

2020 · WHAT ISSUES SHOULD I CONSIDER TO FUND MY CHILD'S COLLEGE EDUCATION?



FINANCIAL AID ISSUES	YES	NO
<p>Do you need help determining which financial aid form to complete (FAFSA, CSS, 568 group)? If so, consider contacting each school to verify which forms must be completed.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p>If completing FAFSA, do you need help estimating your Expected Family Contribution (EFC)? If so, consider the following:</p> <ul style="list-style-type: none"> ■ The income and assets of a child will impact EFC more than the parent's income and assets. ■ Income is based on prior, prior year (for 2020, figures will be based on 2018 income). Asset values are based on the day the FAFSA is submitted. ■ Distributions from 529 plans owned by the child or grandparent will count as income of the child. 	<input type="checkbox"/>	<input type="checkbox"/>
<p>Are you divorced or separated from your spouse? If so, consider the following:</p> <ul style="list-style-type: none"> ■ Schools that use FAFSA will consider the income and assets of the custodial parent. ■ Schools that use the CSS Profile may also require information from the non-custodial parent. 	<input type="checkbox"/>	<input type="checkbox"/>
<p>Has your financial situation changed since the financial aid decision? If so, consider appealing the financial aid decision.</p>	<input type="checkbox"/>	<input type="checkbox"/>

FUNDING ISSUES	YES	NO
<p>Does the cost of college exceed your Expected Family Contribution as calculated by FAFSA? 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>Do you hope to find grants, scholarships or awards? If so, consider the following:</p> <ul style="list-style-type: none"> ■ Complete the FAFSA form as it is used by colleges and states to determine need and eligibility. (continue on next column) 	<input type="checkbox"/>	<input type="checkbox"/>

FUNDING ISSUES (CONTINUED)	YES	NO
<ul style="list-style-type: none"> ■ Apply early as many awards are given on a first-come, first-serve basis. ■ Consider looking for awards either online, at college, affinity groups, professional or civic organizations. 		
<p>Do you expect relatives (such as grandparents) to gift money? If so, many of the gifts (including distributions from 529 plans owned by non-family members) will be treated as income of the child, which will impact needs-based financial aid eligibility if used more than two years before graduation.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Does your child expect to become an elementary or secondary teacher? 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>Did you or your spouse serve (or currently serve) in the military? If so, your child may be eligible for certain benefits.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Would your child consider military service? 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>Do you expect to need a loan to cover additional education related expenses? 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>Will your child have loans and plan to work in the government or for a non-profit for 10 years? 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>Do you have an IRA, Roth IRA, or qualified employer plan? If so, consider the following:</p> <ul style="list-style-type: none"> ■ Distributions from a Traditional IRA to pay for education expenses may be subject to ordinary income taxes but there is no 10% penalty. ■ Distributions from a Roth IRA to pay for education expenses may be subject to ordinary income taxes on the gain element but there is no 10% penalty. ■ Distributions from an IRA or Roth IRA may impact needs-based financial aid eligibility if used more than two years before college graduation. ■ 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. 	<input type="checkbox"/>	<input type="checkbox"/>
<p>Do you have a 529 Plan? If so, consider the following:</p> <ul style="list-style-type: none"> ■ You can contribute \$15,000 (\$30,000 if MFJ) each year without having to file a gift tax return. ■ Alternatively, you can elect five-year treatment to save \$75,000 (\$150,000 if MFJ) which can be done every five years. ■ You may be eligible for state income tax credits if you contribute to a plan sponsored by your state. 	<input type="checkbox"/>	<input type="checkbox"/>
<p>Do you have a Coverdell Education Savings Account? If so, consider the following:</p> <ul style="list-style-type: none"> ■ Coverdell Education Savings Accounts tend to be more restrictive than a 529 plan. ■ Coverdell Education Savings Accounts can be rolled over to a 529 account, as long as the account beneficiaries are the same. 	<input type="checkbox"/>	<input type="checkbox"/>
<p>Do you own Series EE or I Bonds? If so, you may be able to exclude from gross income the interest paid upon the redemption of the bonds to pay for college expenses. Subject to income limitations.</p>	<input type="checkbox"/>	<input type="checkbox"/>

TAX PLANNING ISSUES	YES	NO
<p>Is your MAGI less than \$90,000 (\$180,000 if MFJ)? If so, you may be eligible for the American Opportunity Tax Credit for 100% of the first \$2,000 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>Is your MAGI less than \$69,000 (\$138,000 if MFJ)? If so, you may be eligible for the Lifetime Learning Tax Credit for 20% of the first \$10,000. Phase-out range for a single filer is \$59,000-\$69,000 (\$118,000-\$138,000 if MFJ).</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Does your state offer a deduction on 529 plan contributions? If so, consider an “in-and-out” strategy where deductions may be allowed on contributions that are immediately withdrawn to pay for college expenses.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Are you eligible for any education tax credits and have a 529 plan? 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>Will you or your child have student loans? If so, consider the following:</p> <ul style="list-style-type: none"> ■ You can deduct up to \$2,500 of interest per tax return. Phase out range for single filer is \$70,000 - \$85,000 (\$140,000 - \$170,000 if MFJ). ■ If you have a 529 plan, up to \$10,000 can be distributed from the 529 plan 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. 	<input type="checkbox"/>	<input type="checkbox"/>