CollegeChoice Advisor
529 SAVINGS PLAN

10 TIPS
to navigate financial aid

If you have kids you've also had a few sleepless nights, especially when it comes to worrying about education costs. How will you and your kids afford it? How much can you really save? Will you have to borrow the rest?

It's a lot, but with the help of your financial professional it doesn't have to be.

The first step: Start to save as soon as possible. **The second:** Understand how financial aid works, and what you can do to get every dollar your kids might be eligible for. These tips can help.

1 Plan for financial aid two years before you'll need it.

The Free Application for Federal Student Aid, or FAFSA, is something you'll become very familiar with. It must be filled out for every year your child is in college, university, or vocational school.

The FAFSA requires tax returns from two years prior to attending school. It uses this information to determine your Expected Family Contribution (EFC).[1] That's the amount you'll be expected to pay. To help reduce your EFC, consider ways to reduce your taxable income during your child's junior year of high school, and avoid unnecessary increases to your income.

2 Be mindful of your retirement plan.

Withdrawals from your retirement accounts, whether you spend them on things like a vacation house or don't spend them at all, will be counted against your EFC.[1] The same is true of proceeds from a home sale, inheritance, or vested stock options.

3 Don't assume you make too much money for financial aid.

It can pay to fill out the FAFSA, because your EFC is not determined by income alone. Factors like the price of your child's school, as well as the number of children currently in college, university, or vocational school, also play a role. More than 86% of students enrolled in 4-year public and private institutions receive some form of financial aid.[1]

4 Consider paying down debt and making necessary purchases before completing your FAFSA.

If you have both substantial savings and any sort of debt, such as an auto loan or mortgage, you could consider using some savings to pay down your debt. The corresponding reduction in savings could positively impact your EFC.

5 Understand that not all financial aid is the same.

Is financial aid "free money?" Not always. Roughly 34% of financial aid is in the form of federal loans – amounts that will need to be paid back *with interest*.[2] The rest, grants and scholarships, may not have to be repaid.

6 Consider who "owns" the assets factored into your EFC.

Your assets and those of your child are both considered when determining your EFC, but how they're counted is very different. Fully 20% of your child's assets count towards the EFC, compared to just 5.64% of your non-retirement assets.[1] Speak with your financial advisor for possible strategies to help you prepare.

7 Fill out the FAFSA early.

Financial aid is often first come, first served, so file early! Families who file within the first three months of the FAFSA start date (often as early as October 1) get, on average, *twice* the financial aid of later filers.[3]

8 Once enrolled, encourage your kids to keep their grades up and stay on track to graduate.

To keep receiving federal financial aid, a student must make satisfactory academic progress.[1] That means maintaining good grades and earning credits in a timely manner. Check with your school for specific academic requirements regarding financial aid.

9 Consider how changes in your life can change your FAFSA status.

Household and marital changes can impact financial aid. So be sure to report:

- Your new spouse's income, if you remarried during the past year.
- Your stepchildren as part of your household count (even if they don't live with you), as well as whether any of them attend college, as long as you provide more than half of their support.

In addition, some private schools may require you to include the incomes of up to four people, if both you and your ex-spouse remarry.[1]

Other helpful resources

studentaid.gov
finaid.org
learnmoreindiana.org
collegeanswer.com
fafsa.ed.gov
in.gov/che/

10 Be smart about 529 account withdrawals.

Consider reserving funds from a grandparent's 529 accounts until the last two years of school. That's because withdrawals made from these accounts are viewed as untaxed *student* income, and up to 50% of student income is considered available for education costs.[1] A $2,000 withdrawal, for example, may reduce aid eligibility by $1,000. Conversely, only 5.64% of 529 account balances owned by a parent impacts aid.[1]

[1] Studentaid.gov

[2] Sallie Mae, How America Pays for College 2020

[3] National Census for Education Statistics, Sources of Financial Aid, updated May 2020

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