

## College Planning to Maximize Available Funds to Pay for College

**Benefit:** Knowing how the Federal college financial aid system allocates its resources to help educate American students helps families determine the best way to position assets to maximize a student's college funding.

**The Client:** Eliza Wright is a 62-year old single grandmother concerned about the education of her three grandchildren. Mrs. Wright's only child, 36-year old Brenda, is recently divorced. Brenda's three children are 13-, 10-, and 9-years old. Brenda has a steady job and - while not living well - is able to pay the bills. Brenda has no assets besides a retirement fund.

Mrs. Wright wants to gift assets to Brenda and the grandchildren to pay for college.

She wants to know from her financial professional the best way to save for her grandchildren's college. She has read about custodial accounts and 529 plans.

**The Problem:** By making gifts to her daughter and grandchildren, Mrs. Wright may be harming the grandchildren's ability to receive any financial aid.

**The Tool:** College Planning to Maximize Available Funds to Pay for College

The financial professional can help Mrs. Wright maximize the funds available to pay for her grandchildren's education by helping her understand how the Federal student aid system works.

Federal student loans and grants administered through Federal Student Aid, an office of the Department of Education, pay for over 50% of the cost of college. Getting to this money is paramount to maximizing the dollars each student has to pay for college.

To begin the process, Federal Student Aid requires that each parent and student complete the Free Application for Federal Student Aid (FAFSA) form. Some private universities may require additional forms. The FAFSA asks about four specific areas to determine each family's Expected Family Contribution (EFC). EFC is an important number – it is basically how much a family is expected to pay for college. *The higher the EFC; the less aid a family will get.* EFC is an annual figure.

The four areas are:

- The Parent's Income
- The Parent's Assets
- The Student's Income
- The Student's Assets.

Each of a parent's