	$105	$44	$0 - $0	$0	$149 - $149	$149 - $149
San Francisco State University	$105	$44	$0 - $0	$0	$149 - $149	$149 - $149
USC	$105	$44	$0 - $0	$0	$149 - $149	$149 - $149
Santa Clara University	$105	$44	$0 - $0	$0	$149 - $149	$149 - $149
University of Michigan - Ann Arbor	$105	$44	$0 - $0	$0	$149 - $149	$149 - $149
University of San Francisco	$105	$44	$0 - $0	$0	$149 - $149	$149 - $149
New York University	$105	$44	$0 - $0	$0	$149 - $149	$149 - $149

Total Repayment - 25 Year Repayment Schedule

College	Sub. Stafford	Unsub. Stafford	Private Loans	PLUS Loans	Student	Overall
Cornell University	$31,521	$13,272	$0 - $0	$0	$44,793 - $44,793	$44,793 - $44,793
University of California - Berkeley	$31,521	$13,272	$0 - $0	$0	$44,793 - $44,793	$44,793 - $44,793
UCLA	$31,521	$13,272	$0 - $0	$0	$44,793 - $44,793	$44,793 - $44,793
San Francisco State University	$31,521	$13,272	$0 - $0	$0	$44,793 - $44,793	$44,793 - $44,793
USC	$31,521	$13,272	$0 - $0	$0	$44,793 - $44,793	$44,793 - $44,793
Santa Clara University	$31,521	$13,272	$0 - $0	$0	$44,793 - $44,793	$44,793 - $44,793
University of Michigan - Ann Arbor	$31,521	$13,272	$0 - $0	$0	$44,793 - $44,793	$44,793 - $44,793
University of San Francisco	$31,521	$13,272	$0 - $0	$0	$44,793 - $44,793	$44,793 - $44,793
New York University	$31,521	$13,272	$0 - $0	$0	$44,793 - $44,793	$44,793 - $44,793

Data

Student			
Name:	**Luke Smith**	E-mail:	
Phone:		Address:	**San Francisco, CA 94109**
Entering College:	**Fall of 2019**		

Academics			
Standardized Test:	**ACT**	Test Score:	**27**
High School GPA:	**3.70**	High School Class Rank:	**50 of 345**

Family Information

Minority:	**No**	State:	**CA**
Older Parent's Age:	**52**	Number of Dependents:	**2**
College Students:	**1**	Sum of Ages of Non College Students:	**15**

Parents' Finances

Tax Form:	**1040**	Tax Status:	**Head of Household**
Federal Tax Known:	**Yes**	Federal Tax Paid:	**$10,000**
Adjusted Gross Income:	**$113,000**	Untaxed Income:	**$0**
Non-retirement Assets:	**$10,000**	Home Equity:	**$1,000,000**
Farm and Business Assets:	**$0**	Small Business Assets:	**$0**
Contributions to Retirement Accounts:	**$0**	Non-qualified Annuities:	**$0**
Child Support Paid:	**$0**	Dislocated Worker:	**No**

Student's Finances

Adjusted Gross Income:	**$0**	Assets:	**$0**
529 Plans:	**$0**	Non-qualified Annuities:	**$0**

Affordability

Parents' Pledged Monthly Income:	**$2,000**	Parents' Pledged Assets:	**$0**
Student's Pledged Monthly Income:	**$0**	Student's Pledged Assets:	**$0**
Use Parents' PLUS Loan:	**No**	Parents' PLUS Loan Maximum:	**$0**
Use Student Private Loans	**Yes**	Student Private Loans Maximum	**$0**

Financial Aid

Federal Parents' Contribution:	**$21,359**	Institutional Parents' Contribution:	**$62,045**
Federal Student's Contribution:	**$0**	Institutional Student's Contribution:	**$2,050**
Federal EFC:	**$21,359**	Institutional EFC:	**$64,095**
Federal Asset Protection Allowance:	**$14,100**	Consensus Parents' Contribution	**$18,825**
Estimated Pell Grant:	**$0**	Consensus Student's Contribution	**$1,800**
Estimated Stafford Loan:	**$5,500**	Consensus EFC	**$20,625**

American Opportunity Tax Credit

Estimated Annual Tax Credit:	**$0**

General Information

Admissibility

The Admissibility Indicator (AI) is NOT in any way a guarantee of admission by any college or university. Rather, the Admissibility Indicator (Very Likely, Likely, Possible, Reach and Very Difficult) is intended to be a gauge of a student's likelihood of admission at a given college or university as derived from Stratagee's proprietary formula, comparing the academic profile of the college's admitted freshmen class from the previous year and the student's GPA and standardized test scores.

Thus, it is a guide only and should not be construed any other way. Students may choose to apply wherever they have an interest in attending even if the probability of being admitted is unlikely. College admissions trends and policies often reflect institutional priorities which can mean that a student's admissibility could easily change from year to year. Some colleges are so highly selective, admitting less than one of every ten students, that they have become very difficult for virtually every candidate, regardless of academic prowess, merit or status as a legacy candidate.

There are many factors that influence a student's overall likelihood of admissibility, of which test scores and GPA are the most concrete and consistent indicators of admissibility. However, while test scores and GPA are the lowest common denominators of admissibility, they are not the student's whole admissions story. Most students have unique qualities and additional factors working for them that can increase their likelihood of admission. These factors are too numerous, far ranging and subjective to include in the scope of this report, especially since college admission policies vary so widely from year to year. These subjective factors must be considered on an individual student and college basis, respectively.

Moreover, in the current economic environment many long-standing admissions trends have been thrown out the window all together. It is a new era in both college admissions and affordability. Public colleges are perceived to be more affordable and therefore have received record numbers of applications, allowing them to be more selective in the admissions process. The elite, most expensive and most selective private colleges are still very expensive (for most students) and very selective (for all students), and they always will be. While typically private colleges are perceived as being more expensive, many have seen declines in applications and have increased their financial aid budgets in order to close the affordability gap. In the end, for some students they may be as affordable as the lower cost public colleges.

Students want to know where they can Get In and Get Aid, and colleges want the best class at the best price.

EFC Methodology

Expected Family Contribution (EFC) is the minimum amount that a family is expected to contribute toward the cost of attendance at a college or university.

Institutional, Federal, and Consensus EFC

There are two methods of calculating EFC, the Federal Methodology and the Institutional Methodology. Federal Methodology is used by all colleges to determine a student's need for federal funds, such as Pell grants and Stafford loans. Institutional Methodology is used by over 300 colleges and universities, mostly private, to assess a student's need for aid provided directly from the college's own funds. In addition, there are 20-30 private institutions that use the Institutional Methodology as their base methodology, but as a group (568 President’s Group) they reached consensus on a variation of the Institutional Methodology by which they all agree to use when calculating students’ expected family contribution. We refer to EFC’s calculated using the 568 President’s Group as the Consensus Methodology.

In recent years, colleges that use the Institutional Methodology or the Consensus Methodology have been making further adjustments to the formula in how they handle Home Equity. Some institutions are capping Home Equity in the formula as a factor of parents' income. A few institutions exclude home equity entirely. This is why you may now see variations in EFC even among institutions using the same methodology.

Two Aid Applications: FAFSA and CSS Profile

Colleges using Institutional Methodology require that students complete the CSS/Profile application (www.collegeboard.com) as well as the FAFSA: Free Application for Federal Student Aid (www.fafsa.ed.gov) which most public and private colleges require.

Due to the fact that the CSS/Profile requests much more in-depth financial and family information than the FAFSA, it is common for a student's EFC to vary substantially under the two formulas. The Federal EFC is generally lower than the Institutional EFC for families with higher income and assets, although there are times when families with few assets may have a lower EFC under the Institutional formula.

Cost: 2018-2019 Cost of Attendance

The cost of attendance that is listed for each college that you have selected is the estimated 2018-2019 academic year cost for tuition, fees, room, board, books and travel. This is the projected cost for the 2018-2019 academic year only, one year of college. It is an estimated cost based on each college's published data. However, many colleges may have a slightly higher or lower cost of attendance for specific courses or majors, study abroad and other unique programs.

EFC

The calculation of Expected Family Contribution (EFC) in this SmartSearch Report is an estimate based on the Federal Methodology, the Institutional Methodology and the Consensus Methodology, and is not a guarantee of your actual EFC. SmartSearch utilizes a streamlined approach to calculating your EFC. Our streamlined process cuts down the number of questions that are needed to calculate EFC when compared to the vast number of questions on the two aid forms, the FAFSA and the CSS Profile. Although streamlined, this approach still generates an accurate EFC calculation.

In an effort to utilize the most current information and published formulas, SmartSearch is updated on a regular basis. Each of the EFC methodologies are updated annually with inflation-adjusted changes to various tables in the formulas.

The EFC that has been calculated in this report is the EFC of the student for whom the report was generated. If you have additional students in college at the same time as this student, the additional student(s) will have a specific EFC of their own. Calculation of Expected Family Contribution (EFC) changes from year-to-year based on financial aid laws, tax laws and the assets and income of students and parents. And students are required to complete the required aid forms each year.

Determining Financial Need

Financial need is determined by subtracting your Expected Family Contribution from the college's Cost of Attendance (COA - EFC = Need). Thus, depending on a given college's Cost of Attendance, you may have "need" at one college and not at another.

Percent of Need Met

Colleges publish statistics pertaining to their financial aid and admissions outcomes from previous years. One of the most important statistics is the percentage of need met. This is the average percentage of financial need that is met, or awarded, for all students who demonstrate financial need and may be comprised of aid from various sources, such as private aid, state aid, federal aid and the aid from the college itself.

Total Estimated Aid

The total estimated aid is derived by first calculating your eligibility for any academic merit aid awards that you meet eligibility requirements for and then multiplying your financial need by the percentage of need met at each college. If you are eligible for an academic award, the award is applied against your financial need, if any, first, and then as a reduction in the cost. If your financial need is zero, then academic awards get applied directly against the cost. Keep in mind that the percentage of need met is the average among all students at a given college, thus the actual amount of aid you receive, if any, may be substantially higher or lower than the total estimated aid shown in this report.

The total estimated aid represents all forms of aid (grants, scholarships, work-study and loans), and could include federal aid in the form of a Pell grant or Stafford student loan, if eligible. In the Your Data section of this report there is an estimate of the amount of Pell grant and Stafford loan that you may be eligible to receive (an estimate only, not guaranteed in any way). This estimate is based upon data published by the US Department of Education and is intended to inform you that of the total estimated aid that you MIGHT receive, some of it may be in the form of these two types of federal aid. This estimate of aid is in NO WAY an estimate of what an aid award would consist of in terms of loans, grants, work-study or scholarships at any college. In most cases predicting the make-up of a student's overall aid award at any college is nearly impossible since financial aid packaging policies vary among colleges and are influenced by a variety of factors each year. The only types of aid that can be predicted with any amount of consistency are some forms of federal aid and the academic merit aid awards published by individual colleges.

The academic merit aid awards that are calculated in this report are those that are published on colleges' websites with eligibility based on criteria such as SAT, ACT, GPA and class rank percentage. Many colleges offer academic merit aid awards but either do not publish the criteria, students do not automatically get them, but must compete for them, or there are additional criteria that must be met for a student to be eligible, such as specific areas of study, students' residency, etc.

Therefore, you may be eligible for an academic award that the report does not indicate for the colleges you have chosen. Likewise, because colleges sometimes change their award criteria, you should research the scholarship/financial aid area of each college's website to best determine your eligibility for all of the academic merit awards offered. Great effort has gone into collecting the merit aid award data for the 1,100 colleges and universities available in this report, however the academic merit aid awards shown in this report are only an estimate, and even if the report indicates that you are eligible for an award, there may be circumstances that could make you ineligible.

It is recommended that you click on the name of each college in this report, which is also a hyperlink to each college's website, and search for merit aid scholarships by looking for the financial aid area of the college's website, and/or by contacting the financial aid office directly.

Merit aid is primarily awarded on the basis of a student's academic merit. Thus, merit aid has nothing to do with a student's and parents' ability to pay. Therefore, even if a student doesn't qualify for need-based financial aid at a given college, the student may still qualify for merit aid that can reduce the overall cost. For example, if the college costs $35,000 per year and the student is awarded an academic scholarship (merit aid) of $7,500, because she met the academic criteria of say, at least a 3.5 GPA and an ACT score of 29, then her net cost becomes $27,500 ($35,000 - $7,500).

On the contrary, if the student demonstrated financial need of $10,000 ($35,000 cost - $25,000 EFC) and was awarded the same $7,500 merit award, the merit award would be applied by the college to meet the student's need first. The result being that the student's $10,000 of need would be reduced by the $7,500 award, and if she receives any additional forms of financial aid it would go toward reducing the remaining financial need of $2,500. Likewise, if a student is awarded outside private scholarships from say the AMVETS, American Legion, Kiwanis, etc, those scholarships will be applied against the student's financial need, if any, first.

There are over 50 private colleges and public universities that have made public their financial aid policies regarding aid awards to students from households of specific income levels, and for students demonstrating financial need. For example, some colleges have made financial aid pledges to meet students' financial need with all grants and others have pledged that students will not be required to take out any student loans, however they may receive some work-study. These financial aid policies are very generous toward students, but it remains to be seen if these colleges will be able to offer these programs long-term due to a decrease in value and income generated from college endowments, enrollment challenges and the on-going economic crisis in the US. Thus, this report does not account for these special financial aid pledges when estimating a student's possible financial aid, or net cost at a given college. An eligible student may in fact receive a very favorable aid award under one of these programs, and these colleges should still be considered as part of a student's college search process. A list of the colleges and their aid pledges may be found at http://www.naicu.edu/special_initiatives/affordability/about/enhancing-affordability#2009-10.

Net Cost

Your Net Cost is the Cost of Attendance minus your total estimated aid at each college or university (COA - Estimated Aid = Net Cost).

Net Cost provides you with an apples-for-apples comparison of your net cost, after your total estimated aid, among both the public and private colleges that you selected. This is especially important if you demonstrate need for financial aid because a private college with a higher sticker price than a public college may turn out to have similar net costs indicating both may be affordable to you.

Stafford Loan

Student Loans are calculated based upon the current maximums for Stafford Loan (both subsidized and unsubsidized). The estimated Stafford Loan listed above is included in the Estimated Aid for each college, unless the search selection option to not include Stafford Loans in the affordability calculation was chosen.

Pell Grant

The Federal Pell grant is awarded based on a student's EFC and the annual cost of the college the student is attending. The estimated Pell Grant listed above is included in the Estimated Aid for each college.

American Opportunity Tax Credit

The American Opportunity Tax Credit (AOTC) is an example of "Tax Aid." The AOTC indirectly "aids" families in reducing the cost of college by reducing the family's federal tax bill. There are four education-related tax benefits: the American Opportunity Tax Credit, the Hope Scholarship Tax Credit, the Lifetime Learning Tax Credit (Lifetime Credit) and the tuition and fees deduction. Each of these can help reduce the overall cost of college and each one has its place in tax planning, but for most families the American Opportunity Tax Credit is likely the most beneficial because the AOTC is worth up to $2,500 per year, per student; more than any of the credits of the deduction.

The benefit of claiming the American Opportunity Credit is that it reduces a taxpayer's federal tax bill dollar-for-dollar and puts more money back in the hands of the taxpayer. The American Opportunity Credit went into effect for the 2009-2010 tax years and has been extended through the 2017 tax year.

To be eligible for the American Opportunity Credit under the 2013 rules, married couples filing jointly must have modified adjusted gross income (MAGI) of less than $160,000, or less than $80,000 if filing single or as head-of-household (HOH). Married couples with MAGI over $160,000 ($80,000 for single and HOH) will be able to claim a partial credit up to $180,000 ($90,000), after which their eligibility to claim the credit is completely phased-out.

The rules also benefit lower income families by making the American Opportunity Credit 40 percent refundable for those families who don't have any federal tax liability. By making the credit 40 percent refundable, it can put up to $1,000 more per student into the hands of lower income families. However, no portion of the credit is refundable if the taxpayer claiming the credit is a child under age 19 or a college student under age 24 who is providing less than one-half of his or her own support from earned income alone; so long as the child has at least one living parent and does not file a joint tax return.

The amount of the credit is equal to 100% of the first $2,000 of qualified tuition and expenses that are paid and 25% of the next $2,000 of paid expenses. Therefore, the maximum American Opportunity Credit is $2,500 per year per eligible student. A family of four with two kids in college could receive as much as $5,000 in American Opportunity Credits.

The amount of the American Opportunity Credit that can be claimed is calculated based on the amount of qualifying tuition and related expenses (now including books) that were paid at an eligible educational institution. The expenses must be paid on behalf of a qualified student that is the taxpayer, the taxpayer's spouse or the taxpayer's dependent child. To be a qualified student the student must pursue a course of study on at least a halftime basis. A student is considered to pursue a course of study on at least a half-time basis if the student carries at least one half the normal full-time work-load for the course of study at an eligible educational institution.

An eligible educational institution is considered to be any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the Department of Education. It includes virtually all accredited public, non-profit, and proprietary (privately owned profit-making) postsecondary institutions. According to IRS Publication 970 qualified education expenses are tuition and related expenses required for enrollment or attendance at an eligible educational institution (described below). Related expenses are student-activity fees and expenses for course-related books, supplies, and equipment that are required as a condition of enrollment or attendance.

College Admissions Terms

Early Decision or ED

Early decision is a binding contract for the candidate in that if he/she is admitted they must attend. All other applications which might have been filed must be withdrawn. Some colleges have ED I and ED II; both occur usually Nov/Dec/Jan. If the student is not admitted but deferred, the obligation to attend disappears and the application is placed in the regular pool to usually be reread and treated as a regular app.

Early Action or EA

Early action has the same early deadlines but there is no binding commitment to attend for the student. The college renders a decision and if admitted, the candidate simply has that one in the bag with no obligation to attend. A very few colleges have Single Choice Early Action or Restricted Early Action and that simply means a student may apply to only them on any early basis and not a slew of others. The no obligation rule still applies though. As with any early decision, deposits must be placed before May 1 to hold the spot---no college should require/request one before that date, unethical.

Rolling Admissions

Rolling admissions (the practice of many public institutions) means that beginning at a certain date in the fall, colleges will read applications which are complete on a continual basis until they fill. Obviously with Rolling Admissions, it pays to get your stuff in early in the cycle as once the spots are allotted, game's over.

General Financial Planning Options to Consider

Budgeting

A budget is really just a way to organize and determine how much you plan to spend, and actually spend, on your household expenses each month. Most budgets are organized by categories such as transportation, housing, groceries, utilities, clothing, recreation, etc. The goals of a budget are to keep your finances organized, keep track of where you are spending your money and help you to save as much as possible while maintaining your lifestyle.

Cost-cutting

When you have a budget it is easier to identify categories in which you can cut costs so that you can save more each month or add to another area of the budget. But, as the Salada tea bag says, "The cost of living is the difference between your net income and your gross habits." Cost-cutting is not always easy. It requires determination and discipline, just like exercise, studying and most other things in life that require commitment. Some habits are hard to break, but the payoff is worth the effort.

For example, eliminating a $3.33 expense every day (cup of premium coffee), equates to about $100 per month in savings. Assuming an annual return of 8% per year, that $100 per month savings can translate into an additional $31,000 for education costs fourteen years down the road when you enroll your child in a private high school.

If you just can't give up that great cup of coffee every morning because you have been up all night with a newborn, you might be able to save $100 a month in one of these areas: Insurance premiums, vehicle payments, cell phone plans, eating out, clothing, dry cleaning, memberships, subscriptions, movie rentals, etc. Challenge yourself to see if you can save $25 a month to start with and then increase it.

Debt Reduction/Elimination

If you have debt, you have to have cash flow (income) to make the payments on that debt. So if you can reduce or eliminate that debt, your cash flow can be used for something else.

The most effective ways to reduce debt are typically thought to be 1) paying off the highest interest loans first and 2) paying off the loan with the smallest balance first, then adding what was being paid on the first loan as an extra payment on the loan with the next highest balance. In the example above, an extra $100 a month can go a long way toward saving money or, in this case, reducing your debt.

In my experience, the families that consistently come out on top are not the ones with the highest paying jobs or the best mutual fund returns, but rather the families that live within their means and save regularly.

Debt Consolidation and Refinance

Consider taking a loan to consolidate the highest balances with the highest interest rates. Refinancing a mortgage today might be a challenge with home prices falling and tight lending standards, but interest rates are very low right now and consolidation of debts at these low rates may free up cash flow that can be saved or used to pay education expenses.

Enhancing Cash Flow (Income)

Your monthly cash flow, or income, is what drives your budget and gives you the ability to pay your bills. There are two general types of income: income from working (earned income) and income from investments (unearned income). An increase in either one can increase your expected family contribution and decrease your financial aid eligibility. However, don't let the financial aid "tail" wag the income "dog." Make as much money as you can!

Make more money

If you have the opportunity to make more money by working some overtime, earning a bonus or getting a bigger commission check from a few extra sales, then go for it. Some parents take on a second job or consulting work to make a little extra to help with private school and college costs, while some stay-at-home parents who have been caring for the children go back to work part-time or full-time when the kids are in school or college. These are all examples of you at work. Now let's talk about how to put your money to work to enhance your cash flow.

Use your investments to generate cash flow

Unearned income includes the dividends, interest and capital gains that come from savings and investment products like stock, mutual funds, bonds, CDs and savings accounts. This income can be reinvested back into the account to help it grow, or you may choose to have it paid out to you. Instead of reinvesting this unearned income, you can take it out of the account (aka: taking the growth off) and use it to help fund education costs, make payments on loans or whatever is most advantageous in your specific situation.

For example, a $50,000 bond with a 7% yield will generate $3,500 in interest each year, which could be used to help pay education costs directly instead of taking a $3,500 student loan. Or you could use the cash flow to make the payments on a loan if you need to take one.

Re-direct contributions to savings and retirement accounts

Let's say that you have been saving money for your son to attend an independent high school. When the time comes to start paying for that school you could choose to stop making contributions to the investment account and re-direct those contributions and use the money to pay for tuition instead. Likewise, you could reduce, or pause, contributions to your 401k retirement plan instead of taking a loan from your 401k. The nice thing about this tactic is that you can make changes anytime you like.

Payment plans

Many families use the tactics discussed above to improve their cash flow. But when large tuition bills come due all at once, families often turn to tuition payment plans to "spread out" those larger bills over a period of months instead of borrowing the money or liquidating an investment account.

Tuition payment plans are offered through the schools, but are usually administered by outside payment plan companies. These plans are a good solution for many families that may have an adequate income stream to pay the bill, but just can't do it all at one time. Commonly there is an annual fee of between $35-$75 dollars per student to administer the plan, but neither the school nor the plan will charge any interest for the convenience of being able to pay tuition bills over a series of months.

Direct Gifts and Prepayments of Tuition

Some parents and grandparents can benefit from making direct gifts of cash to pay for tuition because it removes assets from their taxable estate which may help them reduce income and estate taxes in the future. Recent events have opened the door for prepaying tuition as well.

A word of caution is warranted here. If parents or students receive gifts of money, the amount of the gifts will likely decrease the student's eligibility for need-based financial aid, which may or may not be of concern to the family.

Direct Gifts for Tuition

Annual gifts of up to $14,000 per person ($28,000 for joint returns) can be made annually without having to pay gift tax. However, special gift tax rules exempt payments for qualified medical and education expenses from gift tax. These non-taxable gifts are an excellent way to provide substantial value to the person receiving the gifts (donees) and favorable tax benefits for the people making the gifts (donors). To qualify for the exception for education expenses, payment must be made directly to a qualified educational institution and must be for tuition only, and not room and board.

Qualified educational institutions include K-12 private schools; colleges and universities; and proprietary (privately owned profit making) secondary institutions.

Making direct gifts to pay for tuition does not impact the ability to make annual tax-free gifts of $14,000 or less under the annual exclusion. So a wealthy grandparent can make direct payments of tuition to a grandchild's college or K-12 private school as well as gift $14,000/$28,000 to the same grandchild in the same year without having to pay gift tax.

Prepayment of Tuition

If a little is good than more must be better. A recent development relating to the direct payment of tuition involves prepaying tuition expenses for multiple years in advance instead of just the current year. The IRS ruled in a private letter ruling on 1/13/2006 (number 200602002) that, subject to certain conditions, multiple year prepayments of tuition are not considered taxable gifts for gift or Generation Skipping Tax (GST) purposes.

Essentially prepayment of tuition follows the same rules as direct gifts with the following conditions: The taxpayer should not receive any discounts or refunds (even if the student stops attending the school/college) and the payments should not guarantee enrollment or offer any special consideration to the student or donor.

Because of the nature of the IRS ruling, prepaid tuition gifts should be completed carefully and with legal advice regarding the non-taxability of the gift. The prepayment of tuition obviously involves the risk of losing the prepaid money if the child chooses not to attend the school that the prepayment was made to or if he transfers, drops out, or is expelled from the school. Once the money is prepaid it belongs to the school and cannot be recovered.

Description and Comparison of Types of Loans

Sometimes taking loans is necessary in order to pay for private school and college. The following is an overview of the common types of loans associated with education funding, followed by a bit of guidance to help you understand which loan(s) might be best for you and your child.

Federal Stafford Loans (Subsidized and Unsubsidized)

The Stafford loan is the most common loan that students use to pay for college. If the student qualifies for a subsidized loan, the federal government pays the interest on the loan while the student is in college - hence the term "subsidized." Almost any student can get an unsubsidized loan, with the difference being that the student is responsible for paying the interest on the loan while he is in college, although the interest payments can be deferred until shortly after the student graduates or leaves college.

The amount of both types of Stafford loans for undergraduate students is based on the student's standing in college. The maximum loan amount is $5,500 for freshmen, $6,500 for sophomores and $7,500 for juniors and seniors, with an aggregate maximum loan amount of $31,000 per student.

The Stafford loan rates will allow undergraduates to borrow at a 3.76% interest rate for subsidized and unsubsidized loans, down from 4.29% last academic year. Graduate students will be able to borrow at 5.31%, down from 5.84%, and parents can borrow at 6.31%, down from 6.84%.

Parent PLUS Loans

This federal loan is offered through colleges to parents with relatively good credit. The interest rate on this loan is currently 6.4% and capped at 10.5%, and repayment begins shortly after the funds are disbursed. The maximum PLUS loan amount is the difference between the college's cost of attendance and all of the other aid that your child has been awarded.

Perkins Loans

The Perkins loan is awarded by participating colleges to students with exceptional financial need and has an interest rate of 5%. The maximum amount for this loan is $4,000 per year with an aggregate maximum of $20,000 per student.

Alternative Student Loans

These loans are offered to students by a variety of banks and private lenders and typically carry very high interest rates, fees and other charges. They should be called "No Alternative Loans" because they should be your last resort.

Mortgage and Home Equity Loans

It is not uncommon for parents to take out a new mortgage on their home in order to pay for college. After all, most parents have the majority of their net worth tied up in their homes (and their 401k or other retirement plans).

A cash-out refinance of a mortgage is when the borrower refinances an existing loan by taking a new mortgage for an amount that is higher than the existing loan. The lender then pays off the existing mortgage and gives the borrower "cash-out" of their home in the amount of the difference between the new higher loan and what was owed on the existing loan.

By contrast, re-mortgaging a home simply means to take out a new loan equal to what is currently owed, but usually at a different interest rate and a different period of repayment. Essentially the goal in re-mortgaging an existing loan is to reduce the payment by getting a lower interest rate, stretching out the payments over a longer period of time, or both.

Instead of taking a mortgage against your home, you can also tap into your home's equity by taking a home equity loan where you get cash-out up front and have a variable or fixed interest rate for a fixed period of time. Or you can get a home equity line of credit (HELOC). A HELOC is a line of credit that you can draw on when you want, and then make payments according to the amount of the available credit that you use. The interest rate is usually variable.

Mortgages can come with fixed, variable and adjustable interest rates, and typically offer longer terms of repayment than home equity loans. One good thing is that the interest can be tax deductible for most taxpayers who itemize their deductions on their tax return.

However, ALL of these loans are collateralized by your home, and if you can't make the payments on the loan, the lender can foreclose on the loan and you can lose your home.

Intra-Family Loans

The two big advantages of this type of loan are - typically lower interest rates and little or no paperwork to get "approved" for the loan. They also have one big downside, which is the fact that you are borrowing from your family and if you don't repay the loan according to the terms agreed upon it can cause stress within the family.

Life Insurance Cash Value Loan

Whole life, variable life and universal life insurance policies all have a cash value component that can be borrowed against. The interest rates for loans on these types of policies will vary among companies and policies, but generally range from 5%-9% annually. As the owner of the policy, you determine when to repay the loan.

However, if you don't at least pay the interest on the loan each year, the interest charges from the loan will begin to eat away at your cash value and could eventually put your policy at risk of having insufficient cash value to stay in force over time, even if you continue to pay the normal premiums.

401k Loans

In most households these days, at least one parent has a 401k retirement plan through their employer and makes regular contributions to the plan directly out of their paycheck. Most of these plans have a loan provision that permits account owners to borrow from their savings. The maximum loan by law is 50% of the vested account balance, and must be repaid within five years through payroll deductions. The interest rate is set by the plan and is usually tied to the prime rate. The problem with 401k loans is that you have to repay them over such a short period of time (five years). If you fail to do so, the unpaid balance of the loan is treated as a non-qualified withdrawal and therefore is subject to ordinary income tax rates plus a 10% excise tax (penalty) if you are not over age 59 1/2.

Summary of Loans for Students

Various studies have shown that when students are at least partially responsible for paying for their own college education - by way of work-study, using their own money or taking out student loans - they tend to do better academically than students who are not responsible for any share of their education costs. As parents, if you want your child to be responsible for paying a part of her college costs and she will need a loan to do so, you can either lend her the money yourself (Intra-family loan) or let her take out a student loan. Depending on whether she demonstrates a financial need, exceptional financial need or no financial need at the college that she attends, she will end up with a subsidized Stafford loan, a Perkins loan, an unsubsidized Stafford loan and/or an Alternative loan.

In general, the best loans are the subsidized Stafford and Perkins loans followed by the unsubsidized Stafford loan, and as a last resort, the Alternative loan.

Special offers from lenders change constantly for these loans, so it may require some homework using the internet and by talking with your private school/college to determine which lender has the best overall rates, origination fees and repayment terms.

Summary of Loans for Parents

Generally, mortgages offer the longest terms of repayment with the lowest interest rates, and the interest for some taxpayers is even tax deductible. For these reasons mortgages frequently have the lowest monthly payments for a given amount of borrowed money. Home equity loans and lines of credit have to be repaid over shorter periods of time at higher rates of interest, so their payments tend to be higher than mortgages. But remember that all of these types of loans require a credit check and are collateralized by your home.

Intra-family and life insurance cash value loans don't require a credit check and can be paid back on more flexible terms and decent rates of interest.

Parent PLUS Loans are a good option for parents who don't have a home or don't have enough home equity to tap into. In fact some lenders argue that for education purposes a Parent PLUS Loan might be better than a mortgage or home equity loan since the loan isn't collateralized by your home, the interest rate is fixed and can be tax deductible, it has slightly more repayment flexibility during financially challenging times and is insured against death and disability.

401k loans have to be repaid over shorter time periods than the other loans and usually have a higher rate of interest that is not tax deductible.

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