
How Assets Impact Financial Aid

Parents often worry about how their investments will impact financial aid, but for most families, it's not going to hurt aid chances.



Here's why...

Not all parent assets are counted and those that are will be assessed at a low rate.



Save as Much as You Can

You will be in a much stronger position.

Every **\$10,000** you save reduces need-based aid by no more than **\$564**.



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What factors will impact financial aid will depend on where you apply to college.

FAFSA

Thousands of colleges only use the **Free Application for Federal Student Aid** to determine aid eligibility.

99.9% of public universities are FAFSA-only institutions.

CSS Profile

Roughly 200 colleges and universities use the **CSS Profile** to determine who gets their own institutional money.

Profile School Examples:

- ❑ Boston College
- ❑ Brown University
- ❑ CalTech
- ❑ Duke University
- ❑ Harvard University
- ❑ The Julliard School
- ❑ Northeastern University
- ❑ Oberlin College
- ❑ Sarah Lawrence College
- ❑ Southern Methodist University
- ❑ Stanford University
- ❑ Swarthmore College
- ❑ University of Chicago
- ❑ University of Notre Dame
- ❑ Washington University, St. Louis
- ❑ Villanova University
- ❑ Yale University

Identifying CSS Profile Schools

Look for this link...

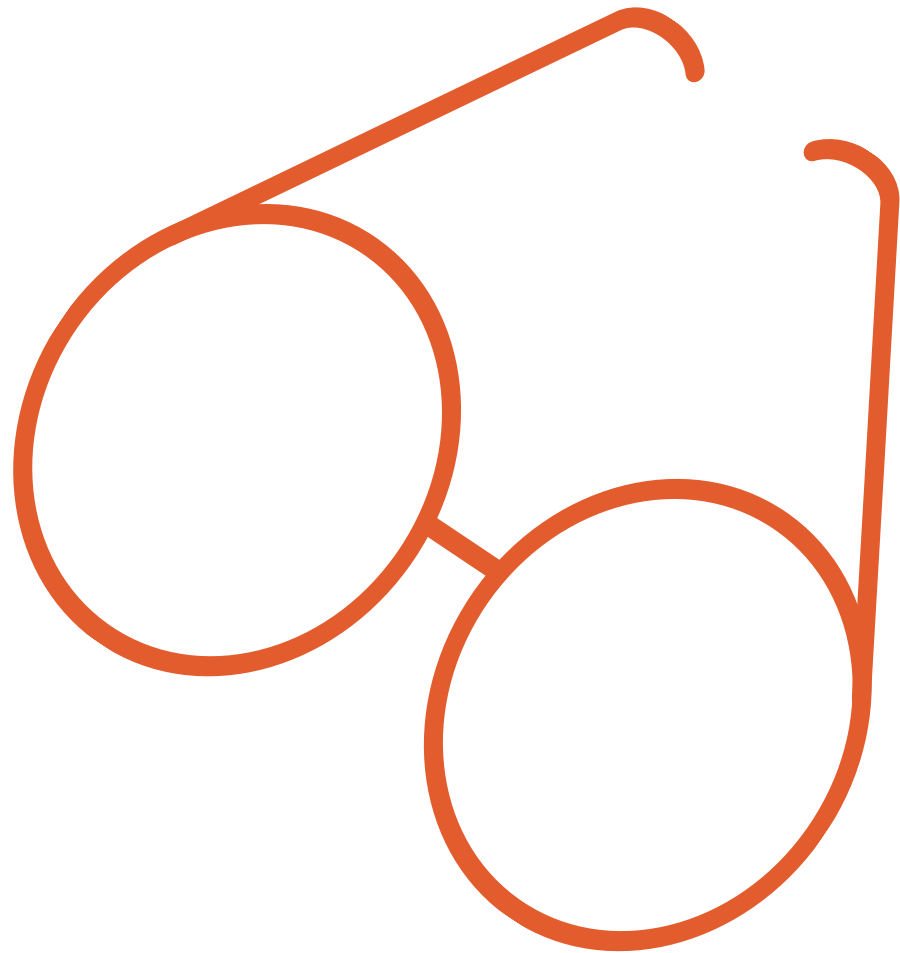
Check Participating Schools and Scholarships.

How the two aid formulas assess assets.

Profile: Parent assets
assessed at up to 5%.

FAFSA: Parent assets assessed
at up to 5.64%.





A Closer Look at the **FAFSA**

The FAFSA doesn't count most assets

FAFSA ignores qualified retirement accounts such as:

- ☐ Traditional Individual Retirement Accounts
- ☐ Roth IRAs
- ☐ SEP IRAs
- ☐ SIMPLE IRAs
- ☐ 401(k)
- ☐ 403(b)

A Word About Retirement Accounts

Distributions from retirement plans count as income on the FAFSA.

Tax-free contributions to a retirement plan by the taxpayer (not the employer) in the base year count as income on the FAFSA.

In other words, qualified retirement assets are not reported on the FAFSA, but contributions to qualified retirement accounts and distributions are.

Roth IRA Exception

Contributions to a Roth should not be reported on the FAFSA. There is no upfront tax benefit to these donations so it doesn't change reported income.

Roth distributions, however, would be considered income.

The FAFSA also
ignores equity in a
primary home.





The FAFSA also ignores:

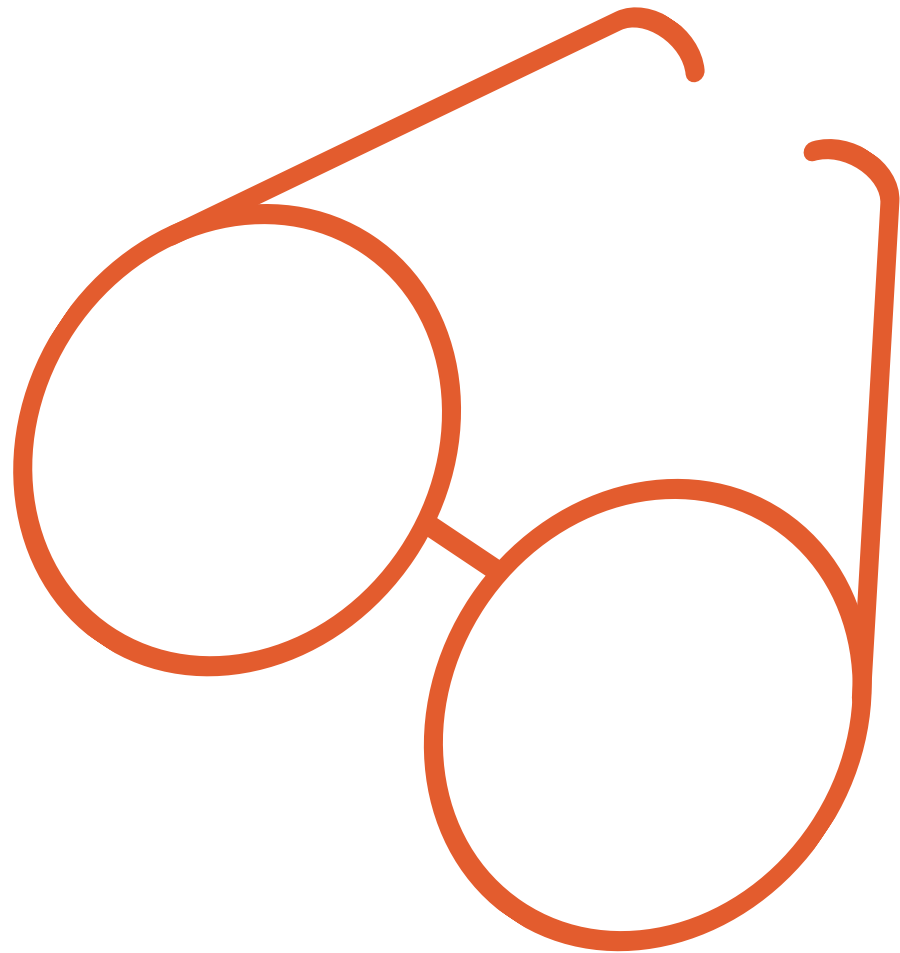
- ☐ Qualified and nonqualified annuities
- ☐ Cash value in life insurance
- ☐ Personal possessions

What the FAFSA cares about...

- ☐ Education accounts – 529/Coverdells
- ☐ Prepaid tuition plans (refund value only)
- ☐ Custodial accounts – UGMA/UTMAs
- ☐ Checking accounts
- ☐ Saving accounts
- ☐ Certificates of deposit
- ☐ Trust funds

What the FAFSA cares about...

- ☐ Cash (even if under a mattress)
- ☐ Vested stock options
- ☐ REITs
- ☐ Commodities and precious metals
- ☐ Private equity
- ☐ Hedge funds
- ☐ Installment and land sale contracts



A Closer Look at the **CSS Profile**



Just like the FAFSA, the
PROFILE ignores...

- ☐ Qualified retirement accounts
- ☐ Qualified retirement annuities

What the Profile cares about...

- ☐ Education accounts – 529/Coverdells
- ☐ Prepaid tuition plans (refund value only)
- ☐ Custodial accounts – UGMA/UTMAs
- ☐ Checking accounts
- ☐ Saving accounts
- ☐ Certificates of deposit
- ☐ Trust funds

What the Profile cares about...

- ☐ Vested stock options
- ☐ Cash (even if under a mattress)
- ☐ REITs
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- ☐ Hedge funds
- ☐ Installment and land sale contracts

Unlike the FAFSA, the Profile does assess:

- ☐ Non-qualified annuities
- ☐ Adjusted net worth of business or farm
- ☐ Sometimes cash value of life insurance



Unlike the FAFSA, most Profile schools assess:

☐ Equity in primary home.



Teenager's Assets

It's best not to have money in child's name

- ❑ If there's a chance for need-based financial aid.
- ❑ Aid formulas treat child assets more harshly.



Impact of Student Assets

CSS Profile: Assesses assets at 25%

FAFSA: Assesses assets at 20%.



Impact of Student Assets

Example

Student has \$5,000

$$\$5,000 \times 20\% = \$1,000$$

Expected Family Contribution increases \$1,000.



Summing Up

- ❑ Financial aid formulas don't count retirement assets.
- ❑ Many Profile schools will assess home equity, FAFSA-only colleges don't.
- ❑ Parent assets are assessed at a much lower rate than student assets.
- ❑ Use an EFC calculator to see how assets and income will impact potential aid awards.