HIFE COLLEGE PLANNING

Scholars

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HIFE CPP REQUIREMENTS:

- Must have a minimum GPA of 2.5
- Must seek to attend an accredited institution
- Must be willing to complete the assigned homework provided by the HIFE Coach

Inside this issue:

Message From The Dean - Bob Fulcomer

It's the time of year to be completing the FAFSA forms for all high school seniors and college students. It is also a time to be looking at the planning of family finances as well. After completing the FAFSA, a report is generated and this document shows what the Expected Family Contribution (EFC) is. The EFC is calculated based on income and assets. The EFC "is what it is" for this current year, but there may be some strategies that the family can implement throughout this year to potentially lower it for the next year. The other critical item to review are any 529 plans that are in place. 529s are a great saving tool for a child's education. But, there are many factors that need to be considered to ensure that they are the best saving vehicle for each individual family. There are times when financial situations change, and having a 529 can reduce the amount of need-based financial aid that the family might receive. In other cases, it is financially prudent to cash-out a 529 plan even though there are tax and penalty implications. EFC and 529 plans are scrutinized even more when applying to a college that requires a CSS profile. Now is the best time of year to be talking with your financial planning professional to discuss a planning strategy for the year.

How Aid is Calculated

Wondering how the amount of your federal student aid is determined?

The colleges or career schools you list on your Free Application for Federal Student Aid (FAFSA®) will use several pieces of information to calculate your aid.

So, you've filed your FAFSA, and you've checked your Student Aid Report to be sure all your information is correct, and now you're wondering how that data is used to come up with the list of financial aid for which you're eligible.

If I meet the basic eligibility criteria for federal student aid, who decides how much money I'll get?

Here's the short answer: Your eligibility depends on your Expected Family Contribution (EFC), your year in school, your enrollment status, and the cost of attendance at the school you will be attending. The financial aid office at your college or career school will determine how much financial aid you are eligible to receive.

- The financial aid staff starts by deciding upon your cost of attendance (COA) at that school.
- They then consider your Expected Family Contribution (EFC).

How Aid is Calculated (cont.)

- They subtract your EFC from your COA to determine the amount of your financial need and therefore how much need-based aid you can get.

- To determine how much non-need-based aid you can get, the school takes your cost of attendance and subtracts any financial aid you've already been awarded.

What does cost of attendance (COA) mean?

Your COA is the amount it will cost you to go to school. Most two-year and four-year colleges will calculate your COA to show your total cost for the school year (for instance, for the fall semester plus the spring semester). Schools with programs that last a different period of time (for instance, an 18-month certificate program) might give you a COA that covers a time period other than a year.

If you're attending at least half-time, your COA is the estimate of

- tuition and fees;

- the cost of room and board (or living expenses for students who do not contract with the school for room and board);

- the cost of books, supplies, transportation, loan fees, and miscellaneous expenses (including a reasonable amount for the documented cost of a personal computer);

- an allowance for child care or other dependent care;

- costs related to a disability; and/or

- reasonable costs for eligible study-abroad programs.

What's the Expected Family Contribution (EFC)?

Your EFC is an index number that college financial aid staff use to determine how much financial aid you would receive if you were to attend their school. The information you report on your FAFSA is used to calculate your EFC.

The EFC is calculated according to a formula established by law. Your family's taxed and untaxed income, assets, and benefits (such as unemployment or Social Security) all could be considered in the formula. Also considered are your family size and the number of family members who will attend college or career school during the year.

Your EFC is not the amount of money your family will have to pay for college, nor is it the amount of federal student aid you will receive. It is a number used by your school to calculate how much financial aid you are eligible to receive.

What is need-based aid and how does my school figure out how much I'll get?

Your college or career school first determines whether you have financial need by using this simple formula:

Calculating Your Financial Need

Cost of Attendance (COA)

— Expected Family Contribution (EFC)

= Financial Need

How Aid is Calculated (cont.)

Need-based aid is financial aid that you can receive if you have financial need and meet other eligibility criteria. You can't receive more need-based aid than the amount of your financial need. For instance, if your COA is $6,000 and your EFC is 2000, your financial need is $4,000; so, you aren't eligible for more than $4,000 in need-based aid.

What is non-need-based aid, and how does my school figure out how much I'll get?

Your school determines how much non-need-based aid you can get by using this formula:

Calculating Your Non-need-based Aid

Cost of Attendance (COA)

— Financial Aid Awarded So Far*

= Eligibility for Non-need-based Aid

*includes aid from all sources, such as the school, private scholarship providers, etc.

Non-need-based aid is financial aid that is not based on your EFC. What matters is your COA and how much other assistance you've been awarded so far. For instance, if your COA is $6,000, and you've been awarded a total of $4,000 in need-based aid and private scholarships, you can get up to $2,000 in non-need-based aid.

Source: studentaid.ed.gov

Top 7 Benefits of 529 Plans

1) 529 plans offer unsurpassed income tax breaks.

- Although contributions are not deductible, earnings in a 529 plan grow federal tax-free and will not be taxed when the money is taken out to pay for college.
- Other savings vehicles, such as mutual funds, will give up a portion of their earnings to annual income taxes and also get hit with a capital gains tax at withdrawal.
- This has been a huge incentive for Americans to save for college. The tax treatment was made permanent with the Pension Protection Act of 2006.

2) Your own state may offer tax breaks as well.

- In addition to the federal tax savings, 34 states, including the District of Columbia, currently offer residents a full or partial tax deduction or credit for 529 plan contributions.
- You can generally claim state tax benefits each time you contribute to your plan, so it's a smart idea to continue keep making deposits until you've paid your last tuition bill.

3) You, the donor, stay in control of the account.

- With few exceptions, the named beneficiary has no legal rights to the funds so you can assure the money will be used for its intended purpose.

4) Low maintenance

- A 529 plan is a very hands-off way to save for college - to enroll, simple visit the plan's website or contact your financial advisor.

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COLLEGE PLANNING

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Heartland Institute of FINANCIAL EDUCATION

Top 7 Benefits of 529 Plans (cont.)

5) Simplified tax reporting

- Contributions to a 529 plan do not have to be reported on your federal tax return.
- You won't receive a Form 1099 to report taxable or nontaxable earnings until the year you make withdrawals.

6) Flexibility

- You can change your 529 plan investment options twice per calendar year.
- You can rollover your funds into another 529 plan one time in a 12-month period.
- Hint: There is no federal limit on the frequency of these changes if you replace the account beneficiary with another qualifying family member at the same time.

7) Everyone is eligible to take advantage of a 529 plan.

- Unlike Roth IRAs and Coverdell Education Savings Accounts, 529 plans have no income limits, age limits or annual contribution limits.
- There are lifetime contribution limits, which vary by plan, ranging from $235,000 - $400,000.
- Those looking to reduce estate taxes can elect to treat a 529 plan contribution of between $14,000 and $70,000 as if it were made over a five calendar-year period to qualify for the annual gift tax exclusion.

Source: savingforcollege.com

Heartland Institute of Financial Education's College Planning Program

Determining the most cost-effective and tax efficient way to pay for a college education is not always easy. Many parents would prefer not to think about it at all - hoping that things will somehow work out. Due to the "cross-your-fingers" approach, many families face limited choices for college. In order for families to best prepare for this future event, it is important to understand college pricing, the admissions process, financial-aid and how to best navigate the entire complex college system.

HIFE College Planning is a coaching program designed to assist students and parents successfully navigate the complex college preparation, admissions, selection, and financial-aid process.

Our College Planning Coaches work directly with students and parents to establish an action-plan for college selection and career planning. We help the student develop a personal "resume" that will aid them in competing for valuable student loans, scholarships, grants, and other forms of assistance that can help offset their college education costs.

The Heartland Institute focus:

"Working together with you and your student to make the college dream come true"