

College Costs, Merit Scholarships, & Financial Aid

With the rising costs of college, many Lakeside families have begun saving and planning for tuition and fees earlier and earlier. Please use this document to learn about college tuition and fees, merit scholarships, and need-based financial aid. In addition, families often reference this document as they complete financial aid applications.

(Note: The document refers to “tuition and fees” throughout. This includes all expenses: the cost of all credits, room and board, books, student activities fees, and anything else that contributes to the total costs that colleges publicize.)

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How much does college cost?

Regardless of a family's financial circumstances, rising college tuition and fees affect all families. It's never too early for families to think about how they will pay for their student's education after Lakeside. The cost of college is explained below.

- *Washington Public Universities.* As residents of Washington, Lakeside students are eligible for the resident tuition rate at any of Washington's public universities. These options will charge the lowest tuition. The in-state public colleges and universities are Central Washington University, Eastern Washington University, Evergreen State College, Western Washington University, University of Washington (which has three campuses located in Bothell, Seattle, and Tacoma), and Washington State University. Total annual expenses at the Seattle campus of the University of Washington, for example, are just shy of \$26,000.
- *Private Colleges and Universities.* The price tags of private institutions are usually the highest among colleges and universities. The private colleges enrolling the most Lakesiders last year cost between \$65,000 and \$70,000.
- *Out-of-State Public Universities.* Many Lakesiders will consider public universities in other states. While tuition and fees for these universities is greater for out-of-state students, they are usually lower than private colleges. In many cases, out-of-state public universities have provided a middle-ground for families—more expensive than in-state public universities, but less costly than private schools. This is especially true of the West Coast public universities that participate in the Western Undergraduate Exchange (WUE) that offers students a rate 1.5 times the in-state tuition. A full-listing of participating institutions is available at <http://wiche.edu/info/publications/wueHandout.pdf>.
- *International Universities.* The cost of attending universities abroad varies, though they are usually less expensive than U.S. private education, and are also affected by international exchange rates. Canada and the United Kingdom have drawn the most applicants from Lakeside in recent years.
- *U.S. Military Academies.* Air Force, West Point, Naval Academy, and Coast Guard are free. However, they offer a unique undergraduate experience, and require military service after graduation. While the cost is great, students should make sure they feel the experience and will be equally as great.

How does a student earn merit scholarships?

One method of reducing tuition and fees is through merit scholarships, financial awards based on college-specific criteria. An exemplary academic record and strong test scores, a commitment to a specific area of study, involvement in specific high school activities, or membership in a particular racial or ethnic group are just a few examples of such criteria. Broadly speaking, merit scholarships come in two forms: those awarded by colleges and those awarded by third-party organizations.

- Many institutions to which Lakesiders apply provide merit scholarships, though these awards are given only to the top students in their pools—usually the upper five to 10 percent of admitted students—and are used to “woo” students away from more selective institutions. For this reason, colleges such as the Ivy League, MIT, Stanford, and the most selective liberal arts colleges do not award merit money. A sampling of those that do are Boston University, Case Western Reserve, Davidson, George Washington University, Lafayette College, Lehigh University, Lewis & Clark, Occidental, Santa Clara, Scripps, Tulane, University of Puget Sound,

University of Southern California (USC), Washington University in St. Louis, Whitman, and Willamette. In most cases, students are considered for merit money simply by applying. In select cases, such as Washington University, students must submit separate applications for scholarship consideration. Students should also be aware that at some colleges, such as the University of Southern California, there are priority deadlines for students who wish to be considered for merit scholarships. At USC, for instance, the application deadline is January 1, but only students who submit their applications by December 1 will be considered for merit scholarships. Students should familiarize themselves with these deadlines as they research colleges.

- There is an array of scholarships awarded by third-party organizations, many of which have specific criteria. To search for third-party scholarships, students can peruse databases such as www.scholarshipexperts.com, www.meritaid.com, www.scholarships.com, www.washboard.org, <https://bigfuture.collegeboard.org/scholarship-search#>, or www.goingmerry.com. Applications for most scholarships have deadlines during second semester of senior year, so rarely do students need to take any steps prior to then. However, families should remember that these applications can be time-consuming (many of them require specific essays) and that awards tend to be small and non-renewable (in other words, the student receives the award once rather than each year of college). Accordingly, families should keep in mind that third-party awards make only small dents in the looming costs of tuition and fees.

If families wish to explore ways to reduce the costs of college, they should let their college counselor know in the junior year. As the counselor works to build a college list, they can suggest schools at which the student will be eligible for merit money.

How do colleges determine which students qualify for need-based financial aid?

Another way to reduce the cost of college is through need-based financial aid. It's important, however, to understand what colleges mean by "need." When the counselors travel to conferences and college campuses, financial aid directors talk frequently about the challenge of helping families understand the difference between their *ability to pay* versus their *willingness to pay*. Need-based financial aid is designed to help students whose families do not have the *ability to pay*. In other words, if the family were to tap every one of its resources—income, savings, investments, properties against which they could borrow, etc.—they would not be able to afford one year of college tuition. Colleges expect that families will make significant sacrifices to pay for their students' educations. Liquidating assets, taking out a home equity loan, reducing the amount of income that is put into retirement, and cutting discretionary expenses are all examples of sacrifices that colleges expect. In the eyes of colleges, if families can afford tuition and fees after making such sacrifices, they *do not* have financial need.

As families consider whether they will be eligible for aid, it's also important to understand the difference between *taxable income* and *available resources*. In reviewing financial aid applications, colleges review tax returns from two years prior. Yet, this does not mean that colleges determine eligibility on taxable income. Through the financial aid application, financial aid officers try to determine all the resources a family can tap. For instance, while a tax return might reflect a loss, which in turn reduces a family's taxable income, colleges will assess whether that's a paper loss or a real loss. For this reason, it's common that families who own businesses are surprised by financial aid decisions. Many business expenses can be written off for tax purposes, but from the college perspective, these are only paper losses - that money is still accessible.

Colleges consider the entirety of a family's financial circumstances when they review applications for aid.

- *Income.* This is the largest factor in determining aid packages. The income of both parents and guardians are considered, as well as any income the student might have earned. In the case of two-family households, some colleges will look at the financial profiles of both families while others won't. This is explained in greater detail below in the section, "How does my student apply for financial aid?"
- *Size of family.* Financial aid officers do not want to reduce a family to poverty. A family whose net worth is \$150,000 and has one student has vastly different resources available to them for college than the family who has a similar net worth, but has three children.
- *Number of students in undergraduate schools.* Colleges recognize that resources are further strained when families are paying for two students to attend college at once. For this reason, some families are surprised to discover that they qualify for aid only after their second child starts college.
- *Parental Assets.* There is a longstanding myth that colleges expect families to drain their assets. This is untrue. Each year, colleges expect families to contribute anywhere from 5 to 12 percent of the parents' or guardians' total assets. Thus, while the process is income-driven, larger assets can reduce the size of a financial aid package or even affect eligibility. A family that owns, for instance, \$750,000 in stock can contribute, at minimum, \$37,500 (5 percent) by merely selling some of their shares. Depending on the combined family income, a college might decide that the difference between that amount and the total cost can be met by that income. Finally, colleges' definition of assets is quite wide. Businesses, stock, investments, second properties, trusts (even if the student can't access the trust until post-college), 529 savings plans, etc., are all assets that colleges will consider when determining aid eligibility.
- *Student Assets.* Assets in a student's name are reviewed differently. In effect, colleges expect that all student assets will be used for college expenses over a four-year period. Thus, each year, colleges expect that the student will contribute from anywhere from 20 to 25 percent of their assets.
- *Home equity.* While the wealthiest colleges and universities have removed home equity from their aid calculations, the majority still consider it, though to a much smaller extent than expected. Colleges do not expect families to sell their homes to pay for college. Thus, those that consider home equity usually cap the amount anywhere between two and three times the family's total income. To learn whether colleges consider home equity in their equations, students should contact those schools' financial aid offices directly.
- *Other allowable expenses* include medical expenditures, certain legal fees, and caring for an elderly parent, among others.

Colleges do *not* consider the following:

- *Retirement Funds.* Any savings in a legally designated retirement fund are not considered an asset and do not impact the financial aid decision. However, annual contributions to these accounts will be considered.
- *Private school tuition for younger children.* While some colleges consider tuition for younger students in primary or secondary school, the majority do not. For those schools that consider this expense, they usually do not factor in the full value. For example, some colleges will allow for tuition expenses of \$10,000 to \$15,000 maximum.
- *Graduate school for older children.*
- *Consumer debt.*
- *Divorce decrees.* Sometimes during divorce negotiations, the parties agree that only one parent will pay for college. However, because colleges are not parties in these decrees, they are not bound by them. Thus, a school that considers the financial resources of both parents/guardians will do so regardless of what is stated

in a divorce decree. Failure to provide information on both parents/guardians usually results in the student being ineligible for financial aid.

- *Enrichment experiences.* Summer camps and programs, abroad experiences, fees for athletic clubs and teams, musical lessons, and academic tutoring are all regarded as discretionary expenses that families have chosen to allocate in directions other than college savings.

Are there resources families can use to see if they will be eligible for need-based aid?

Yes. A few years ago, the federal government mandated that colleges make “net price calculators” available on their websites. These calculators ask families to input a variety of financial information and provide an estimate, often in the form of a range, of whether the student might qualify for aid and for how much. The calculators are also helpful tools in planning long-term: perhaps a family’s first child will begin college next year, and the second student two years later. The family is curious how having two students enrolled in college at the same time will impact their financial aid eligibility. By completing the net price calculator a second time with this revised information, families can get a general sense of what their financial aid eligibility could be in the future.

These calculators only provide estimates. When financial aid officers review applications, they have the prerogative to make certain judgment calls about how accurately the numbers themselves reflect the available resources. Thus, in some cases, the estimates families receive from the calculators have been significantly lower or higher than their final package. Nonetheless, these calculators are still the most effective way of exploring eligibility for financial aid. The college counselors recommend trying a couple of different calculators. (However, the counselors recommend *not* using those of the Ivy League—Brown, Columbia, Cornell, Dartmouth, Harvard, Princeton, University of Pennsylvania, or Yale—or those of the most selective liberal arts colleges, such as Amherst, Pomona, Swarthmore, and Williams. Because of these schools’ exceptional financial resources, they are more generous in awarding aid. Their calculator results will not be reflective of most institutions.)

Finally, just because a family qualifies for aid does not mean that every college will meet their full-need. Only about 60 schools across the country have committed to meeting 100 percent of demonstrated need. Most colleges “gap,” meaning they will offer a package that does not meet full need. Others will simply not admit the student. Sifting through all these policies can be stressful and complex. During spring of junior year, the college counselors work with students who need financial aid to build a well-rounded list that accounts for all these factors.

If a family receives aid at Lakeside, does that mean they will get aid from colleges, too?

No. Understandably, this is one of the hardest answers to grasp. After all, it seems logical that if a family needs assistance to pay for Lakeside, they would qualify for aid in college, which typically costs more. Historically, independent schools are more generous with financial aid. In part, this is because they are not regulated by federal guidelines in the way that colleges are. Moreover, colleges’ review of assets is much more comprehensive than those of independent schools. In some cases, families who qualified for aid at Lakeside have been ineligible for postsecondary aid because colleges felt that they could draw upon assets to cover the full cost of tuition and fees.

What does a financial aid package look like?

Financial aid packages can include any combination of the options below:

- *Grant or Scholarships.* At private colleges, this is typically the largest component of the financial aid award. This is money the student does not have to repay.
- *Federal Work Study.* This program provides part-time employment for students to help them earn money to pay for educational and personal expenses. Students are paid by the hour and can earn up to the amount of the award. Usually, this is the smallest part of the package and totals less than \$3,000 a year. Most of jobs will be on campus and are a great way for students to earn money while working for an employer who understands that school comes first.
- *Loans.* There are two types of student loans, those from the government and private loans, which are offered by the universities themselves or from banks. While loans are understandably less attractive, the federal loan system offers fixed, low-interest rates and caps the annual amount a student can borrow. This is different from many private loans, which frequently offer higher and variable interest rates. Stafford loans can be subsidized or unsubsidized. Subsidized loans are when the government pays the accruing interest while the student is in college, whereas unsubsidized loans are when interest continues to accrue. Students begin payment on their Stafford loans six months after graduation and can choose from a variety of payment plans, including an income-based repayment plan. Should the student return to graduate school at least half-time, loan repayment will be deferred until the completion of their degree. To see loan caps and interest rates, visit www.staffordloan.com.

How does a student apply for need-based financial aid?

There are two major sources of financial aid, both of which have separate applications:

(1) Federal and State Aid, which requires completion of the Free Application for Federal Student Aid (FAFSA); and

(2) Institutional Aid, which necessitates completion of the College Scholarship Service (CSS) PROFILE.

All schools require the first; many private institutions require the second. Students should carefully read the financial aid application instructions for each school to which he or she is applying. In addition to the FAFSA and CSS Profile, all colleges require completed tax returns and W-2s from two years prior. Some colleges have additional forms or requirements. The deadline for applying for financial aid varies by college, but is usually between February 1 and March 1. Meeting financial aid deadlines is crucial! Many colleges award aid to latecomers only if there is money available *after* they have offered aid to students who met the deadline. (In most cases, there is *not* money left over.)

Tips for completing the FAFSA, which is available at www.fafsa.ed.gov:

- Before getting started, establish a Personal Identification Number (PIN) that will be used to validate the aid application by the Federal Government.
- In many cases, families can use the IRS retrieval function to import information from filed tax returns. This function is available 10 days after the government confirms receipt of the return.
- Families will need tax returns W-2s, bank statements, mortgage statements, business records, stock and investment information from two years prior, as well as any W-2s or tax returns that the student may have.
- By completing the FAFSA, the student is automatically considered for a Pell Grant and Perkins Loan, two federal programs designed to assist lower-income families in making college more financially accessible.
- If the parents are separated or divorced, complete the FAFSA using the information for the parent or guardian with whom the child has lived the most over the past year, or for the parent that has provided the most financial support. If this parent is remarried, the new spouse's information is required. The FAFSA does not require any information from the second parent or guardian.
- Near the end of the FAFSA, enter the schools to which the student is applying for financial aid. *The college counseling office strongly encourages students to list the schools to which they are applying in alphabetical order.* Because colleges can see each of the schools on the FAFSA, some use that list as an indication of the students' interest level. They assume that the schools listed first are top choices whereas those at the bottom are of lower interest. In addition, if a student applies to more than 10 schools, they will be able to list only 10 in one sitting. After inputting the first ten, they should wait a week, and then return to the FAFSA and enter the remaining schools (they will have to delete those already in the system, which is okay because a report will have already been issued to them).

Tips for completing the CSS Profile available at www.collegeboard.com:

- Unlike the FAFSA, the CSS Profile asks for a more comprehensive overview of family assets.
- Whereas the FAFSA asks only for information on the custodial parent (or the parent that has provided the most financial support for the student), the CSS profile requests information, for some colleges, on the non-custodial parent. Once the student enters that their parents are divorced or separated, the student will send a link to the non-custodial parent to complete the Non-Custodial Profile. (Neither parent can see the other's portion.) To see which schools require the Non-Custodial Profile, visit <https://profileonline.collegeboard.org/prf/PXRemotePartInstitutionServlet/PXRemotePartInstitutionServlet.srv>.
- Unlike the FAFSA, the CSS Profile is not free. At the end of the profile, there will be a \$25 service fee, and a \$16 charge for each school. Should the student qualify for a fee waiver, the system will automatically refrain from charging once the profile is complete.
- Near the end of the CSS Profile, enter the schools to which the student is applying for financial aid. Colleges cannot see the other schools on the list.

The financial aid award letter usually arrives with or shortly after the acceptance letter and will specify the breakdown of grants and scholarships, work-study, and loans. Only one award will be sent to the student; thus, in the case of separated or divorced parents, the parents need to communicate to determine how they will divide payment responsibility. The student's college counselor will request to see all aid award letters to help the student compare financial aid offers.