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FAMILY FINANCE > COLLEGE

# How to Pay for College When Your Family Makes Too Much Money to Qualify for Financial Aid

By [Ingrid Case](#)  
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**W**hen it comes to college expenses, millions of Americans are stuck in the middle. They don't earn enough to **pay college costs** out of pocket. Yet they still earn too much money to expect substantial need-based financial aid.

Sticker prices at the most expensive colleges now reach a stratospheric \$80,000, a sum that's hard to afford even if your family earns more than \$130,000 — enough to place you in the top 20% of households in America.

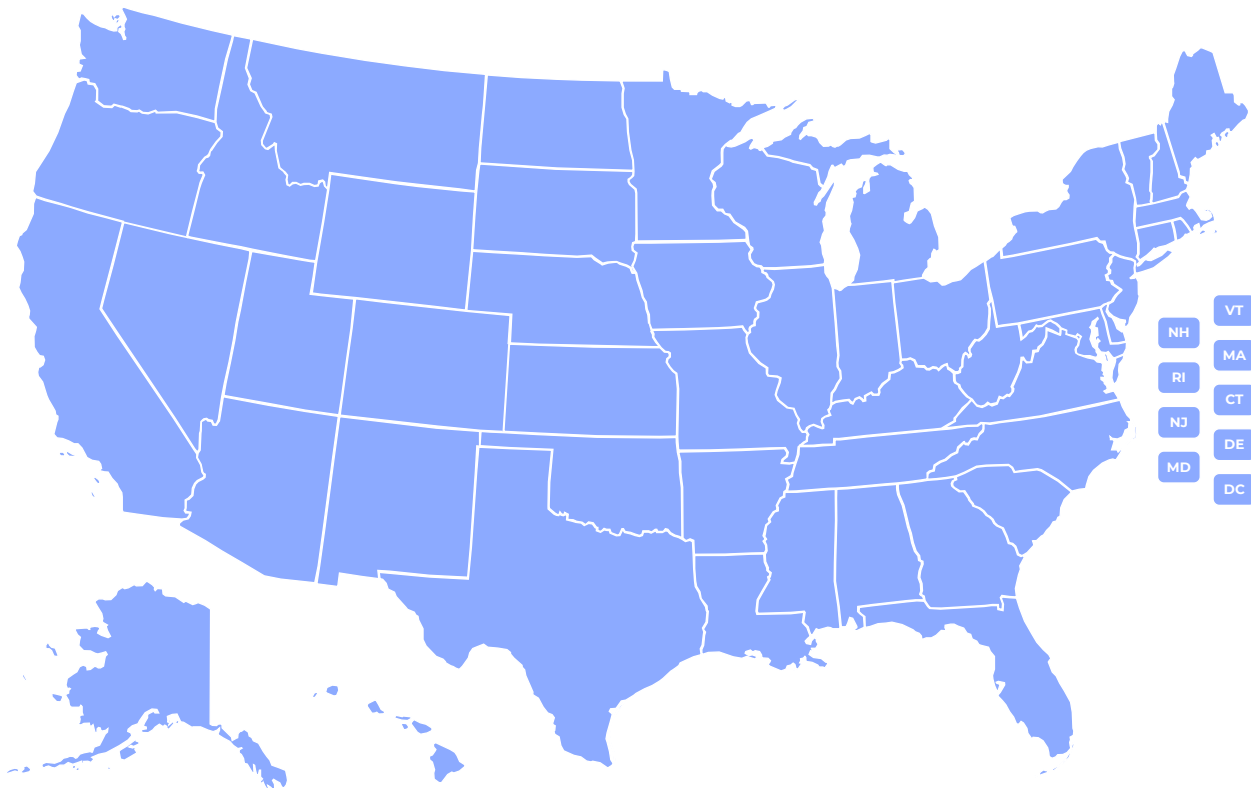
Plus, big incomes often come with big expenses, especially for families with multiple children who live in pricey, often coastal cities. And it's only human to want to spend less, especially for a total



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### Fill out the FAFSA anyway

U.S. schools use the Free Application for Federal Student Aid (FAFSA) to determine eligibility for need-based financial aid. Some wealthy parents skip filling out the forms, and that can be a mistake.

Even if you don't get need-based aid, the **FAFSA can open doors to financial aid** sources that aren't based on need from states or private scholarship organizations. For example, any student in Tennessee can apply for the Tennessee Promise Scholarship, which offers awards to pay tuition and



Individual schools sometimes also offer scholarships to desirable students (more on that below). They may not have to prove need, but again, they often do need to fill out the FAFSA. The form is also the only way to **access low-cost federal student loans**.

A completed FAFSA is helpful if your family or financial situation changes, too. For example, the expected family contribution gets divided by the number of kids you have in school at the same time, says Robert Falcon, who heads both Falcon Wealth Managers and College Funding Solutions in the Philadelphia, PA area.

“If a \$300,000 income means an expected family contribution of \$80,000, you might not get any aid when one kid is in school,” he says. “But you will get aid if you have two or more kids attending schools that cost \$70,000 a year.”

Colleges are also often willing to consider offering financial aid in response to job loss, medical expenses, or other economic misfortunes, even if you ask for help in the midst of the academic year. Again, though, they’ll want you to fill out a FAFSA.

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## Look for merit-based financial aid

Need-based aid isn’t the only game in town. Altogether, colleges award billions of dollars in merit aid every year.

Sports recruits, musicians, and dancers can all be desirable additions to schools’ programs, says Neil Krishnaswamy, a financial planner in McKinney, Texas. You don’t necessarily have to be a star, either.

“Maybe you’re a likely applicant to a program a college wants to get off the ground,” he says. A college might be trying to expand its geographic or demographic reach and see your student as a means to that end.



offering financial incentives to attend.

Finally, **merit aid offers can vary quite a bit** from student to student and from school to school. That can make it hard to predict what you might be offered, but it also means a school might be willing to **negotiate a price** if it really wants your child to enroll.

“You don’t know what you’ll get until you ask,” says Kashif Ahmed of American Private Wealth in Boston, Massachusetts.

## Shift income to find tax breaks

Careful tax planning could help you essentially create your own financial aid. Krishnaswamy points out that parents who are sitting on large stock market gains could give that stock to a child; the child then **sells the stock** to fund college costs. This works because the child’s tax rate is typically much lower than the parent’s. (An accountant can help you avoid the so-called kiddie tax, which can raise a child’s tax rate if she has unearned income above an annually determined level.)

If the stock sale lets the student pay at least 50% of college costs, the IRS might see that **student as an independent tax filer**, and therefore eligible for the \$2,500 annual American Opportunity Tax Credit.

Some tax credits can only be used to offset taxes owed. Others can be refunded and some are hybrids. The American Opportunity Tax Credit is a hybrid — just \$1,000 of that tax credit is refundable, so a student would need income to take maximum advantage. That income might come from a family business, where legitimate employment is another way to shift income from the parent’s tax bracket to the child’s.

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## Pick a less expensive school



most expensive colleges approach.

“You could attend your state’s public flagship school,” Falcon suggests.

Yves-Marc Courtines, a principal at Boundless Advice in Manhattan Beach, CA, says that families can use the **question of how much to spend on college** as the beginning of a conversation about spending and values.

“Wealthy parents are already struggling with how to talk with their children about wealth and financial values,” he says.

Using the college search process as a springboard to those discussions could bring returns beyond whatever money a family saves.

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