

# 2021 · WHAT ISSUES SHOULD I CONSIDER TO FUND MY CHILD'S COLLEGE EDUCATION?

| FINANCIAL AID ISSUES   | YES                      | NO                       |
|--|--------------------------|--------------------------|
| <p><b>Do you need help determining which financial aid form to complete (FAFSA, CSS, 568 group)?</b><br/>If so, consider contacting each school to verify which forms must be completed.</p>   | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>If completing FAFSA, do you need help estimating your Expected Family Contribution (EFC)?</b><br/>If so, consider the following:</p> <ul style="list-style-type: none"> <li>■ The income and assets of a child will impact EFC more than the parent's income and assets.</li> <li>■ Income is based on prior, prior year (for 2021, figures will be based on 2019 income). Asset values are based on the day the FAFSA is submitted.</li> <li>■ Qualified distributions from a 529 account owned by a child or their parent will not be included in income (but would be included if the account were owned by a grandparent or other third party).</li> </ul> | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Are you divorced or separated from your spouse?</b><br/>If so, consider the following:</p> <ul style="list-style-type: none"> <li>■ Schools that use FAFSA will consider the income and assets of the custodial parent.</li> <li>■ Schools that use the CSS Profile may also require information from the non-custodial parent.</li> </ul>   | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Has your financial situation changed since the financial aid decision?</b><br/>If so, consider appealing the financial aid decision.</p>   | <input type="checkbox"/> | <input type="checkbox"/> |

| FUNDING ISSUES   | YES                      | NO                       |
|--|--------------------------|--------------------------|
| <p><b>Does the cost of college exceed your Expected Family Contribution as calculated by FAFSA?</b><br/>If so, Federal student aid such as Pell Grants, work-study programs and FSEOG may be awarded.</p>  | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Do you hope to find grants, scholarships or awards?</b><br/>If so, consider the following:</p> <ul style="list-style-type: none"> <li>■ Complete the FAFSA form as it is used by colleges and states to determine need and eligibility. (continue on next column)</li> </ul> | <input type="checkbox"/> | <input type="checkbox"/> |

| FUNDING ISSUES (CONTINUED)  | YES                      | NO                       |
|---|--------------------------|--------------------------|
| <ul style="list-style-type: none"> <li>■ Apply early as many awards are given on a first come first served basis.</li> <li>■ Consider looking for awards either online, at college, affinity groups, professional or civic organizations.</li> </ul>  |                          |                          |
| <p><b>Do you expect relatives (such as grandparents) to gift money?</b><br/>If so, consider the following:</p> <ul style="list-style-type: none"> <li>■ Direct payments of tuition are not subject to gift tax, and do not use the donor's annual exclusion amount or lifetime exemption.</li> <li>■ For financial aid purposes, many gifts (including distributions from third-party owned 529 accounts) will be treated as income of the child, which will impact needs-based financial aid eligibility if used more than two years before graduation.</li> </ul> | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Does your child expect to become an elementary or secondary teacher?</b><br/>If so, your child may be eligible for a TEACH Grant if the school has a TEACH Grant program.</p>   | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Did you or your spouse serve (or currently serve) in the military?</b><br/>If so, your child may be eligible for certain benefits.</p>  | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Would your child consider military service?</b><br/>If so, the Reserve Officers' Training Corps will cover most college expenses as long as the child serves at least four years in active duty and four years in reserves.</p>   | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Do you expect to need a loan to cover additional education related expenses?</b><br/>If so, consider loans with the most favorable terms, which are generally in this order: Federal Direct Subsidized Loans (needs based), Federal Direct Unsubsidized Loans, Federal Direct PLUS Loans, and private loans (banks, colleges, states).</p>  | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Will your child have loans and plan to work in the government or for a nonprofit for 10 years?</b><br/>If so, your child may be eligible for Public Service Loan Forgiveness.</p>   | <input type="checkbox"/> | <input type="checkbox"/> |

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| QUALIFIED ACCOUNT ISSUES   | YES                      | NO                       |
|--|--------------------------|--------------------------|
| <p><b>Do you have an IRA, Roth IRA, or qualified employer plan?</b><br/>If so, consider the following:</p> <ul style="list-style-type: none"> <li>■ Distributions from a traditional IRA to pay for qualified education expenses may be subject to ordinary income taxes but there is no 10% penalty.</li> <li>■ Distributions from a Roth IRA to pay for qualified education expenses may be subject to ordinary income taxes on the gain element but there is no 10% penalty.</li> <li>■ Distributions from a traditional IRA or Roth IRA may impact needs-based financial aid eligibility if used more than two years before college graduation.</li> <li>■ Some employer plans, such as a 401(k), allow employees to take loans. There are no tax ramifications for the loan and a loan does not count as income on the FAFSA, however it may count as an asset if not spent.</li> </ul> | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Do you have a 529 account?</b><br/>If so, consider the following:</p> <ul style="list-style-type: none"> <li>■ You can use your gift tax annual exclusion amount to contribute up to \$15,000 per year to a beneficiary's 529 account, gift tax-free.</li> <li>■ Alternatively, you can make a lump sum contribution of up to \$75,000 to a beneficiary's 529 account, and elect to treat it as if it were made evenly over a 5-year period, gift tax-free.</li> <li>■ You may be eligible for a state income tax deduction or credit if you contribute to a plan sponsored by your state.</li> </ul>  | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Do you have a Coverdell Education Savings Account?</b><br/>If so, consider the following:</p> <ul style="list-style-type: none"> <li>■ Coverdell Education Savings Accounts tend to be more restrictive than a 529 account.</li> <li>■ Coverdell Education Savings Accounts can be rolled over to a 529 account, as long as the account beneficiaries are the same.</li> </ul>   | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Do you own Series EE or I Bonds?</b><br/>If so, you may be able to exclude from gross income the interest paid upon the redemption of the bonds to pay for qualified education expenses. Subject to income limitations.</p>  | <input type="checkbox"/> | <input type="checkbox"/> |

| TAX PLANNING ISSUES   | YES                      | NO                       |
|---|--------------------------|--------------------------|
| <p><b>Is your MAGI less than \$90,000 (\$180,000 if MFJ)?</b><br/>If so, you may be eligible for the American Opportunity Tax Credit for 100% of the first \$2,000 of qualified education expenses and 25% of the next \$2,000. Phase-out range for a single filer is \$80,000-\$90,000 (\$160,000 - \$180,000 if MFJ).</p>   | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Is your MAGI less than \$69,000 (\$139,000 if MFJ)?</b><br/>If so, you may be eligible for the Lifetime Learning Tax Credit for 20% of the first \$10,000 of qualified education expenses. Phase-out range for a single filer is \$59,000 - \$69,000 (\$119,000 - \$139,000 if MFJ).</p>  | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Does your state offer an income tax deduction or credit for 529 plan contributions?</b><br/>If so, consider an "in-and-out" strategy where deductions or credits may be allowed on contributions that are immediately withdrawn to pay for qualified education expenses.</p>  | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Are you eligible for any education tax credits and have a 529 account?</b><br/>If so, be aware that there is no double-dipping. See the "Is The Distribution From My 529 Plan Taxable?" flowchart.</p>  | <input type="checkbox"/> | <input type="checkbox"/> |
| <p><b>Will you or your child have student loans?</b><br/>If so, consider the following:</p> <ul style="list-style-type: none"> <li>■ You can deduct up to \$2,500 of interest on qualifying student loan debt, per tax return. Phase out range for single filer is \$70,000 - \$85,000 (\$140,000 - \$170,000 if MFJ).</li> <li>■ If you have a 529 account, up to \$10,000 can be used to pay down student loans. This is a lifetime limit per person. An additional \$10,000 may be distributed to each of the beneficiary's siblings.</li> </ul> | <input type="checkbox"/> | <input type="checkbox"/> |