



Financial Aid Award Letters: What to Look For

Your financial aid award letter has arrived.

You open the letter expecting to see exactly how much you'll have to pay for that education but instead, you're left scratching your head. The aid package is broken down into a combination of loans, awards, grants and work-study. At first glance, it appears that the majority of your costs for the next four years will be covered, but it's hard to say.

This scenario unfolds for millions of families each spring, and many find that financial aid letters are not always what they seem.

Here are some early tips for making sense of them, so you'll be prepared when the letter does come.

Figure Out The Total Cost

Financial aid award letters are not standardized, and each school has its own format, making it difficult to interpret and compare them. This is evident when you look for the total cost of attending the school. Some colleges won't even identify the cost on the award letter. Others will include only tuition but not other costs.

The total cost of attendance should include tuition, room and board, books, supplies, transportation and required fees. Having this information will give you a basis to determine your out-of-pocket costs and enable you to fairly compare award letters from different colleges. Remember, any student loans will increase the total costs when you take into consideration the interest that will have to be paid.

Net It Out

Once you nail down the cost of attendance, you can now focus on the most important factor — **net price**. The net price is the total cost of attendance, minus any "gift aid." Gift aid is money that doesn't have to be paid back: grants and scholarships.

Review your award letter, subtracting gift aid from the cost but not any non-gift aid such as loans and work-study. Yes, work-study is not considered gift aid. There is no guarantee of employment, as jobs are first-come, first-served.

At the end of this process you will arrive at the “true” cost, the net price to attend. Families need to determine their strategy for paying this cost, be it through student loans, current cash flow or savings.

Beware The Gift

We’ve already discussed gift aid and its importance in determining a school’s net price. However, some families make the planning mistake of assuming that the same amount of gift aid will be available for all four years of college. That is not always the case. Some colleges will front-load grant or scholarship money and reduce the awards in subsequent years.

It’s imperative to talk with the school’s financial aid administrator about the guidelines surrounding your aid package to find out if you can expect award amounts to change year to year. The last thing you want is to incur additional debt to meet any unexpected aid shortfall.

Keep An Eye On Your EFC

Your expected family contribution, or EFC, is the minimum amount colleges will expect you to pay toward the cost of your child’s education. Your EFC determines your eligibility for need-based aid such as grants and is based on several factors, including family income, assets and the number of children in school at the same time.

Since your EFC will be recalculated every year, any unanticipated changes in your finances, such as an inheritance, capital gains or a Roth conversion, could affect your eligibility for future gift aid. Planning on having multiple children in college at once? That could work to your advantage, as some schools will reduce your EFC, which could in turn increase your aid package.

A financial aid award letter doesn’t have to be a surprise. By gaining an understanding of the college planning process, you can determine, with a high level of certainty, what

aid package to expect from most schools. This information alone can prove invaluable toward reducing your family's long-term education costs. BY [BRETT TUSHINGHAM](#) Tags College loan, Financial Aid, FAFSA, Grant, Scholarships, Work Study