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# Why Wealthy Families Should Apply for College Financial Aid

Experts say Fafsa 'can be used as a positioning tool' or can lead to benefits like merit aid



Many schools won't consider students for merit aid unless a Free Application for Federal Student Aid, or Fafsa, is filed. Students take a class at Frederick Community College in Maryland. PHOTO: MELANIE STETSON FREEMAN/THE CHRISTIAN SCIENCE MONITOR/GETTY IMAGES

By **VERONICA DAGHER**

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Wealthy families should apply for college financial aid too.

January is an important time for families to complete the Free Application for Federal Student Aid, or Fafsa. Jan. 1 was the first day people could file this U.S. Education Department form for the 2016-17 academic year and with some types of assistance filing early may increase the amount students will receive.

Some well-off families don't complete the Fafsa because they assume they won't receive any aid. But most should file anyway, financial-aid experts say. Here are five reasons why:

**To demonstrate your ability to pay without any help.** It is counterintuitive, but some financial-aid specialists suggest families apply for financial aid to demonstrate that they don't need or qualify for such assistance.

Colleges and universities need to build a freshman class that includes families that can pay the full cost of attendance along with those who can't, says Deborah Fox, founder of Fox College Funding LLC in San Diego. For well-off families, "the Fafsa can be used as a positioning tool" that might give a student an admissions edge, she says.

**To qualify for merit aid.** Many schools won't consider students for merit aid (which isn't based on the family finances) unless a Fafsa is filed, college-aid specialists say.

To maximize merit aid, Ms. Fox suggests applying to private colleges that tend to

provide a lot of merit aid and where the student would fall within the top 25% of the applicant pool academically. (Students may want to log on to [bigfuture.collegeboard.org](http://bigfuture.collegeboard.org) to do more research.)

For instance, she worked with one wealthy family whose child went to a private university in the Pacific Northwest that offered \$76,000 of merit aid over four years, which essentially knocked off almost a third of college costs.

**To give kids “skin in the game” via federal loans.** Filing a Fafsa is necessary for students to obtain low-interest federal student loans. And some parents may want to have children take out a loan so that they bear part of the financial burden, says Steve Stanganelli, a financial planner in Amesbury, Mass. Parents can always choose to pay the loan off later on, he says.

**Because you just might qualify, particularly with multiple children.** Financial aid is calculated based on the difference between the cost of attendance and the expected family contribution, or EFC, which is calculated on the Fafsa.

Wealthy families may qualify for aid at higher-cost colleges, especially if they have multiple children in college at the same time, says Mark Kantrowitz, publisher for Cappex.com, a website that connects students with colleges and financial aid. Indeed, “increasing the number of children from one to two is almost like dividing the parent income in half,” he says.

A wealthy family Mr. Kantrowitz knew didn’t qualify for financial aid when their eldest child was a freshman. The family’s EFC was about \$50,000, based on parental income of \$200,000 a year and \$100,000 in reportable assets. (The family home and retirement plans aren’t reported as assets on the Fafsa.)

The next year, the parents figured there was no reason to file a Fafsa for that student, or for a younger sibling starting college. But with two children in college and the same family resources, the EFC per child would have dropped to about \$27,000, potentially qualifying both for thousands of dollars in aid, Mr. Kantrowitz says.

“Because the parents didn’t file the Fafsa, the children got nothing,” he says.

**Because your situation might change.** A job loss or other development could upend your family’s finances. Colleges have contingency funds for such situations, Mr. Kantrowitz says. But this money is limited and schools may give priority to students who already have their Fafsa on file, he says. (The last day to file the Fafsa isn’t until the last day of the academic year or June 30 of that calendar year, whichever comes first.)

Mr. Stanganelli, the financial planner, worked with a pharmaceutical executive with an income in the mid-six figures—until he lost his job in a corporate downsizing in his son’s freshman year of college.

The family had filed a Fafsa earlier and the student had received a limited amount of federal loans. The man asked his son’s college for a “professional judgment review” of the school’s financial-aid decision, which netted the son about \$8,000 year in school-based grants.

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### **Corrections & Amplifications**

The College of William and Mary, the University of San Francisco and Pace University say they don’t require families to file the Free Application for Federal Student Aid to be considered for merit aid. An earlier version of this article said they did require the Fafsa for non-need-based financial aid.

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