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How-to Guide on Starting & Managing Scholarship Funds

Introduction

There are many reasons why a business or individual might want to start scholarship funds. Perhaps they want to give back to the community, or maybe they want to help students achieve their educational goals. Whatever the reason, scholarship funds can be a great way to make a difference in people's lives.

One of the biggest benefits of scholarship funds is that they can help students pay for college. In many cases, scholarships can cover a significant portion of a student's tuition costs, which can make a big difference in their overall education. Scholarship funds can also help students pay for other expenses associated with college, such as room and board, books, and supplies.

Another benefit of scholarship funds is that they can encourage students to pursue higher education. In some cases, students may not be able to afford to go to college without scholarships.

This guide into how to start a scholarship fund strives to educate and bring value to the people and companies that are new to the world of scholarship funding as well as those with more experience.

In our guide you will find answers to frequently asked questions such as:

- **What is a scholarship fund?**

- **Who can start a scholarship fund?**

- **How do you create a scholarship fund?**

- **What are the various types of scholarship funds, and how does each one work?**

- **How do you manage scholarship funds?**

- **What is the best method of distributing scholarship funds to ensure that the funds reach the students?**

- **How do you close a scholarship fund?**

Your potential recipients are counting on your future program, so let's help you figure out how to create a scholarship fund quickly and efficiently!

What is a Scholarship Fund?

A scholarship is a grant/monetary gift that is given to an individual with the purpose of helping them pay for higher education. This money is given without the need of repayment and can assist the recipient with expenses like tuition, books, housing (sometimes), and other costs related to higher education.

Typically, scholarship funds are created by a nonprofit organization that awards scholarships to students who meet certain criteria, such as academic achievement or financial need. Scholarship funds are generally funded by private donors, corporations, or foundations. To be eligible for a scholarship from a scholarship fund, students must usually fill out an application and may be required to write an essay or provide letters of recommendation.

The scholarship program can determine what the money received is used for as well. For example, if they want it to strictly be used for state universities or if the funds can be used for community colleges, vocational or trade schools.

Who Can Start a Scholarship Fund?

Contrary to popular opinion, creating a scholarship fund isn't limited to universities, non-profits, and corporations. Wondering who can start a scholarship fund? Well, anyone and everyone can do it, but not everyone will. The biggest thing holding people back is being unsure of how exactly they can do it both legally and in a way that will provide help to their community for years to come.

> If you have the time to research, maintain, and manage a scholarship fund – and actually want to do it – then, there isn't much that stands in your way.

How to Create a Scholarship Fund

Creating a scholarship fund boils down to five steps: research, plan, draw up paperwork, fund the scholarship, and finalize your application. We'll be outlining them in more detail below:

1. Do Your Research

If you're interested in tax deduction benefits or creating a tax-exempt scholarship foundation, take time to first research federal and local laws.

In terms of federal laws, take time to look over scholarship guidelines governed by the IRS. There may also be state implications and laws that you'll need to familiarize yourself with too.

2. Create a Plan

For any scholarship fund, it's best to create a plan - an outline that gives you a road map of the inner workings of your scholarship program. The two big points to consider in your outline: who is the funding for, and how do I get the funding?

Many scholarship funds aim to assist a specific subset of students. For example, those from communities that have been historically disadvantaged. Candidates for a scholarship fund may include low-income students, students of color, women, LGBTQ+ youth, and so forth.

It's also important to consider how you get the money for your scholarship fund too. Will you be financing the money yourself? Or, are you planning on having fundraiser events or accepting donations?
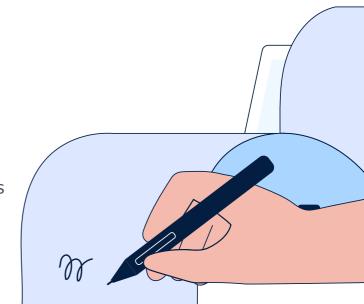
Other points you want to consider in your outline include:

- **How applicants will be able to apply for your scholarships.**

- **How much money you plan to/are going to give away (and how much per recipient).**

- **How many scholarship recipients will there be (and how frequently you will give money away)?**

- **Criteria for applying.**

- **Who makes the ideal candidate?**

In the beginning stages you don't need to have everything outlined perfectly, but the more information you can include in your draft, the easier subsequent steps will be.
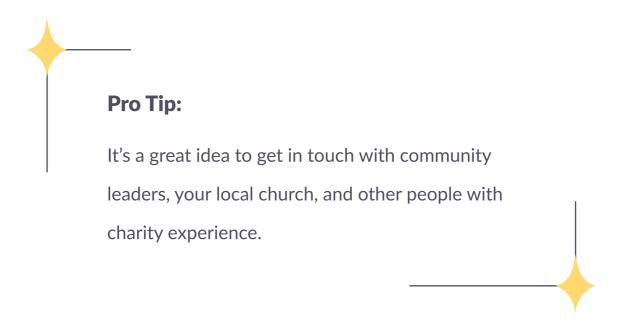
3. Get Your Paperwork in Order

Creating a scholarship fund legally means having and completing all the necessary paperwork. If you choose to accept donations as your main source of funding, this might come with additional paperwork too.

We recommend viewing the IRS guidelines on **Grants to Individuals** and **Company Scholarship Programs** for starters. Consult a licensed public accountant, attorney, and/or other financial advisors to clarify the process, answer any questions you may have, and determine how best to proceed.

Pro Tip:

It's a great idea to get in touch with community leaders, your local church, and other people with charity experience.

These groups may have experience with scholarship funding and can point you in the right direction when it comes to paperwork. They're also a great contact to help promote your new scholarship fund initiative to the community.

4. Fund the Actual Scholarship Account

In our post, **How to Set Up a Scholarship Fund, and How Much Does It Cost**, we shared that the lowest costs you can expect to incur in setting up your scholarship fund is roughly between $10,000 and $20,000. This sum is the minimum budget for you to qualify for an endowed scholarship.

What is an endowed scholarship?

An endowed scholarship is a type of scholarship that is funded by an individual or organization, such as a company or private foundation. The money that is used to fund the scholarship is typically invested, and the earnings from the investment are used to award scholarships to students.

5. Finalize Your Application

The last step is to create the actual application form. This application typically has three different parts: personal information, prompts for the applicant to answer, and an area to upload documents if necessary.

Once the application is complete, you're ready to begin the process of gathering your scholarship committee, and start getting the word out about your scholarship program.

To learn more about where scholarship money comes from, how funds are allotted, and more, read our post **How Do Scholarship Funds Work? 3 Things You Need to Know**.

What Are the Various Types of Scholarship Funds

and How Does Each One Work?

Different scholarship funds are awarded based on different requirements. Below are six of the most common types of scholarship funds, and how each one is awarded:

1. Academic Scholarships

An academic scholarship is awarded based on a student's academic merit. This means a student's chances of earning an academic scholarship are linked directly to their high school GPAs, test scores, and the intensity of their course load (e.g. the number of AP/IB courses taken).

2. Athletic Scholarships

Athletic scholarships are another form of merit-based scholarship funding, with athletic ability as the main consideration. These scholarships are usually awarded to students that play for NCAA Division I and II schools and NAIA schools.

3. Full-Ride Scholarships

Full-ride scholarships are one of the toughest – but most rewarding – scholarships a student can earn. These scholarships cover the tuition, housing, books, and all other fees that a student may need to pay. A few academic and athletic scholarships are full-ride, but this is uncommon.

What sets a full-ride scholarship apart from other scholarships is that enough funds are usually awarded to complete a two or four-year degree of study. Full-ride scholarships are highly competitive and are usually only awarded to students extremely talented or skilled at something.

4. Scholarships By Field

Certain scholarships are offered based on a student's intended or current field of study. For example, a popular scholarship by field would be STEM scholarships.

These scholarships are only awarded to students who plan to study or are currently studying in the fields of science, technology, engineering, and mathematics (STEM).
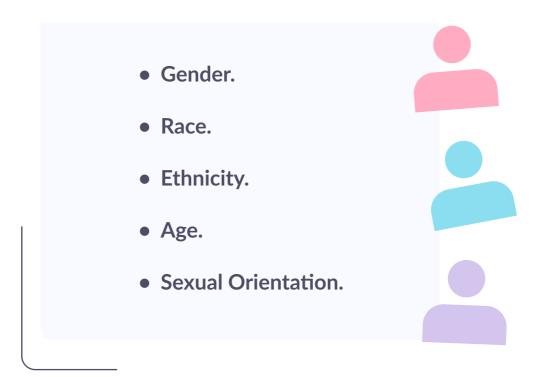
5. Needs-Based Scholarship

Needs-based scholarships consider a student's financial situation above all else. A scholarship fund that chooses to offer needs-based scholarships will usually note the income brackets that make a student eligible for the scholarship.
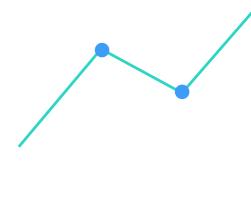
6. Identity-Based Scholarships

Identity-based scholarships are designed to support students with specific social identities and backgrounds. There are many areas that an identity-based scholarship can focus on, including:

- Gender.

- Race.

- Ethnicity.

- Age.

- Sexual Orientation.

You can read about two additional types of scholarships in our post **8 Types of Scholarship Funds and How Does Each One Work**.

How to Manage Scholarship Funds

After applications start to roll in, it's important to stay on top of the management side of your scholarship program. Strong management means getting things done in a timely manner. Weak management results in things being harder than they need to be.

Here are some of the best practices to adopt for your scholarship fund:

1. Find the Money First

If there's no money, there's no scholarship fund. Before anything else, determine how and where the money is coming from.

Once you know where the money is coming from and the amount of money you will receive and can give away, you'll be in a better position to start budgeting. You'll be able to answer questions like:

- **Can I afford to pay my committee staff or will I need volunteers?**

- **How much of the funding will go directly to students?**

- **How much money will be given out during each program period?**

- **How much of the funding will be used for software, office expenses, ad campaigns, etc...?**

2. Set a Definitive Due Date

A definitive due date for your application helps all parties involved.

Students are likely juggling several scholarship applications at once. A definitive due date makes it clear where their priorities should be and means that they can't make any excuses if they miss a deadline.
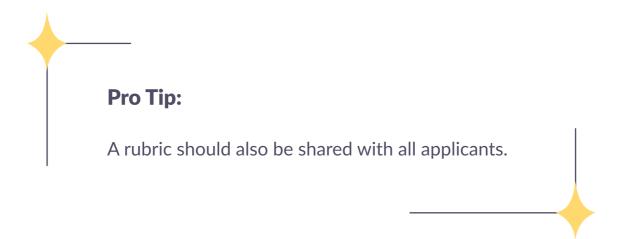
For you, a definitive due date can keep you and your team on track. You can plan out when reviewing, awarding, and reporting should be completed for each cycle. Paying for education fees is a time-sensitive matter, so it's important to stay within your allotted timeframes.

3. Create a Rubric

Choosing a scholarship winner shouldn't be a biased choice. All reviewers on your team should have a crystal clear idea of what to look for and come to a consensus accordingly. That's why it's so important to have a rubric on hand.

Pro Tip:

A rubric should also be shared with all applicants.

This simple step helps to increase the transparency behind your program, and gives potential applicants more information about what is expected of them if they hope to be selected as a recipient of your scholarship funding.

4. Make the Application Easy to Fill Out

A confusing application can be frustrating.

To ensure that all candidates who want to apply do so, make sure to check your application for ease of use. Here's a very basic checklist to get you started:

- **Questions shouldn't be wordy.**

- **All instructions are free of grammatical mistakes.**

- **The platform that you choose to host your application on should be secure and stable.**

5. Award the Scholarship

The winner has been chosen, and it's time to inform them about the decision. It's important to create a scholarship agreement form too.

This form details the requirements and conditions that the student will need to meet in order to receive their funds. If the recipient is being awarded a multi-year fund, detail the requirements needed to continue receiving funding in the future.

We cover these practices in great detail in our post 7 Best Practices for Managing Scholarship Funds.

How to Distribute Scholarship Funds

and Ensure that the Funds Reach the Students

Telling someone that they've been awarded a scholarship, and having the money not show up is far from ideal. We cover this in greater detail **on our blog**, but here's the most important things you need to know about different ways to distribute scholarship funds to your students.

1. Send it directly to the school

The most common option is to send scholarship earnings directly to the school that the recipient will be attending. This is usually paid in full via a one-time payment, usually at the beginning of the academic year or semester.

2. Give the money directly to the recipient

Another option is to send the funds directly to the scholarship recipient winner. The recipient will collect the earnings, and then they will pay for their schooling. However, note that the recipient can spend the money on non-educational items if they want to with this option.

3. Reimburse the student later

One last option is to have a student pay for their tuition, and then you'll reimburse them for the expenses at a later date. Unfortunately, this method is far from ideal, somewhat defeats the purpose of a scholarship, but it isn't practical either. The method adds unnecessary back-and-forth communication with the winner. Forms and documents will also need to be spent from the recipient and verified by your team.

Bottom line - it's easier to choose option one or two in this case.

The Best Way to Ensure Funds are Delivered

It's important to hold up your end of the bargain and ensure funds are delivered to students. Life gets busy, and if you don't have an automated system in place to manage your scholarship program deadlines can be missed resulting in an untold amount of damage.

That's why we recommend using scholarship management software like SmarterSelect. Scholarship management software helps to store information on all your applicants (including your winners) on one single platform.

These programs can help you track your applications, store compliance requirements, and see when award deadlines are coming up. As soon as you log in, you'll be able to see what you need to do and which students still need to be paid.

Learn more about how scholarship funds are paid out here.

How to Close a Scholarship Cycle

A scholarship cycle closes when deadlines have been reached and the chosen recipients have been announced. To close effectively and efficiently, it's important to conduct these four steps at the closing of every program period:

1. Have All Deadlines Set

There are three different deadlines you need to set, and ideally a year ahead of time. Deadlines to set include:

- **A deadline for students to submit their applications and relevant form**

- **A deadline for when your team has decided on a recipient or set of recipients**

- **A deadline to publicly announce the winners**

Having all your deadlines listed out keeps your team accountable, and shows all parties involved exactly when a scholarship cycle closes.

2. Review Applications Against Your Rubric

The fairest way to choose a scholarship winner is to score every applicant against the same rubric. This helps to keep the grading system unbiased, and chooses a winner that most deserves the money.

Pro Tip:

Use scholarship management software to automatically weed out the weak and under qualified applications. This can save you tens of hours sifting through applications. One of the coolest tools that SmarterSelect offers is the ability to create scoring rubrics directly on the program.

3. Send Emails to the Winning Applicants

Let your winning applicant know that they've won by sending an email. Take time to create a general template that you can use to inform applicants about your decision. But, do add enough of a personal touch to the email to come off as sincere.

Pro Tip:

Use the initial email as a chance to congratulate the recipient. If you need to go over technical details or have them fill out forms, send another email.

4. Pay the Funds On Time

The last step before closing is to actually disburse the funds to the winning student. This can be done manually, but a scholarship management tool can come in handy.

We cover this subject in greater detail in our post about how to close a scholarship fund on the blog. **Click here to check it out**.
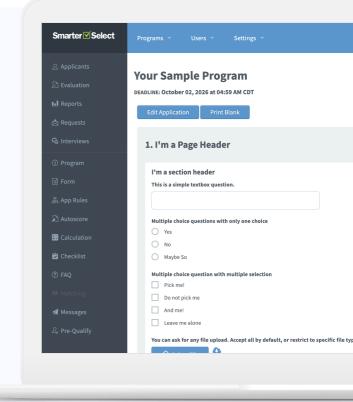
SmarterSelect is the Go-to Scholarship Management Tool

Are you ready to join the wild world of scholarship funding? We mentioned in the beginning of this guide that your ideal recipients are counting on you, and this was no exaggeration. The reality is that student loans are crippling the students of today, and there's no guarantee as to what the future of school funding will look like for people seeking higher education. The world needs scholarship programs perhaps now more than ever. But, it doesn't have to be a tedious ordeal to launch and manage a scholarship program.

Scholarship management software is designed to help users manage their scholarship funds. There are many different software programs available, but SmarterSelect is the best on the market. It has a user-friendly interface and many helpful features, such as a plug and play application form, the ability to easily track deadlines, automated messaging for award and rejection letters, and so much more.

This software is essential for anyone who wants to manage their scholarship funds effectively. Let's face it, handling online applications on your own has never been a favorable job. It's tedious, frustrating, and honestly quite time-consuming. This is especially true if you're using outdated systems and processes such as paper forms and reviewing by hand.

We understand and admire your decision to start a scholarship fund of your own. Whatever the reasons behind it, we want to give you the tools to make the process of awarding deserving recipients with funding as easy as possible.

SmarterSelect changes the game. Track applicants, automatically send out award notifications, store information, and never lose track of deadlines again! Managing a scholarship fund is simple – when you have the right tools, that is.

It's better to show than tell. See for yourself how SmarterSelect can enhance and streamline your scholarship program. **Click here and start your free trial!**