



## Federal Financial Aid

Along with purchasing a home and saving for retirement, saving for our children's college education is perhaps one of the most significant financial goals many of us face. While the hurdle can appear to be high, the payoff of obtaining a college education can be even bigger. According to the US Census Bureau, a person with a bachelor's degree earns almost double what someone with only a high school diploma earns. There are few other investments that offer this kind of long-term return.

Planning ahead and getting an early start on saving is key toward achieving this dream. However, if your college nest egg isn't what you hoped it would be, don't give up and automatically make the assumption that because you earn well, your children won't qualify for financial aid, as whether they will qualify is going to be dependent on a number of factors.

Many parents who haven't set aside the kind of dollars needed to send their kids to college are choosing to tap their own retirement accounts to pay for college; we feel strongly that other avenues should be explored prior to utilizing this course of action. While there are many forms of scholarship and aid available to help pay for college, the same cannot be said about funding your retirement.

The two primary forms of financial assistance available to most students are: public funds, and private scholarships. In this article, we will focus on public assistance available through the US Department of Education.

The Department of Education's core mission is to ensure that all eligible individuals benefit from federal financial assistance in the form of grants, loans, and/or work-study programs. During the 2007-08 school year, it provided approximately **\$83 billion** in aid to nearly **10 million** postsecondary students and their families. Below is an abbreviated summary of the primary types of aid that can be obtained through the department's programs.

Federal Grant Programs	Program Details - Funds that do not have to be repaid
Pell Grant	<ul style="list-style-type: none"> <li>• Generally awarded to students who have not earned a bachelor's or graduate degree</li> <li>• If you are eligible for a Pell Grant, you will receive the full amount you qualify for</li> <li>• Annual Award Limit: \$890 to \$4,731</li> </ul>

Supplemental Educational Opportunity Grant (FSEOG)	<ul style="list-style-type: none"> <li>• For undergraduates with exceptional financial need</li> <li>• Federal Pell Grant recipients receive priority</li> <li>• Not all colleges participate in the FSEOG program</li> <li>• Funds depend on availability at the college; you should apply by your college's deadline, so that you are considered.</li> <li>• Annual Award Limit: \$100 to \$4,000</li> </ul>
Academic Competitiveness Grant (ACG)	<ul style="list-style-type: none"> <li>• Varies by academic year</li> <li>• Must be eligible for a Pell grant</li> <li>• Must be a US Citizen</li> <li>• Must have graduated from high school after Jan 1, 2006</li> <li>• Must have completed a rigorous secondary school program of study</li> <li>• For full-time students enrolled in an eligible program</li> <li>• Funds depend on availability at the college</li> <li>• Annual Award Limit: Up to \$1,300</li> </ul>

<b>Federal Work Study Programs</b>	<b>Program Details - Part-time employment where you can earn funds while enrolled</b>
Federal Work-Study (FWS)	<ul style="list-style-type: none"> <li>• For undergraduate and graduate students</li> <li>• Job can be on campus or off campus</li> <li>• Students are paid at least federal minimum wage</li> <li>• Not all colleges participate in the FWS</li> <li>• Funds depend on availability at the college</li> </ul>

<b>Federal Loan Programs</b>	<b>Program Details - Borrowed funds. You must repay the loans, with interest</b>
Perkins Loan	<ul style="list-style-type: none"> <li>• Your college is the lender; payment is owed to the college that made the loan</li> <li>• For undergraduate and graduate students</li> <li>• Interest charged on this loan is 5 percent</li> <li>• Funds depend on financial need and availability at the college</li> <li>• Not all colleges participate in the Federal Perkins Loan program</li> <li>• Undergraduate - Up to \$4,000 a year</li> <li>• Graduate and Professional - Up to \$6,000</li> </ul>
Subsidized Direct or FFEL Stafford Loan	<ul style="list-style-type: none"> <li>• Your lender will pay the interest while you are in college and during grace and deferment periods</li> <li>• You must be at least a half-time student</li> <li>• You must have financial need</li> </ul>

	<ul style="list-style-type: none"> <li>• For undergraduate and graduate students</li> <li>• Annual Award Limit: \$3,500 to \$8,500</li> </ul>
Unsubsidized Direct or FFEL Stafford Loan	<ul style="list-style-type: none"> <li>• You are responsible for the interest on the loan while you are in college and during grace and deferment periods</li> <li>• You must be at least a half-time student</li> <li>• For undergraduate and graduate students</li> <li>• Annual Award Limit: \$3,500 to \$20,500</li> </ul>
Direct or FFEL Parent PLUS Loan	<ul style="list-style-type: none"> <li>• For parents of dependent students</li> <li>• Borrower is responsible for all the interest</li> <li>• Must not have negative credit history</li> <li>• Maximum amount is cost of attendance minus any other financial aid the student receives</li> </ul>
Direct or FFEL PLUS Loans for Graduate and Professional Degree Students	<ul style="list-style-type: none"> <li>• For graduate and professional degree students</li> <li>• Borrower is responsible for all the interest</li> <li>• Must not have negative credit history</li> <li>• Must have applied for your annual loan maximum eligibility under the Federal Subsidized and Unsubsidized Stafford Loan programs before applying for a Graduate/Professional PLUS loan</li> <li>• Maximum amount is cost of attendance minus any other financial aid the student receives</li> </ul>

To help you get a sense of whether or not your children are likely to qualify for federal financial aid, check out the Department of Education's online forecasting tool at [www.fafsa4caster.ed.gov](http://www.fafsa4caster.ed.gov). This tool uses your current financial information to project what your family's expected contribution to college costs will be under the federal aid formulas. Because it uses your current financial information, it is most useful when your kids are high school age.

The forecaster takes time and effort to complete, but is well worth it as knowing whether or not your children will qualify for aid can help you widen your sense of the possible on the one hand, or alternately, help you set more realistic expectations for yourself and your kids on what type of college is feasible and how it's going to be paid for. And, the effort required to complete the forecaster saves time when your child is actually applying for aid, as all the data entry from the forecaster can be automatically transferred to your child's online federal aid application when the time comes.

Many families assume they won't qualify for federal financial aid or just don't want to complete the paperwork because it seems too complex or difficult. That's a mistake; perhaps some of that \$83 billion dollars could be going toward making your children's college education a reality.

-- Joe Hebert. Posted 08/15/08.