

Topics in Financial Aid

529 Plan Basics

"529" refers to a section of the Internal Revenue Service (IRS) Code that allows students and their families to invest money tax-free for college, and earn interest on those investments. While plans differ from state to state, they do share some advantages and disadvantages.

What are the advantages?

- Earnings made on your investment are exempt from federal tax as long as your money is in the plan. Earnings are also exempt from federal tax when funds are withdrawn to pay for qualified college expenses.
- The amount of money that a family can contribute tax-free to a 529 Plan (more than \$200,000 in some states) is significantly higher than in other plans.
- The plans are easy to use. Because the earnings are managed by the state, you can basically make your deposits and forget about them until it comes time to make a withdrawal.

What are the disadvantages?

- Funds in your 529 plan are considered parental assets and are taken into account when calculating federal financial aid. Your Estimated Family Contribution (EFC) will include up to 5.6% of the value of your 529 account each academic year.
- If you need to withdraw funds for purposes not related to college education, the federal government will impose a 10% penalty on your earnings (you would still get back 100% of your principal). The earnings will also be subject to a capital gains tax.

529 Plans can be confusing, especially when you consider that each state has its own unique plan. Consider the possibility that if you decide not to go to college, your earnings in the plan are no longer tax-free. Get more information at: www.collegesavings.org or ask your guidance counselor for more information.

Financial Aid Award Letters: Q & A

Remember that you don't always have to accept the entire aid package that is presented to you.

What will my award letter contain?

Most award letters will contain: a cost breakdown that itemizes expenses such as tuition, fees, room and board, books, supplies and personal expenses; your Expected Family Contribution (EFC), which is calculated based on your Free Application for Federal Student Aid (FAFSA) results; and the amount of aid the school is offering, which is based on the difference between your total EFC and the cost of attending the college.

Are there deadlines I should be aware of?

Your award letter should include a deadline for accepting the college's offer of financial aid. Missing it could mean losing a grant, scholarship, employment opportunity or loan assistance.

Will an outside scholarship decrease my aid?

It might. We recommend that you check with your school's financial aid office to see how an outside scholarship might affect your aid package.

Will I have to reapply every year?

Your award letter spells out your offer for the coming school year only. Next year, you will have to reapply for a new aid award.

Are there conditions associated with my financial aid package?

All aid packages usually have conditions. Are there GPA requirements? Do you have to major in a certain field? Requirements can change year to year.

What if the EFC is more than I can afford?

Contact your college financial aid office to discuss special circumstances that may not have been reflected in your original aid application.

If you have any specific questions about your aid letter, contact your college's financial aid office.

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Scholarship Application Guidebook

Common Essay Questions: What Will They Ask?

The essay is one of the most important parts of your scholarship application. Prepare for what a sponsor might ask by practicing with these sample questions:

Academic Plans and Possible Major

- Explain the importance of (your major) in today's society.
- How will your study of _____ contribute to your immediate or long range career plans?
- What do you think the industry of _____ will be like in the next 10 years?
- What are the most important issues your major is facing today?

Current Events and Social Issues

- What do you see as the greatest threat to our society today?
- If you had the authority to change your school in a positive way, what specific changes would you make?
- Pick a controversial issue in today's society and suggest a solution.

Personal Achievements

- Describe how you have demonstrated leadership ability both in and out of school.
- Discuss a special attribute or accomplishment that sets you apart.
- Describe your most meaningful achievements and how they relate to your field of study and your future goals.

Background and Influences

- Who in your life has been the biggest influence and why?
- How has your family background affected the way you see the world?
- How has your education contributed to the person you are today? What is the most challenging event you've experienced? How has it influenced you?

5 Scholarship Letter Tips

Below are some essential tips for letters associated with scholarships, including cover letter, recommendation letter and application request letter and thank-you letter.

Tip #1: Be brief – you'll have the chance to sell yourself in your application.

Tip #2: Request the application early to leave enough time to prepare a strong application packet.

Tip #3: If you need a recommendation, clearly state when the deadline is. Give no less than three weeks' notice, leaving ample time for the recommender to write the letter. Your recommender should be someone who knows you well (but not a family member).

Tip #4: Provide your correct address and other contact information where you know you can be reached.

Tip #5: If you win a scholarship, be sure to thank the provider for selecting you as a recipient.

Writing the Scholarship Essay

What's the best way of putting your thoughts on paper?

Think before you write. Brainstorm to generate some good ideas and then create an outline to help you get going.

Show, don't tell. Use stories, examples and anecdotes to individualize your essay. By using specifics, you'll avoid vagueness and make a stronger impression.

Develop a theme. Don't simply list all your achievements. Decide on a theme that sums up the impression you want to make. Write about experiences which develop the theme.

Make sure your essay is well-written. Proofread carefully, check spelling and grammar and share your essay with friends, family members or teachers. Another pair of eyes can catch errors you might miss.