# FINANCIAL AID
## checklist

**Parents often make the mistake of putting assets in their children's name to take advantage of the lower tax rate on the earnings.** However, this strategy can ultimately be detrimental to potential need-based financial aid. The expected family contribution (EFC) factors the student's assets and income at a much higher rate than the parents. Therefore, it is often best to keep as little in the student's name as possible. Additionally, couples earning more than $200,000 a year are unlikely to receive need-based aid regardless of how the assets are positioned (and it is always important to answer the form truthfully). Here are some helpful tips to improve your chance of qualifying for need-based financial aid:

- ❑ **Save Money in Your Name Not the Students:** This is often accomplished using a 529 college savings plan.
- ❑ **Spend the Student's Assets:** You as the parent are able to spend your child's assets for the benefit of them outside of the normal parental obligations. For example, you could use these assets to pay for private school or summer camp, but not groceries, clothing, etc.
- ❑ **Reduce Consumer Debt:** By reducing or eliminating your consumer debt (which is not a factor in determining your eligibility for financial aid) you are reducing your assets which do factor in the calculation.
- ❑ **Overpay/Payoff Your Mortgage:** Equity in your home is not considered an asset for eligibility purposes. Yet, the assets you'll use to overpay/payoff your mortgage are used in the calculation.
- ❑ **Accelerate Expenses:** By accelerating expenses (i.e. prepay vacations, home improvements, auto purchase, etc.) prior to filing the Free Application for Federal Student Aid (FAFSA), you are reducing the assets that will be used in the eligibility calculation.
- ❑ **Reduce Income:** Attempt to avoid taking sizable distributions from your retirement funds and/or postpone bonuses into the following year.
- ❑ **Maximize Retirement Plan Contributions:** Retirement assets are generally not considered assets for eligibility. Tax-deferred annuities and life insurance cash values are also not considered assets in the eligibility test.
- ❑ **Minimize Capital Gains:** Capital gains are treated like income and may hurt your eligibility. Tax loss harvest if possible.
- ❑ **File Early:** Some schools and states award aid money on first-come, first-serve basis, so you're best served to get an early start.
- ❑ **Unusual Family Circumstances:** If you feel your family circumstances are unusual, it is worth scheduling a meeting with the financial aid administrator at the school. They are sometimes able to help with additional factors concerning your eligibility.
- ❑ **Postpone Family Help:** Non parental family aid can hurt the student's eligibility; therefore, consider having the family pay down loans after the student has graduated. Or, give the aid to the parents not the student. If a non-parental owned 529 is being used, wait until the final year as the assets are not considered a factor. Any income/distribution from them will be used in the calculation which may hurt the student's eligibility.
- ❑ **Make Sure The Right Person Applies:** In cases of divorce or separation, only the parent with whom the child has lived for the majority of a 12-month period (ending on the day the FAFSA is filed) must submit the aid application. This can be a huge benefit when one parent has significantly more assets/income than the other.
- ❑ **APPLY!**: You don't get what you don't ask for! Even if you think you may not qualify, you should still submit the FASFA form.



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