Top 10 Mistakes in College Planning You'll Want to Avoid

Brad Baldridge is a late-stage college-planning specialist. He helps parents of high school students plan and pay for college using strategies such as merit aid, need based aid, tax planning, savings and investing for college, negotiating with colleges, scholarships and loans.

Over the past 10 years Brad has directly helped hundreds of families plan and pay for college. He has provided in-depth college plans resulting in increased financial aid, scholarships, identification of the right schools at the right price, and better loans.

Brad's expertise is featured weekly on his podcast, Taming The High Cost of College. Since 2013 Brad and his expert guests have explored and shared great information related to college planning. Brad lectures extensively conducting his workshop "Taming the High Cost of College". Over the years thousands have benefited from his unique insight and great strategies.

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1. **Assume you won't qualify for need-based aid.** Since the financial aid calculations are relatively complex there are a lot of myths out there about what it will take to qualify. I've seen families with incomes as high as $250,000 qualify for some need-based aid. On the flip side, I have seen families earning $75,000 not qualify. It is important that you get an accurate assessment of your particular situation to determine if you might qualify. Generally speaking, you are more likely to qualify for need-based aid if your student attends relatively expensive schools or if you have multiple students attending college at the same time.

2. **Starting your planning too late. (or not at all)** Since your base year starts in the middle of the junior year of high school, there may be things that you need to do in the sophomore or early junior year before the base year starts. Of course, starting early not only applies to the financial side but to many aspects of college planning as well. I've never had anyone tell me they started their college planning too early but there are a whole lot of people who have said they started too late!

3. **Putting assets or savings in the student's name.** While sometimes it makes sense for tax purposes to have assets in the student's name, it is not a good idea for financial aid. Families are better off saving in mom or dad's name because it is assessed at a lower rate and therefore will have a lesser impact. In addition, parents get an asset protection amount so a certain amount of savings in their name will have no negative impact at all. This is also true if Grandma and Grandpa are going to help. It may make sense for Grandma and Grandpa to keep their money in their own name until the last financial aid form is filed for the last year of college. For a graduating senior, the last financial aid forms are submitted in February of the junior year. Therefore, grandparents can help with paying for the senior year as well as pay off loans without having a negative impact.

4. **Increasing parent income in the base year.** The parents' adjusted gross income can have a very large impact on financial aid. Many families inadvertently increase their income in their base year. (The base year is the tax year prior to the freshman year of

college. For example, 2011 is the base year for students who are freshmen in college in the fall of 2012.) Basically you need to behave starting January of the junior year in high school, and continue to watch your income for as long as you have kids in college. Some things you may want to avoid would be selling investments with a capital gain, taking withdrawals from retirement plans, receiving large bonuses from your company and converting IRAs to Roth IRAs. A word of caution however, reducing your income only makes sense to a point. As an example, declining a $20,000 bonus from work would be foolish because the cash in hand is almost always more valuable than the potential financial aid benefit.

5. **Failing to plan for the cost of college.** College costs more than a lot of people realize, however, much like taxes, there is a lot you may be able to do to improve your financial situation. Unfortunately, not every strategy will work for every family, therefore, you need to understand what specific strategies will work for you. Be wary of any strategy that starts with "always" or "never." Most family situations are very different from one another and there are very few one-size-fits-all type strategies.
6. **Overuse of college savings plans.** Don't get me wrong, some college savings plans have wonderful tax benefits but sometimes you can have too much of a good thing. The challenge is that many college savings plans are considered an asset for financial aid and they can have a negative impact. Depending on the family situation you may be better off saving in an alternative vehicle such as a Roth IRA, retirement plan or taxable investments.
7. **Missing financial aid deadlines**. The worst case of missing deadlines that I have seen cost the family around $20,000 in aid for the student's freshman year. The family did not complete all the required documentation by the deadline and their first choice college did not offer them any aid. Typically, colleges require that financial aid forms be submitted by February 1 or February 15. It is important that you meet their deadlines even if you have to estimate your taxes. If you use estimates, you have the opportunity to amend things if your estimates were not accurate.
8. **Neglecting your debts.** Generally speaking, consumer debts (credit cards, car loans…) are not reported for financial aid. Your bank accounts and saving accounts on the other hand will be counted against you. It often makes sense to reduce your assets by paying down your debts.
9. **Poor communication with the schools.** The colleges' admission and financial aid office can be great allies. You want them on your side. They cannot help however, if you do not communicate with them. Building relationships with the colleges you are interested in can start as early as a freshman or sophomore year and should be well underway when you apply in your senior year.
10. **Reporting your retirement plans as an asset.** You're not required to include any sort of retirement plan as an asset when you fill out financial aid forms. It is not made very clear on the actual form and many people make this mistake, often inflating their assets by hundreds of thousands of dollars unnecessarily.

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