

FINANCIAL SECURITY PLANNING SERVICES, INC. SM



Capital Markets & Ten Financial Aid Myths

March 2019

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Market Thoughts for March 2019

Brad McMillan, Commonwealth's Chief Investment Officer, recaps the market and economic news for February. It was another good month, with U.S. markets, developed markets, and fixed income showing gains. Still, the housing market continued its slowdown, and business investment softened. We also saw a terrible retail spending report. But the market was able to bounce back from the lows seen at the close of 2018, buoyed by the end of the government shutdown. So, will the markets continue to move higher, and what risks are ahead? Tune-in to find out.



We hope you enjoy this month's video.

Ten Financial Aid Myths Debunked

The purpose of financial aid is to help bridge the gap between the cost of attending college and the amount that students and their parents can afford to pay. Unfortunately, many students forgo applying for financial aid because they

assume they won't qualify. Don't let these common myths dissuade you from applying for financial assistance or lead you astray during the application process.

Myth #1. Financial aid is only for very smart or poor students.

Financial aid comes in various forms and from various sources beyond traditional need- and merit-based aid. In addition to the federal government and the college itself, aid may be available through sources such as the state government, local community organizations, and the parent's employer. Be sure to research all of the possibilities.

Myth #2. College savings prevent students from qualifying for aid.

Savings may not disqualify a student for financial aid. The financial aid formula is primarily income driven; while assets are taken into consideration, their effect on the parent contribution is relatively small. In fact, only 5.6 percent of the parent's assets (after an asset protection amount is taken into account) are considered available for college expenses, as compared to 20 percent of the child's assets. In general, a family with savings has more options when it comes to paying for college. Families who haven't saved may find themselves borrowing in order to pay their expected contribution. Repaying student loans with interest may not make as much financial sense as using savings to pay for college.

Myth #3. The entire award package must be accepted.

Students don't have to accept every component of the award package. If a student doesn't want to take out a loan or participate in a work-study program, he or she can decline that portion of the award. Keep in mind, however, that student loans and work-study are considered a contribution from the family. If a student declines a loan or work-study as part of the financial aid package, the family must find a way to replace those funds.

Myth #4. Most schools are willing to negotiate financial aid awards.

Because most colleges adhere to strict award guidelines, it's unlikely that a student who receives a favorable award letter from one college will be able to use it to negotiate an adjustment from another. A student may be able to get an adjustment if the family's financial condition didn't translate to the application—for example, if the family has experienced unusually high medical expenses. Be sure to justify your request for a review by including detailed medical costs and payment documentation.

Myth #5. Once the school year starts, it's too late to apply for financial aid.

The earliest date to submit the Free Application for Federal Student Aid (FAFSA) is October 1 prior to the start of the academic year, and the deadline is June 30 of the next calendar year. Although many colleges establish preferential filing deadlines for maximum consideration, a later application may still result in the award of some financial aid. A "better late than never" filing will at least give the student a chance of being considered, but an earlier application will likely reap greater benefits.



Colleges have different guidelines, so be sure to confirm the procedures with the schools to which you are applying.

Myth #6. The government decides who receives financial aid.

Once the student has completed the FAFSA, he or she submits it to a federal processor for review. A federally established formula is used to determine the expected family contribution (EFC). Then, the college itself determines the student's award based on its resources and the student's financial need.

Myth #7. Work-study programs hurt students' academics.

Maintaining a regular work schedule on top of academics can be challenging for some students. But keep in mind that colleges limit the number of hours that students can work during the week. Students who work part-time tend to develop strong time-management skills and often perform better academically than those who don't work. A part-time job provides good experience and begins to build a student's work history, an asset in the postgraduate job search.

Myth #8. Private colleges are out of reach.

The goal of the college application process is to find a school—public or private—that matches the student's academic, career, and personal needs. Don't rule out private schools because of their high published costs of attendance. A student may have a better chance of receiving aid from a private school for various reasons, such as a well-developed alumni endowment or a mission to attract a diverse student body. Higher college costs may also provide an opportunity to demonstrate greater financial need.

Myth #9. The FAFSA process is confusing and the form is difficult to complete.

Many helpful resources for filling out the FAFSA are available; college financial aid offices or the student's high school counselor should be able to point you in the right direction. You can even complete the FAFSA online at www.fafsa.ed.gov, with real-time chat access to representatives. And check out Fastweb's "Five-Minute FAFSA" video on YouTube, which takes a lighthearted approach to tackling financial aid paperwork.

Some recent changes to the FAFSA process may also help ease the burden for many families. Prospective students can now complete the FAFSA as early as October 1 of the year prior to admission, bringing the FAFSA application cycle in line with college admissions application deadlines. As an additional benefit, students and parents will report income from an earlier tax year on the FAFSA, eliminating the pressure to file taxes as quickly as possible on the prior year's income. For example, on the form for 2020-2021 aid, reporting can be 2018 income.

Myth #10. Students shouldn't indicate that they are applying for aid on the admission application.

Whether or not a student is applying for financial aid does not affect the admission decision. In fact, it's a good idea to indicate that you're applying for aid on the admission application; that way, the college can open a financial aid file for the student and begin tracking the related forms.

Dependable scholarship and financial aid information is readily available through college financial aid offices, government-sponsored websites, and reputable consumer organizations. Beware of any program that guarantees aid for a fee. Free online resources include www.savingforcollege.com, www.finaid.org, www.fafsa.ed.gov, and www.fastweb.com. I can also recommend specialists who have successfully helped other families obtain financial aid.

My staff and I deeply appreciate the continuing opportunity to work with you. Please let me know if you have any questions or requests. Thank you.

Sincerely,

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