

Financial Aid ABCs

It's time to start paying for college. Whether you have been planning for this day for years or you're just starting, you could be eligible for financial aid to help cover the cost. Many families fail to file for financial assistance as they feel they may not qualify. Here are some things you need to know about federal financial aid.

The Myth

First, let's dispel the myth that income alone qualifies (or disqualifies) you for financial aid.

Family Income Level	Any Aid ¹	Grants ²	Loans ³
Less than \$20,000	96.1%	95.8%	53.5%
\$20,000 - \$39,999	94.3%	93.3%	55.6%
\$40,000 - \$59,999	92.4%	88.0%	61.5%
\$60,000 - \$79,999	87.1%	75.7%	57.1%
\$80,000 - \$99,999	83.4%	67.6%	57.3%
\$100,000 or more	78.6%	60.4%	49.1%

Source: U.S. Department of Education, National Center for Education Statistics, 2015-2016 National Postsecondary Student Aid Study

Applying For Aid

All families applying for financial aid must complete the Free Application for Federal Student Aid (FAFSA). You can apply for federal aid beginning October 1 for the upcoming academic year. Also, there are other state and college deadlines, so it's important to check www.fafsa.ed.gov for your specific state.⁵

Federal financial aid is a need-based award and determined by one equation:

$$\text{Cost of Attendance} - \text{Expected Family Contribution} = \text{Financial Need}$$

Cost of Attendance (COA)

COA is the total amount school will cost for the year. This includes tuition and fees, room and board, and allowances for books, supplies, transportation, loan fees, and, if applicable, dependent care. Miscellaneous and personal expenses are also included.⁵

Other helpful resources

studentaid.ed.gov

Information on federal student aid programs, applying for financial aid, and other resources to help along the way.

finaid.org

Information on financial aid, scholarships, and more.

learnmoreindiana.org

A partnership of state and local organizations helping Hoosiers of all ages complete education and training beyond high school.

Expected Family Contribution (EFC)⁴

The EFC is the key component of most financial aid formulas and is determined by evaluating the total assets and income of the parents and the student. Here's how:

Income	
Parents	22% - 47% of available income
Students	50% after certain allowances

Assets		
Parents	2.6% - 5.64% of assets	<ul style="list-style-type: none"> Mutual funds Securities Bank Accounts, CDs 529 Accounts (parent- or student-owned) Custodial 529 plans Coverdell Education Savings Accounts
Students	20% of assets	<ul style="list-style-type: none"> UGMA/UTMA accounts not held in a 529 plan Minor trusts not held in a 529 plan Savings bonds (in student's name)

Exclusions	
Parents	<ul style="list-style-type: none"> Qualified retirement accounts, Primary home equity, Annuities and insurance policies, Family-owned businesses
Students	<ul style="list-style-type: none"> Student-owned qualified retirement accounts

Joseph F. Hurley, CPA, Savingforcollege.com's Family Guide to College Savings (2019).

What Doesn't Count Toward the EFC?

529 and Coverdell accounts not owned by the parent or student are not required to be disclosed when applying for federal aid. Money disbursed, however, will be reported as income for the student on their FAFSA for the following year.

Retirement accounts are not required to be disclosed when applying for federal aid. Distributions from retirement accounts, however, count as income on the following year's FAFSA.⁴

collegeanswer.com

Information on financial aid, scholarships, grants, and private loans.

in.gov/che/

The Indiana Commission for Higher Education website.

¹ Any aid includes all types of financial aid from any source except parents, friends, or relatives. Direct PLUS Loans to parents and other types of aid such as federal veterans' education benefits and job training funds are included, but federal tax credits for education are not included.

² Any grants includes grants, scholarships, or tuition waivers from federal, state, institutional, or private sources, including employers.

³ Any loans include only loans to students and may be from any source, but exclude other forms of financing such as credit cards, home equity loans, loans from individuals, and Direct PLUS Loans to parents.

⁴ Joseph H. Hurley, CPA. Savingforcollege.com's Family Guide to College Savings (2019).

⁵ studentaid.gov

CollegeChoice Advisor does not employ financial aid experts or give financial aid advice. Specific questions should be directed to a qualified financial aid officer. This does not include most tax professionals.

This material is offered for broad, informational purposes only. Many important details of the federal financial aid system are not mentioned or fully described. The information provided is a simplified explanation of the federal financial aid system and how savings vehicles fit into it.

This information discusses federal financial aid only. Information on aid from schools, states, and on private scholastic and athletic scholarships is not provided.

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Before you invest, consider whether your or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program.

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