

Financial Aid: A Summary

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 high-net-worth families fail to file for financial assistance but, if they did, they might still qualify for some form of aid. Here are some things you need to know about federal financial aid.

The Myth

Let's first dispel the myth that your family makes too much money to receive financial aid.

Family Income Level	Applicant Received Aid	Applicant received federal aid
Less than \$20,000	95.6%	92.0%
\$20,000 - \$39,999	90.6%	84.7%
\$40,000 - \$59,999	90.7%	80.9%
\$60,000 - \$79,999	80.3%	62.4%
\$80,000 - \$99,999	76.7%	57.5%
\$100,000 or more	71.6%	47.1%

Source: U.S. Department of Education, National Center for Education Statistics, 2011-2012 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 January 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.

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

Cost of Attendance - Expected Family Contribution

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.

Expected Family Contribution (EFC)

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 ¹
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)

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.

Other helpful resources

www.studentaid.ed.gov

www.savingforcollege.com

www.finaid.org

www.collegeanswer.com

¹ The amount of parental adjusted gross income after allowances for federal, state, local, and FICA taxes, as well as an income protection allowance based on the number of people in the household. Source: Joseph F. Hurley, CPA. *Savingforcollege.com's Family Guide to College Savings* (2013).

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 and states and on private scholastic and athletic scholarships is not provided.

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