

12 Insider Tricks To Pay For College

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Is this system nuts, or what? College has gotten insanely expensive, and the tuition aid formulas have gotten insanely complicated. But if you don't figure them out you will be crushed.

Poor, brilliant students get a free ride at Harvard or Princeton. Rich families don't care about costs. Everyone else—and that would be about 90% of America—has a problem.

The fanciest colleges cost \$55,000 a year. Suppose you have three youngsters who will be attending a decade from now. If prices climb as they have over the past decade, you'll spend \$990,000. This has to come out of your take-home pay. So go ask your boss for a \$1.5 million bonus.

The Forbes eBook On Paying For College

Getting into college is hard enough. Paying for it shouldn't be. Find out how to save thousands on higher ed.

If that isn't feasible, learn how to work the system. Below, we outline a dozen techniques that families use to make bachelor's degrees and graduate degrees more affordable.

Some families find a way to get a price break that isn't contingent on income. Some outsmart the aid formulas, which, like the tax code, are full of traps for the unwary and rich in opportunities for the well-informed. Did you know that if your child is applying to certain elite schools, including Dartmouth and Duke, you should use extra cash to pay down your mortgage?

1. Merit

Four years ago Joseph Riley, a Tennessee high school senior, was accepted at Harvard, Princeton and Yale. The son of a doctor, he didn't qualify for need-based aid. But he was determined to cover his education costs on his own, he says, as his father and grandfather had done. So he turned down the Ivies and took an all-expenses scholarship at the University of Virginia. He's now a college senior studying Mandarin and politics.

When he got to Charlottesville, Riley joined the Reserve Officers Training Corps, which entitles him to a stipend beyond his full scholarship. Career ambition: join the Army. But that will have to wait for a few years. Next fall he will be attending Oxford University as a Rhodes Scholar.

Don't be intimidated. There's a lot of merit aid, and it comes into play when colleges, especially those out of the top tier, get into bidding wars for desirable students. Troy Miller, a financial advisor in Bozeman, Mont., tells families to turn the usual competition for college on its head. "Instead of students competing to get into the best colleges, have the colleges competing to get the best students," he says.

2. Campus Transfer

Robert Villwock, 27, got a degree in business and economics in 2008. Before taking his first course he demonstrated some good business sense. He found a way to knock \$42,000 off the cost of his degree.

He spent the first four semesters living at home while attending Cuyahoga Community College in Cleveland, where tuition is a lot lower. Then he transferred to the Athens campus of Ohio University, ending with a diploma from the more prestigious institution.

The transfer scheme works only in some states and only for students who get good enough grades to be admitted to the brand-name university. And even the university degree might not get you a good job if it isn't coupled with a certain amount of luck and a go-getter personality.

A year after graduating, Villwock was a bartender at a Ruby Tuesday. A customer ordering a cheesecake lamented what cholesterol would do to his life span and said, "But in the long run we're all dead." Villwock piped in: "John Maynard Keynes couldn't have said it better." The customer, curious how a bartender would know who Keynes was, found out enough to offer the young man a job at his financial consulting firm in Akron.

Villwock leveraged the consulting experience, and some networking with Ohio U. alumni, into a still better job. He's now a compensation specialist at Towers Watson in Washington, D.C.

3. Overseas Master's

A master's of international affairs from Columbia University carries a lot of prestige along with a price tag of \$141,000, including living expenses, for the two years of study. The cheap

alternative: a master's degree at a European university where tuition fees are low and the program lasts a year.

Rachel Ferry, 23, a Virginia resident with a B.A. from Hobart & William Smith, is working on an international relations master's at Durham University in northern England. Her cost, including living expenses, will be \$40,000, and she will be out of the workforce for only a year.

Some employers would be more impressed with a two-year degree than a one-year degree. But Ferry intends to work for a government agency, where the distinction is less likely to matter.

4. Asset Protection

A college will use one of three different aid formulas to determine how much of a price break you deserve. The so-called Section 568 formula, used by a small but impressive group of schools that includes Dartmouth, Duke and the Massachusetts Institute of Technology, has an interesting loophole that involves the value of your home. At these schools the home equity that goes into calculating your net worth is capped at 120% of your income.

Troy Onink, a financial planner (and FORBES contributor) whose Russell, Pa. firm, [Stratagee](#), specializes in walking families through the college funding minefield, explains what this subtlety means to one client of his.

This is a Connecticut family with an income of \$144,000 and a son now applying to three of the schools on the Section 568 list. They used an inheritance to pay off the \$514,000 mortgage on their house. Had they left the money in a bank account they would have qualified for no aid. With the mortgage paid off, he says, the son will be good for \$20,000 or so of aid per year, assuming he gets into one of those schools.

5. Dual Citizenship

Dan Tepfer chose his parents well. American expatriates living in Paris when he was born 30 years ago, they arranged for him to get both European and U.S. passports. The EU citizenship got him a tuition-free bachelor's degree from the University of Edinburgh. Now a Brooklyn, N.Y. jazz musician known for his improvisations on Bach, Tepfer has a tactical advantage over other concert performers: He can take gigs on two continents without applying for visas.

Consider this if you are offered a foreign assignment just when you are thinking about starting a family. But note that citizenship alone will not necessarily earn your kids a break. To qualify for the reduced tuition fee at Oxford or Cambridge, for example, a student has to live in the EU for the last three years of high school.

6. Military

Michaela Bilotta, 22, is in her fourth year at the U.S. Naval Academy in Annapolis, Md. She gets free tuition, room and board and a monthly \$950 stipend in return for a commitment to the Navy—in her case, seven years. Her chosen specialty: underwater explosives disposal.

That could be an interesting career. What if she wants to leave for a private sector job? Not to worry, she says, since private employers value military academy grads: “You can handle leadership, commanding a platoon of eight or ten enlisted sailors.” And, she says, in reference to the diving and disarming: “You’ve shown you can handle a high-stress environment.”

Do you want to get an M.D. without leaving school \$250,000 in debt? Apply to the Uniformed Services University of the Health Sciences in Bethesda, Md. You get free tuition plus pay that starts at \$65,000 while you are attending classes. You commit to serving in the military for the usual residency plus at least another seven years.

It’s a chunk of your life. Fourth-year USUHS student Elizabeth Gelner, 32, will start a residency in obstetrics in Hawaii next fall. She’ll be free to leave the Army when she’s 44.

7. In-state Tuition

Would you move just to take advantage of a state university? No, but a great school might tip the balance in favor of a job transfer. Fred C. Beach spent much of his career on assignments around the world for the Navy, then made a switch into research on energy policy. He took a job in Austin, Tex. in part because the state university there is so strong—and there’s a huge cost advantage to residents. ? The University of Texas at Austin knocks approximately \$24,000 a year (the amount varies with the major) off the tuition bill for Texas residents.

Beach has two daughters in high school. If they both go to UT Austin the potential savings for the family come to \$196,000. Will they get in? Probably; the older one is currently ranked first in her high school class. Will they be willing to stay so close to home? Some gentle persuasion may be in order.

If you are planning a move when offspring are in high school, check out the target state’s rules, which can be tricky. A typical minimum residency is 12 months before classes start.

8. Accelerated Learning

Stockpile Advanced Placement credits from high school, do some summer courses and keep a heavy course load at college: You may be able to graduate in three years. American University, Bates College and the University of Massachusetts at Amherst are among the schools where a fast-track degree is very doable.

9. Employer Aid

Adam Reynolds, a psychotherapist at Mount Sinai Hospital in New York City, got a master’s in social work two years ago at Hunter College. It was a four-way win for him: The city gave him a grant to cover the tuition, the aid was not taxable, he got time off for class work, and Mount Sinai was so impressed with the results that it promoted him into a supervisory position.

10. Bunching

All three aid formulas give a break to families with more than one child attending college at once. Suppose, for example, that you have income of \$160,000 and assets of \$900,000 and the formula dictates that you can afford to spend \$80,000 a year on college. If you have one student in a \$55,000 school you get nothing. If you have two you get \$30,000.

Strategy: Persuade your oldest to take a gap year after high school. That gambit could be worth up to \$55,000.

11. The Granny Angle

The parents of a computer science student at the University of North Carolina had an income of \$70,000. That would have qualified him for aid, except that his doting grandparents—he was an only grandchild—gave him \$114,000 of Duke Energy stock to pay for college. Big mistake. Assets in the student's name are penalized heavily in the two main aid formulas.

The family rescued the situation by selling the stock and moving the money into a Section 529 college savings plan. There, assets usually count as family assets, which are assessed more gently. The move netted the family \$40,000.

Advice to grandparents: Hang on to your dough until the beneficiary has been awarded aid and gets the term bill. Then send a check to the parents.

12. Public Service

A federal program forgives the balance of federally guaranteed education loans for grads who spend ten years working for the government and paying a percentage of income toward the loan. You could spend that decade in a low-paid teaching job. Or you could spend it as a congressional staffer, walking away from the balance on a big law school debt and into a law firm partnership.