



**SOUTHERN  
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## NEWSLETTER

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# Making College More Affordable

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**College can be expensive, but there are abundant grants and scholarships available if you know where to look.**

A student heading off to college is usually a celebratory time for both parents and students. Unfortunately, many families also experience the flip side—the anxieties that come with the looming task of paying for college and the potential weight of student-loan debt.

The good news is there are many ways to help make college more affordable. One of the best ways is by finding free money through scholarships. In 2019-20, 58% of families used scholarships (making it the second biggest source of funding) and 48% used grants.<sup>1</sup> And though they do take some extra work, the payoff is just that—free money.

As an even bigger bonus, those scholarships and grants are awarded for all sorts of reasons. Are you crafty with duct tape? There is a scholarship for that. Are you tall? Do you have a mean duck call? Are you a Trekker? There are scholarships for that, too!

In addition to some of these more unique scholarships, there are plenty of traditional scholarships available. The trick is understanding what they are, and where you can find them.

### What Are Grants and How Do I Find Them?

A subset of financial aid, grants are need-based and don't need to be repaid. If you're looking for grants (and financial aid in general), the Free Application for Federal Student Aid (FAFSA) is your first step. The FAFSA is completed annually to determine eligibility for financial aid, which could include both federal grants and federal student loans.

Students are automatically considered for most grants when they submit their FAFSA form, so it's an imperative. Not submitting means that you could be missing out on thousands of dollars in aid. In fact, in the 2019-20 academic year, 43% of families chose not to fill out the FAFSA because they assumed that they wouldn't qualify for any aid.<sup>1</sup>

Each year, the FAFSA opens on October 1. It asks for information such as, bank statements, records of investments, tax returns, and which schools you are considering applying to. In

general, it's recommended that families submit their FAFSA as soon as it becomes available. While grants are need-based, 13 states use the FAFSA on a first-come, first-serve basis. Further, some schools (regardless of the state they are located in) also award financial aid (i.e., grants) on a first-come, first-serve basis as well. Delaying your application could make a big difference in the financial aid package you are offered.

### Are There Other Resources for Grants?

Federal grants through the FAFSA are the first stop, but you can also search online for a variety of other grants: from your school(s) of choice, through your state, and from private sources. That being said, finding non-federal grants will likely take some digging.

Your high school may have additional grant programs in place to help students in need pay for the growing cost of college. To find out if they do and to learn about eligibility requirements, visit your school's website and give your prospective university's financial aid office a call.

A good place to start when looking for state-funded grants is through the state agency contact list via the US Department of Education. This site will direct you to contact information and the website for your state's higher education agency, which may help you find more grants and scholarships specific to your state.

Private grants can be a little trickier to find and will take some searching. Companies, both locally and nationally, and non-profits may offer grants for students. These will usually have further eligibility requirements and might be more specific. Private grants are available for a slew of reasons: minority students, women, women in STEM, high achievers, service members or students with parents in the military, first-generation students, adults, grad students, students with disabilities, certain professions/majors, combinations of need- and merit-based grants, and more. Start by narrowing down what you might qualify for, search online, and assess your eligibility before you spend time applying.

## What Are Scholarships and How Do I Find Them

Scholarships are another type of financial-aid award that do not need to be repaid. These, however, are merit-based, and students will need to apply for scholarships on an individual basis. There are thousands of scholarships available for every reason under the sun, but they do require students to put in a good bit of work.

Not only will students have to do the legwork of finding scholarships that they are eligible for, scholarships are often have strict application requirements. Since scholarships are merit-based, applications will likely ask for high-school transcripts, standardized test scores (SAT, ACT, etc.), letters of recommendation, essays, and resumes.

Scholarships can be highly competitive, so a good rule of thumb is to apply early and for as many as you are eligible. Just as with grants, ensure that you read all eligibility and applications requirements because incomplete applications could immediately disqualify you for that scholarship.

The easiest place to start when looking for scholarships is your high school and your college of choice. Your high school may have already compiled a list of local scholarships, and your prospective college may have some resources available on their website.

From there you can start searching online for nationally available scholarships. Many scholarships are offered by employers, individuals, private companies, nonprofits, communities, religious groups, and professional and social organizations. Scholarship search engines are also an excellent resource. A few well-known ones include: Scholarships.com, Fastweb, Cappex, and The College Board. You should also make use of the US Department of Labor's free scholarship search tool.

## What You Should Know Before Accepting Grants and Scholarships

Being awarded any grant or scholarship is great and a little can go a long way when paying for tuition, books, and all your other expenses—but there is something you're going to want to consider before accepting either.

Be sure that you read and understand all the conditions that may be attached to specific grants and scholarships. Conditions could include: maintaining a GPA requirement, continuing to play a certain sport, remaining in your major or area of focus, or continuing on to a specific and qualifying career. Failure to comply with the conditions attached to your grant or scholarship may result in the loss of the award, and you may even be required to pay back any awarded funds.

## Avoiding Financial Aid Scams

As with most things, there are, unfortunately, scams related to grants and scholarships. Once you start branching out from local and federal resources, you'll need to be more vigilant about not falling for financial aid scams. Desperation over the high cost of college and inexperience may make some students vulnerable to scams.

Be skeptical of any emails offering you a scholarship or grant that you never applied for. Stay away from any applications asking for a fee, bank information, Social Security numbers, or other sensitive information. Any messaging that pressures you to act now or guarantees you money are both major red flags.

In general, you should stick to well-known organizations and websites, and keep an eye out for anything that looks or sounds suspicious. If it sounds too good to be true, it likely is.

## Taking Advantage of a 529 Account

Scholarships and grants are a fantastic resource that can help you pay for higher education. If your child is young, or even in their teens, and you're already thinking about how you're going to afford college without sinking yourself (and your child) into debt, 529 saving accounts can be an incredibly helpful tool.

These tax-advantaged savings accounts are specifically geared toward education and allow you to take advantage of any potential growth. These accounts are funded with after-tax dollars, interest compounds tax-free, and funds can be withdrawn without being taxed for qualified expenses.<sup>2</sup> Qualified expenses include: college tuition, supplies, room and board, equipment, vocational or technical training, K-12 private school tuition,<sup>3</sup> apprenticeship programs and fees,<sup>4</sup> and student-loan repayment.<sup>5</sup>

These funds never expire, and if you open a 529 savings account and your child elects not to pursue further education or if you have funds left over after one child graduates, the beneficiary can be changed.

## How Do 529s and Financial Aid Coexist?

It is important to note that 529 accounts are considered an asset under the financial aid formula that FAFSA uses to determine need, but it only has a small impact on eligibility. 529 accounts owned by parents or students could potentially impact aid by up to 5.64%—a small price to pay when you consider all the other benefits of a 529.<sup>6</sup>

Plans owned by grandparents or other relatives could impact need-based financial aid by up to 50%. To help mitigate this potential impact, grandparents can transfer the ownership of the 529 plan to the parent; wait to use the funds until the second half of the student's sophomore year (because FAFSA is based on income and tax information for the prior two years and won't impact future years); or use the funds after a student graduates to pay down student loan debt.

If your child does end up receiving a scholarship of some sort, there is a clause that allows you to withdraw up to the amount of that scholarship and use the money for any purpose penalty-free, but you'll still have to pay income tax on the earnings.

1 Sallie Mae, "How America Pays for College 2020," July 2020

2 Non-qualified withdrawals are taxable as ordinary income to the extent of earnings and may also be subject to a 10% federal income tax penalty. Such withdrawals may have state income tax implications.

3 If using a 529 plan for K-12, it can only be used for tuition up to \$10,000 per year.

4 529 plans can be used for apprenticeship programs registered and certified with the Secretary of Labor under the National Apprenticeship Act. West Virginia state code does not provide for the inclusion of Apprenticeship Programs as a Qualified Higher Education Expense. This means under current law, earnings associated with distributions for these programs would be subject to West Virginia tax but exempt from Federal tax. Consult a tax professional for further information.

5 Can be used for student loan repayment for a maximum lifetime limit of up to \$10,000.

6 Saving For College, "Does a 529 Plan Affect Financial Aid?," 9/9/20. Investment returns are not guaranteed, and you could lose money by investing in a 529 plan.

### Reminder

Please remember to notify us if you have had any material changes in your financial circumstances.