

# COLLEGE AFFORDABILITY PLANNING

All selected sites listed below are found at [www.finaid.org/sitemap](http://www.finaid.org/sitemap)

1. “Saving for College”: Saving for College, College Savings Checklist, Investment Strategies, Retirement Plans
2. “Parents”: Budget Cutting, Tips for Grandparents
3. “Students”: Financial Aid Checklist
4. “Scholarships”: Scholarship Database, [www.meritaid.com](http://www.meritaid.com), How to Win a Scholarship
5. “Loans”: Student Loans, Parent Loans, Private Loans, Loan Forgiveness
6. “Other Types of Aid”: Section 529 Plans, Aid for Specific Groups, Athletic Aid, Education Tax Benefits
7. “Military Aid”: Recruiting Programs, Aid for Veterans and Dependents, ROTC
8. “Calculators”: Financial Aid/Savings Estimators, Expected Family Contribution (EFC), Loan Repayment
9. “Financial Aid Applications”: FAFSA Description, Help Completing the FAFSA, Maximizing Your Aid Eligibility, Small Business Exclusions, Negotiating (Appealing) Awards.

Planning Professionals: Financial Planner (Investment Options). Accountant (Tax Consequences).

FAFSA Helpline (1/800/433-3243) or <http://studentaid.ed.gov/fafsa>

CSS Profile Helpline (1/305/829-9793) or <https://profileonline.collegeboard.com>

## FAFSA INCOME AND ASSET PLANNING Goal: To Minimize Your Expected Family Contribution

**Income Planning.** For planning purposes, use the “base tax year” (two years prior to student’s graduation year). Only the student’s and custodial parent(s)’ income and assets are considered in the formula. Other family members’ income and assets are not considered. Step-parent’s income and assets are counted similar to the parents’. The custodial parent is who the student has lived with for 6+ months during the “base tax year”.

1. The formula will assess 35% of parents’ adjusted gross income (after allowances), and 50% of the student’s adjusted gross income (after allowances).
2. The formula allows the student a ~\$6300 Income Protection Allowance.
3. Consider deferring income and bonuses, and minimizing retirement distributions if possible.
4. If your Adjusted Gross Income is less than \$100,000 and you do not itemize deductions (Schedule A), you may qualify for the Simplified Needs Test, which means the formula will not count any of your family’s assets.
5. Does the student qualify as “independent”? – 24 years old, graduate student, married, has a dependent child, orphan, or is a member of the active military. Any one factor establishes independence.
6. If your family needs to sell investments to pay for college, consider selling as many “losers” as possible.
7. Capital gains/losses during the “base tax year” are counted in the formula. Consider accelerating or postponing capital gains to any year other than the “base tax year” .
8. If your family owns its own business or commercial farm, there are a number of possible income shelters.

**Asset Planning.** You can wait until the date you submit the FAFSA, to list your assets.

1. Instruct the student to search for scholarships (college funded, privately funded and government funded). Scholarships can either be merit/talent based or need-based. There are excellent Internet and paper resources.
2. **FAFSA does not count home equity, retirement accounts, life insurance products, and equity in personal items such as cars, computers, etc.. Consider putting some of your countable liquid assets into these things.**
3. Your countable assets are determined as of the date you file the FAFSA.
4. Only the student’s, custodial parent(s) and step-parent(s) income and assets are counted in the formula.
5. Does the student qualify as “independent”? See above for criteria.
6. Consider taking assets out of the student’s name, as the formula counts ~20% of them without any allowances.
7. Consider placing student’s assets in a joint account with someone else’s name & social security number first, or transfer student’s assets to another person’s account.
8. The Uniform Gift to Minors Act (UGMA), is counted as an asset in the student’s name. To terminate or modify an UGMA, speak with a tax/legal expert to avoid unnecessary complications.
9. Consider delaying gifts to the student until after he/she graduates from college. Such gifts are counted in the formula and can reduce the student’s eligibility for financial aid.
10. Consider incorporating a family business, as corporations are not counted in the formula.