

### **Your Financial Aid Odds**

For college students and their families, financial aid is meted out according to an equation set by the federal need analysis. This table measures a family's income and discretionary income in order to determine how much they can contribute to their child's college expenses; it also allows families to deduct a portion of educational expenses from state and local taxes.

### **Planning Tips**

Parents who hope to increase their children's financial aid approval odds may want to consider a few money management strategies. Since the formula is based on a family's discretionary income, some may want to think about taking steps to reduce this amount. Here are some financial strategies that could work for your family:

If you have been thinking about transferring assets into your child's name, you should remember that 35% of a child's assets are considered to be available to pay for tuition. While this may not be a problem for those with funds created expressly for the purposes of tuition, bear in mind that only 6% of a parent's assets will be deemed "available" for education funding.

Often, retirement accounts are not considered part of a family's disposable income. Some parents might benefit from maximizing their contributions to **401(k)s, annuities, or Individual Retirement Accounts (IRAs)**. However, it should be noted that 401(k) and 403(b) plans would be considered untaxed income on financial aid forms.

One of the first things financial aid offices look at is a family's **adjusted gross income (AGI)**. Those who are expecting capital gains or dividend payments may choose to defer them during a child's remaining high school years; otherwise, schools may assume that the income and gains reported on your tax returns are yearly.

Think about spending down. Those who have been contemplating home repairs or a new car may find the time has never been better. Public schools do not include home equity in disposable income, although private schools will, but they may be dissuaded by loans. Spend wisely, and consider buying items that your child will inevitably need at school, such as a computer or even a car.

Expected contributions will be reduced by half for those with two family members attending college at least half time at the same time. Parents considering returning to college may find it in their best interest to coordinate their attendance with that of their child.

A college education is invaluable. However, the cost is becoming increasingly prohibitive. Talk with your financial or tax professional today, and improve upon your family's financially savvy money management strategies.