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Article Title: "Key Moves To Help Boost College Aid "

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Many parents assume they can't qualify for financial aid for their children's college bills. As a result, they don't bother to apply.

But failure to give it the old college try could be a costly mistake. Even with sizable incomes, parents are often eligible.

"Parents with income as high as \$150,000 might qualify for some aid," said Tom Brooks, president of College Funding Advisors in Bedford, Mass.

That can be the case if their student is going to an expensive university. With two or more kids in pricey schools, families earning as much as \$200,000 might get financial assistance, Brooks says.

To get aid, a **key** step is filling out the Free Application for Federal Student Aid (FAFSA). You can find it at www.fafsa.ed.gov.

You fill out this form every year to apply for aid in the next academic year.

On a FAFSA, you report the parents' income and the student's income from the previous year. You also report their current assets.

A formula is applied to determine an expected family contribution.

Say that a couple with a college-bound youngster has \$150,000 in income and \$200,000 in assets such as savings and investments. Retirement funds and a principal home are excluded from the asset count.

The financial aid formula might call for those parents to contribute about \$29,000 a year to the student's college costs, according to the Corporation for Enterprise Development.

Suppose their child has \$4,000 in income and \$5,000 in assets. That child's expected contribution might be around \$1,600.

Altogether, the family would be expected to pay \$30,600 in college costs.

If such a family sends a child to college where the annual cost is \$20,000, no need-based aid would be provided. College costs include tuition, fees, room, board, books, and supplies.

The same would be true at a college costing \$30,000.

Merit Scholarship

But at a college where the annual cost is \$40,000, he would be eligible for \$9,400 in aid: the \$40,000 cost minus the \$30,600 expected family contribution.

The child won't automatically get \$9,400 in aid. That depends on how much the college wants a particular student.

Some schools also offer academic-merit scholarships. Many grant scholarships for particular talents. If you get a scholarship from an outside source, your child's school may cut its aid offer by a similar amount.

There may not be much you can do to get your kids athletic or academic scholarships. But you might be able to boost your eligibility for need-based aid.

One tactic: Avoid holding money in your child's name. The FAFSA formula calls for 20% of a student's assets to be spent on college.

But parents' assets are assessed no higher than 5.64%.

So \$10,000 in a child's bank account results in \$2,000 (20%) being added to an expected family contribution. In the parent's name, only \$564 of that \$10,000 would be earmarked for college costs.

Having the parent instead of the child hold that \$10,000 would cut the expected annual family contribution by \$1,436: \$2,000 minus \$564. And it would increase potential financial aid by \$1,436.

One reason for holding money in custodial accounts has been income tax reduction. Investment income is taxed to the child, not the parent.

Now that money can be invested in a 529 plan in the parent's name. There will be no income tax if the investment income is withdrawn and spent on college.

The FAFSA's financial aid assessment on the 529 balance will be only 5.64%.

What if your student already has money in a custodial account? If you think financial aid is a possibility, you could spend the money before filling out the FAFSA.

The money must be spent on the youngster's behalf.

Say your child has \$25,000 in his bank account. He will start college in September 2008.

You could use that money to buy him the car you promised to get as a high school graduation present. Any money left over might buy him a new computer, a cell phone, and so on.

Such items don't have to be listed on a FAFSA.

Make those purchases in late 2007 or early 2008. If you fill out the form afterwards, there will be little

or no student assets to reveal. So you will have increased eligibility for financial aid.

Handling Harvard

In addition to the FAFSA, some expensive private colleges have their own financial aid forms. Student assets might be assessed at 25% on those forms.

Cutting assets held in a child's name will pay off even more there. Those schools are where you are most likely to get financial aid, because total costs are so high.

For example, the cost of attending Harvard will be more than \$46,000 in 2007-08. Other elite colleges have comparable totals.