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6 Tips to Help You Get More Financial Aid

Putting together enough money for college is a daunting undertaking. Our advice: Break it down, and take it one step at a time

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Getting admitted is just the first of the challenges colleges throw at students. Now, on top of the traditional papers, exams, and team tryouts, students have to pass a financial test, too: They've got to raise the tens of thousands of dollars it costs to get through even their local public institutions. Students who choose one of the cheapest routes—stay home for two years in a community college, then transfer to a state university—should plan on raising at least $45,000 to cover all the costs of their degree. Those who head straight for a private university may face bills exceeding $200,000.

It would be a tragedy if those figures scared many young people away from college. College degrees boost careers and finances. And paying for college is doable, if students break down the scary total into smaller parts.

Students can be expected to raise about $4,000 a year in summer and campus jobs, and financial advisers say it isn't unreasonable to expect students to take out about $4,000 a year in federal student loans. (Try to avoid more expensive private loans.) That should certainly cover community college. Families who want to send their student to a dorm at an in-state public university can raise the extra $10,000 or so by combining contributions from savings, current income, and (everybody's favorite) "free money," such as scholarships or tax credits.

"There is a lot of scrimping and saving," says Suzanne French of Leesport, Pa., who is halfway through putting four daughters through college. Her husband works two jobs, she's considering taking a second as well, and the family drives well-used cars. But they haven't raided their retirement accounts or remortgaged their three-bedroom house.

Here are details on how families like the Frenches have cobbled together enough to cover college costs:

Free money. Every student dreams about getting a "free ride" because of athletic talent or great grades. But although such generous scholarships draw plenty of attention, they are rare. Fewer than 2 percent of the nation's high school sports team members get any kind of college athletic scholarship. And only a small percentage of those cover tuition, fees, room, board, books, and other extras. The odds of getting a full academic scholarship are fairly low as well. Howard University, for example, says it distributes fewer than 60 full-ride academic scholarships to its 1,500 freshmen annually. Even the neediest students can't count on getting all the scholarships they need. Fewer than 100 of the nation's 4,300 colleges give every needy student enough to cover all their educational costs.

The good news, however, is that half of all undergraduates get some grant or scholarship to cover at least part of their tuition. The amounts, typically, aren't large, averaging $4,000. But that's enough to cover tuition at most community colleges and a good chunk of it at many public universities. Private colleges tend to hand out even more money—an average of about $7,800. Unfortunately, that's less than half of those schools' typical tuition.

Students who take six simple steps during high school can greatly increase their chances of getting some free money.

1. Study. Nagging parents are right. Studying really does pay off. The higher a student's grades and test scores, and the more impressive the extracurricular achievements, the better the chances for a scholarship. States such as Tennessee and Georgia give full-tuition scholarships (for in-state public universities) to students with at least B averages. And many (though not all) colleges use scholarship charts like this one published by the University of Nevada-Reno. The amounts are different at each school. But at Reno, B students who study hard enough to push, say, a 1050 SAT score up to 1090, get a $500 school scholarship. Those who study even harder, raise their grade-point averages to 3.5 and score at least 1170, qualify for $1,000.

2. Apply to several schools. Phoebe Rounds, a recent Yale graduate, says she's living proof that enduring the hassle of filing a few extra college applications can be worth thousands of dollars. After getting a disappointing aid offer from Yale, she mailed the financial aid office a copy of a more generous offer from Princeton. Yale upped her package to match. "Paying an extra $60 application fee in the fall could give you thousands of dollars more in aid in the spring," she says. Research bears her out. Students who get into several schools get an average of 30 percent more aid than those who get into just one. To prod colleges to ante up aid, counselors say, high school seniors should apply to at least six colleges in the fall. Besides a couple of dream schools, students should apply to low-cost schools (local public colleges are a good bet) and colleges for which their grades, test scores, or other achievements make them a catch. Increasingly, schools are using scholarships to attract the students they want to lure instead of funding all the needs of students whom they've admitted. "It's not a secret to anybody that universities compete fiercely" to attract students who will raise their statistics, profile, or prestige, Rounds notes.

3. Fill out the FAFSA. The Free Application for Federal Student Aid is the single most important aid application and should be filled out as soon as possible, preferably in January. Counselors say students and parents shouldn't wait to calculate their taxes but should go ahead using estimates based on their previous year's tax forms. The government allows you to go back and adjust the numbers once you've done your taxes. Even if the FAFSA doesn't qualify you for a grant, it allows students to take advantage of low-cost Stafford loans.

4. Apply leverage. Students who receive a few different offers in the spring can exercise their negotiating strength the way Yale's Rounds did. If the true net cost (tuition, fees, and room and board, minus any grants or scholarships) at the student's first-choice school is higher than the net at the student's other choices, it can pay to write a polite letter asking why there's a difference and requesting help. "Schools tend to match awards from direct-competitor" schools, as Yale did for Princeton, Rounds notes.

5. Collect from Uncle Sam. A recent government study found that almost 20 percent of parents or students paid too much in taxes because they didn't take advantage of the education deductions or credits. The tax breaks are a little complicated. And they aren't huge, maxing out at $2,000. But it's silly to pass up any free money. The IRS explains it all in Publication 970 (available online).

6. Ask employers. About 50 percent of all employers will cover at least some tuition for employees. And some offer scholarships or benefits for their children.

Savings. While it may seem impossible to save up the six-figure nest egg needed to pay for most colleges out of pocket, it's within many families' ability to save up a quarter or even a third of the total. College Board economist Sandy Baum advises families to aim for the more achievable goal of socking away part of the cost. Even late starters can amass a quarter of the average cost of a degree at a public university by socking away about $300 a month in as little as five years. By portioning out some of the savings toward tuition each year, families can help chip away at the total due.

Loans. Borrowing should always be the last option. But the vast majority of students end up having to borrow because families have not been saving, and financial aid hasn't been keeping up with rising tuition.

Generally, unless you're lucky enough to be offered an interest-free loan by a school or charity, advisers recommend students stick with the low-priced federal Stafford or Perkins loans (details on how to find the best loan are here). But even those programs should be tapped in moderation. Many advisers suggest that students limit their borrowing so they graduate with a total debt less than the salary they expect to earn in their first year on the job. Professional and trade associations are a source of starting salary information. The National Association of Colleges and Employers also publishes some starting salary data.

The reason for keeping the debt load low becomes apparent six months after the student leaves school and starts receiving loan bills. The average psychology major was offered an annual starting salary of about $34,000 in 2008. After taxes, a single student would likely see only about $2,100 a month. A student who owed $30,000 would have to pay about $350 a month to pay those loans off in 10 years. After rent (national average: $763), transportation (average monthly cost of a small car: $527), that leaves less than $500 for health insurance, food, clothes, utilities, retirement savings, etc.

Balancing act. That's why Bethany French, the oldest of the Suzanne French's daughters, says she's glad she worked summers and weekends to keep her education debt down. "I had a lot of friends who would take spring vacations in Jamaica. I went home and worked at Wal-Mart," she says. But her small $100-a-month debt payment allowed the international studies graduate of Mount St. Mary's College to spend a year in a fun, but not especially lucrative, job at a nonprofit promoting sailing, then try out several different jobs without worry. Now, the 25-year-old is considering grad school, where she says she'll keep honing the increasingly necessary arts of "scrimping and saving and budgeting."

Raising college cash doesn't always have to mean painful sacrifices. Even parents who don't take on an extra job are often surprised how their regular paychecks stretch when a student goes off to college. Once you're no longer funding teen auto insurance, cases of Lucky Charms, or allowances, you may find you're saving hundreds of dollars a month. And of course, you know what you can do with them—put them toward tuition.

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