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5 common mistakes when applying for financial aid

Given the astronomical cost of college, even well-off parents should consider applying for financial aid. A single misstep, however, can harm your child's eligibility. Here are five common mistakes to avoid:

1. Presuming you don't qualify. It's difficult to predict whether you'll qualify for aid, so apply even if you think your net worth is too high. Keep in mind that, generally, the value of your principal residence or any qualified retirement assets isn't included in your net worth for financial aid purposes.

2. Filing the wrong forms. Most colleges and universities, and many states, require you to submit the Free Application for Federal Student Aid (FAFSA) for need-based aid. Some schools also require it for merit-based aid. In addition, a number of institutions require the CSS/Financial Aid PROFILE®, and specific types of aid may have their own paperwork requirements.

3. Missing deadlines. Filing deadlines vary by state and institution, so note the requirements for each school to which your child applies. Some schools provide financial aid to eligible students on a first-come, first-served basis until funding runs out, so the earlier you apply, the better. This may require you to complete your income tax return early.

4. Picking favorites. The FAFSA allows you to designate up to 10 schools with which your application will be shared. Some families list these schools in order of preference, but there's a risk that schools may use this information against you. Schools at the top of the list may conclude that they can offer less aid because your child is eager to attend. To avoid this result, consider listing schools in alphabetical order.

5. Mistaking who's responsible. If you're divorced or separated, the FAFSA should be completed by the parent with whom your child lived for the majority of the 12-month period ending on the date the application is filed. This is true regardless of which parent claims the child as a dependent on his or her tax return.

The rule provides a significant planning opportunity if one spouse is substantially wealthier than the other. For example, if the child lives with the less affluent spouse for 183 days and with the other spouse for 182 days, the less affluent spouse would file the FAFSA, improving eligibility for financial aid.

These are just a few examples of financial aid pitfalls. Let us help you navigate the process and explore other ways to finance college.

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