

# Pathways to College Planning

## Tenpath Financial Group

*Setting your path towards financial security*

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Accredited Investment Fiduciary®

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Securities offered through LPL Financial, Member FINRA/SIPC.

Investment advice offered through Private Advisor Group, a registered investment advisor.

Private Advisor Group and Tenpath Financial Group are separate entities from LPL Financial.



Craig,

My daughter is looking at the following colleges for audio production (music). Would you mind preparing one of those spreadsheets like you did for Son?

- Berklee College of Music, Boston, MA (total: \$59,802 => estimated net cost: \$42,271)
- NYU, New York, NY (Tuition: 25,232/semester, housing \$9308/year, => total: \$65,352/yr)
- The College of Saint Rose, Albany, NY (total: \$44,139 => estimated Net Price: \$22,679)
- Western CT State , Danbury, CT (net \$19K)



# Annual Costs of College 2019-2020



Source: [www.collegedata.com](http://www.collegedata.com)

- Wesleyan- \$74,638
- Yale- \$71,500
- Sacred Heart- \$58,440
- University of Hartford- \$54,662
- UConn- \$30,484 (In-State)
- Central Connecticut State University- \$22,664 (In-State)
- Manchester Community College- \$8,092



# 1. Under-Promise & Over-Deliver





## 2. Understand the Financial Aid Methodologies





# Financial Aid Methodologies



- Administered by public and state universities
- Relatively simple
- Submit every year on October 1<sup>st</sup>



- Administered by Collegeboard
- Requires a fee for submission and more rigorous to file
- Submit every year on October 1<sup>st</sup>



# The FAFSA

## Steps for Completion:

1. Log in to [www.fsaaid.ed.gov](http://www.fsaaid.ed.gov) to create an ID

Use this ID to create an electronic signature for faster transmission (First come, first served).

### Create a New FSA ID

New to FSA? Create an FSA ID account below. An FSA ID gives you access to Federal Student Aid's online systems and can serve as your legal signature.

Only create an FSA ID using your own personal information and for your own exclusive use. You are not authorized to create an FSA ID on behalf of someone else, including a family member.

You are not allowed to have an employee or agent of a commercial entity, or other third party, create an FSA ID for you for any purposes including but not limited to: payment reductions, debt consolidation or applying for aid. Misrepresentation of your identity to the federal government could result in criminal or civil penalties.

[Need help creating an FSA ID?](#)

*Important: When you are done click the CANCEL button to clear your data, even if you did not finish creating your FSA ID. Just closing your browser window or going to another website may not be enough to prevent other people using this computer from seeing your information until the session expires.*

Create an FSA ID

Manage My FSA ID

Please enter your:

E-mail

Confirm E-mail

Username

Password

✓ Numbers ✓ Uppercase Letters ✓ Lowercase Letters ✓ Special Characters ✓ 8-30 Characters ☐ Show Text

Confirm Password

CONTINUE



# The FAFSA

## Steps for Completion:

2. Log on to [fafsa.ed.gov](https://fafsa.ed.gov) and click “**Start a New FAFSA**”

3. Gather **2018 tax-return**, year-end paystubs, valuations of assets and investments for students and parents

Optional: My Student Aid App






# The FAFSA

## Steps for Completion:

4. Enter information requested
5. Review Preliminary eligibility for federal aid and make corrections if needed
6. Save a PDF copy for your records





# The CSS Profile

## Steps for Completion:

1. Login using Collegeboard ID and registering for CSS Profile

[\(student.collegeboard.org\)](http://student.collegeboard.org)

2. Using your FAFSA PDF, complete duplicate questions

3. Answer hypothetical questions  
**CONSISTENTLY!**

A photograph of a CSS/Financial Aid Profile Application form, showing sections A and B. Section A includes student information like name, address, and date of birth. Section B includes questions about the student's financial situation, such as whether they are a first-time college student and their current enrollment status. The form is titled "CSS/FINANCIAL AID PROFILE Application" and features the CollegeBoard logo.



### 3. Calculate your Expected Family Contribution







# Financial Aid Eligibility

Cost of Attendance

-Expected Family Contribution

=Financial Need

Source: "How Aid is Calculated," Federal Student Aid





# Financial Aid Eligibility

$$\begin{array}{r} \$50,000 \text{ Cost} \\ - \$30,000 \text{ EFC} \\ \hline = \$20,000 \text{ of Need} \end{array}$$

EFC is a household number

Source: "How Aid is Calculated," Federal Student Aid





# Financial Aid Eligibility



\$60,000 Cost

- \$30,000 EFC

---



= \$30,000 of Need

Colleges are not obligated to fulfill 100% of financial need!





# EFC Step 1: Parent's Assets

Parental Assets

-\$7,500(Single) or  
-\$15,000 (MFJ)

Multiply by 12%

=Assets used for EFC





# What is an Asset on FAFSA?

## Disclosed:

- Cash
- Savings
- Investments
- Businesses
- 529's
- Investment Real Estate

## Exempt:

- Your home
- Cash Value of Insurance
- Annuities
- Pensions
- Retirement Accounts
- Keogh Plans



# What is an Asset on CSS Profile?



# EVERYTHING!

Source: “Asset Net Worth,” Department of Education <https://fafsa.ed.gov/help/assetnetworth.htm>



# EFC Step 2: Student's Assets

Total of Child Assets x 20%  
=Assets for EFC



The most common child assets are Custodial Accounts (UGMA, UTMA)

Source: "The EFC Formula," 2020-2021



# EFC Step 3: Parent's Income

Parental Income

- Federal Taxes Paid
  - 8% of total income (CT)
  - \$20,000 (Median Income Allowance)
- x 25%
- 

= Adjusted Available Income





# EFC Step 3: Easy Parent's Income

Parental Income x 15-20%

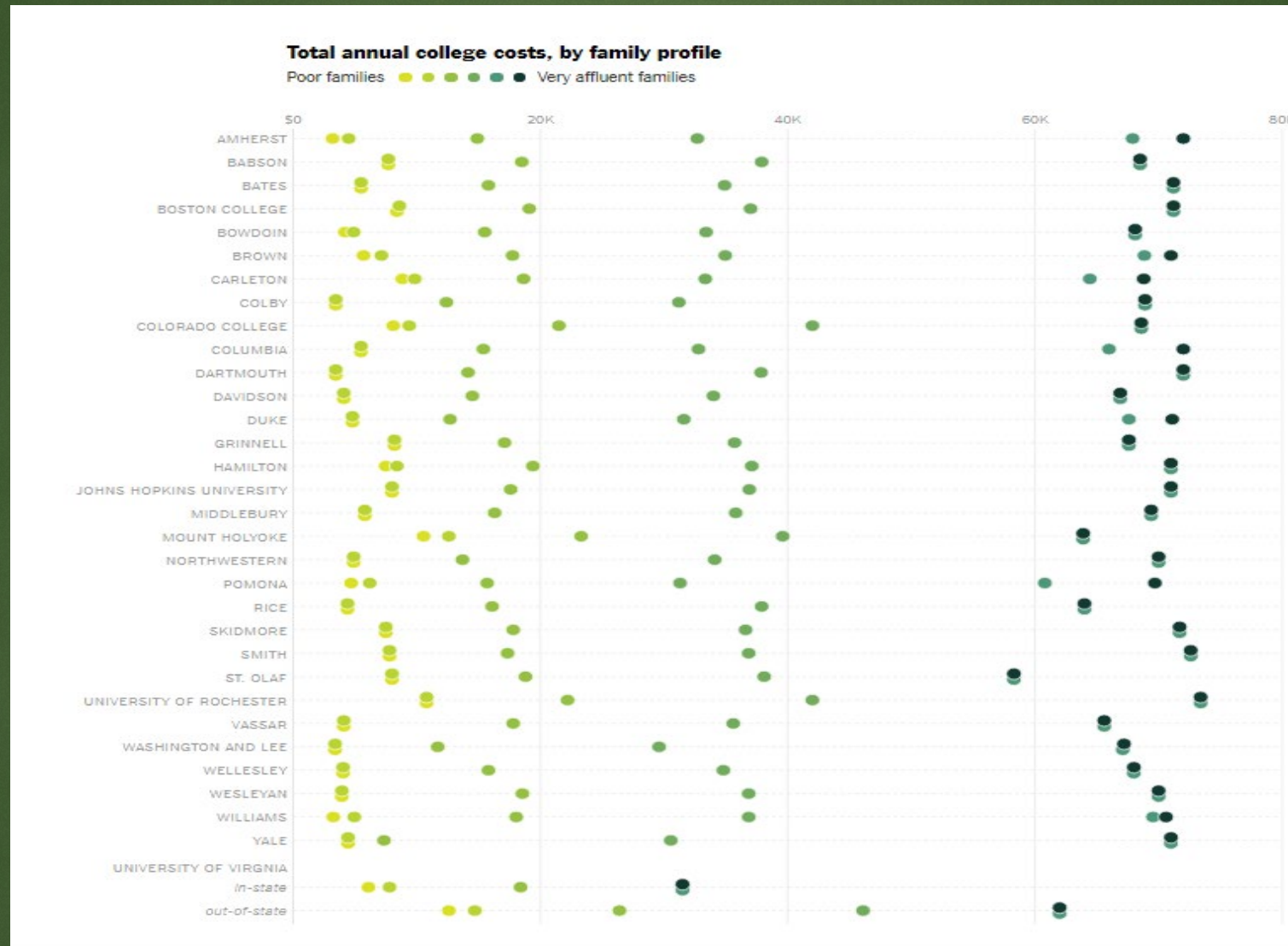


\$0-\$35k

\$36k-\$120k

\$121k-\$170k

\$170k+



Source: NY Times, “Top Colleges are Cheaper than you Think”



# Calculating the EFC: Student Income

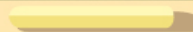
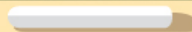
$$\frac{\text{Student Income} - \$6,300}{2} = \text{Income used for EFC}$$



Source: "The EFC Formula," 2020-2021



# 4. Make EFC Adjustments





# Simplified EFC Calculation

## No Assets are Counted in EFC if:

- Household Adjusted Gross Income is less than \$50,000
- Can be especially helpful for business owners  
(Gross Income vs. Net Income)



Source: "The EFC Formula," 2020-2021



# Exemptions from the EFC

Automatic “\$0 EFC” if any of the following apply:

- Household Income is less than \$26,000
- Grandparents and Guardians
- Household qualifies for Federal benefit programs (Medicaid, SNAP, SSDI)
- Independent Student Status (must have dependent children or qualify for federal benefits)



Source: “The EFC Formula,” 2020-2021



# CHET 529 Plans



- Self-Funded Savings account for K-12 and college (Gift Tax Advantages)
- Tax-Free withdrawals for **QUALIFIED** education expenses
- State-Tax Deductible contributions up to \$5000 (single) \$10,000 (married)
- Can be used to reallocate child assets to parental ownership
- If parents are the owner, beneficiaries can be changed at any time



# Calculating the EFC

John and Jane had saved \$20,000 for their child, Joe in an UGMA. \$20,000 was converted to CHET.

Any earnings are withdrawn tax-free for education.

Their Expected Family Contribution is reduced by \$1,600.





# CHET 529 Plans

## Disclosures:

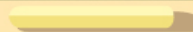
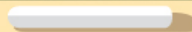
- Income Tax and 10% Penalty for non-qualified withdrawals
- Only two investment reallocations allowed per year
- Limited menu of funds
- Assets cannot be transferred between children if held in an UGMA 529



Source: CHET Advisor 529 Prospectus, 2019

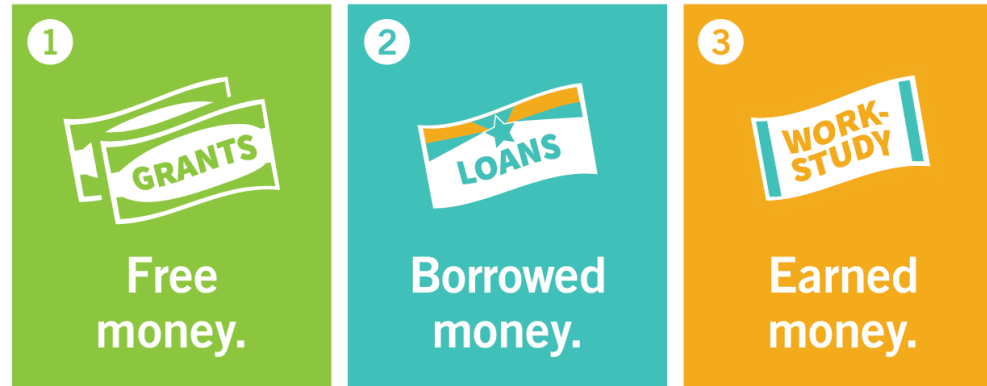


# 5. Leveraging Financial Aid





# 3 Types of Federal Student Aid



**Grants** are usually based on financial need and don't have to be repaid.

**Loans** are an investment in your future. But remember, they must be repaid with interest.

A **work-study** job lets you earn money while you're in school.

**Federal Student Aid**  
An OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of  
the AMERICAN MIND®

Learn more at [StudentAid.gov/types](https://StudentAid.gov/types). Apply at [www.fafsa.gov](https://www.fafsa.gov).



# Federal Grants

1



Free  
money.

## Federal Pell Grant

- Typically awarded to families with income below \$60,000
- Maximum award of \$6,195

## Federal Supplemental Equal Opportunity Grant (FSEOG)

- Awarded to students with exceptional Financial Need
- Maximum of \$4,000 per year

## TEACH Grant

- For students looking to pursue teaching and performs 4 years of qualifying teaching service
- Maximum of \$4,000 per year

Source: <http://studentaid.ed.gov>





Borrowed  
money.

# Loans

## Stafford Loans

- Subsidized (Deferred) and Unsubsidized (Pay Immediately)
- 4.53% Interest Rates for Subsidized and Un-Subsidized
- **MAXIMUM of \$27,000 TOTAL IN STUDENT'S NAME**

## Perkins Loans

- Awarded to students with exceptional Financial Need
- Maximum of \$5,500 per year at a 5% interest rate

## PLUS Loans

- Loan irrevocably owned by parents at 7.08% Fixed
- Max amount is cost of attendance minus other sources of aid

Source: "Do you Need Money For College," Federal Student Aid 2019-2020



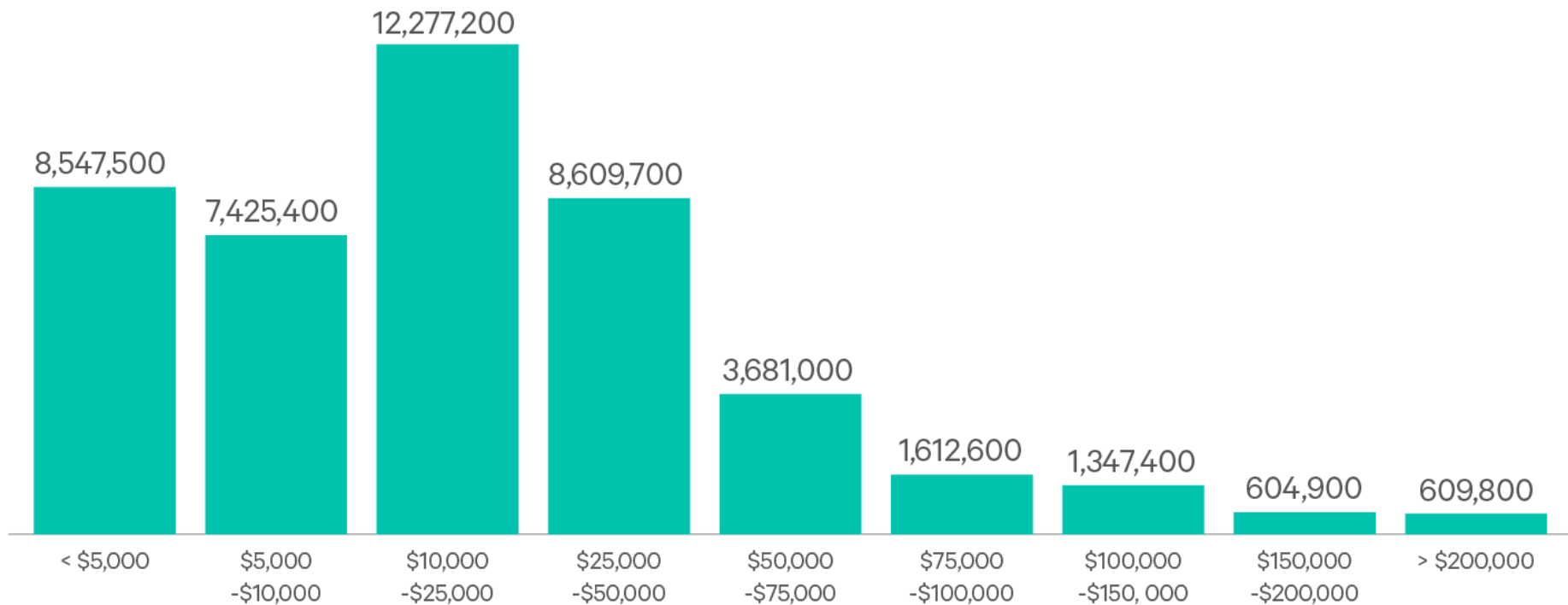
# Loans

2



Borrowed  
money.

Distribution of Student Loan Borrowers by Balance



Source: Lending Tree 2017

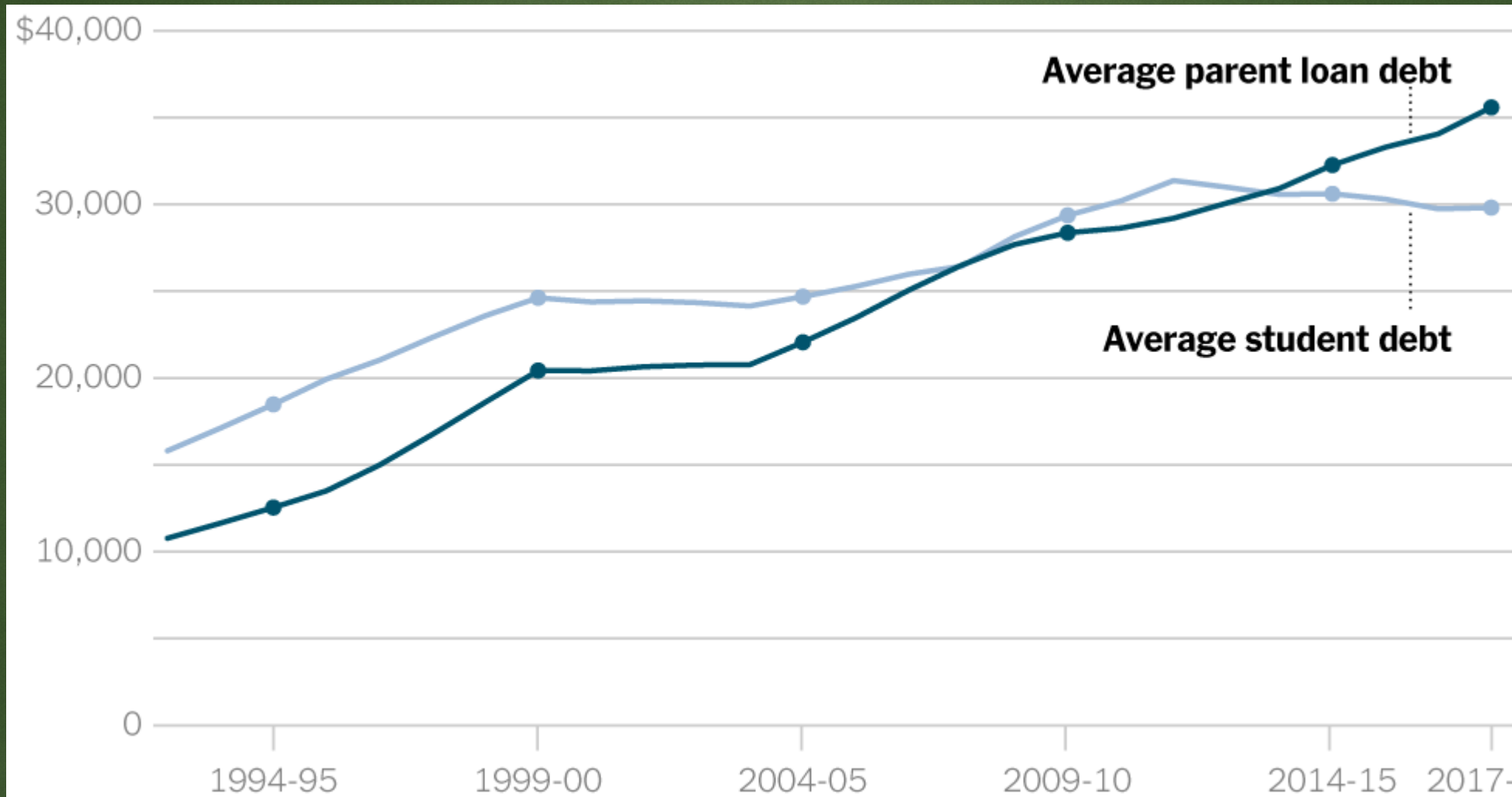


# Loans

2



Borrowed money.



Source: New York Times, "The New Toll of American Student Debt"



# Loans

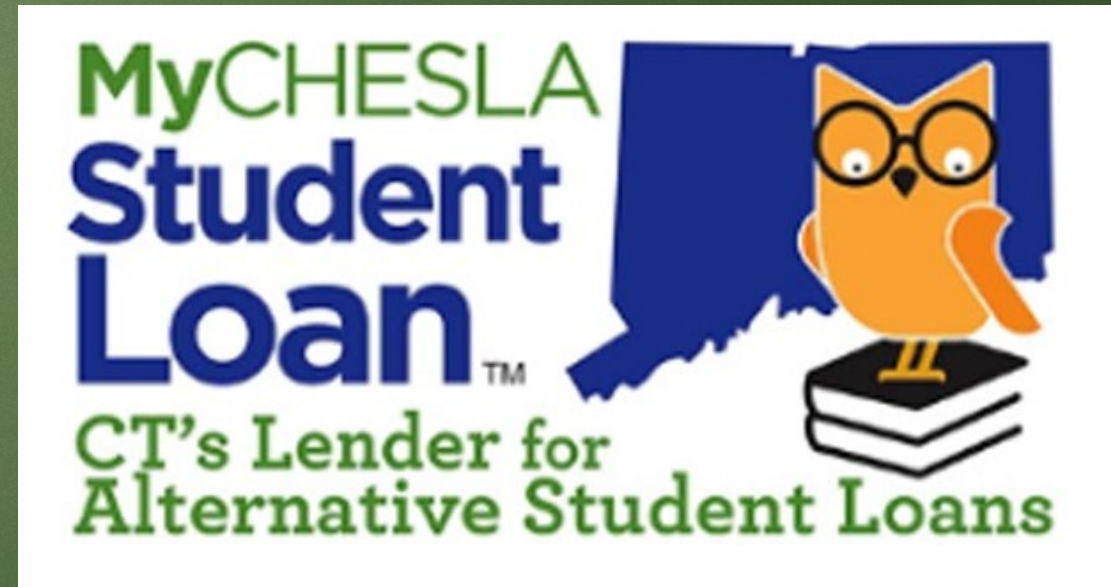
2



Borrowed  
money.

## CHESLA Loans

- Can borrow up to the cost of attendance – other sources of aid
- 5.13% fixed rate
- Interest only payments while student is in college
- **Co-Borrower Release**  
[www.chesla.org](http://www.chesla.org)



Source: [www.chesla.org](http://www.chesla.org)

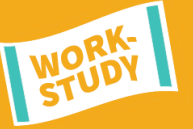


# Earned Money

## Work Study

- On or off-campus jobs
- Typically \$1,000 to \$2,000 per year

3



Earned money.

## Scholarships

- Based on academic merit or financial need
- Typically five-figure awards
- Competitive GPA required

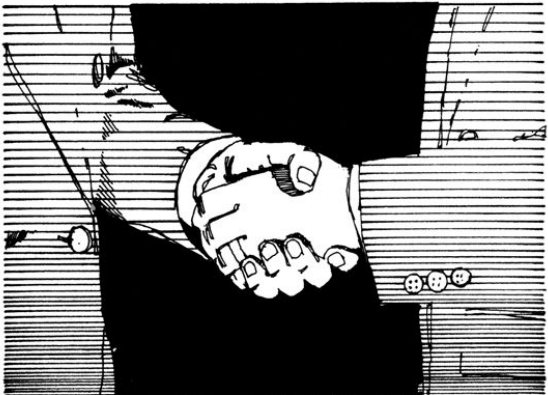






## 6. Creative Scholarships

### Left-Hand Shake



*Now I know you're cool.*





# Divorce

- Divorced spouses only need the “custodial” parent to file on FAFSA
- Must live in separate households
- Does not apply to CSS Profile
- Remarried families must have new spouse file, even if not the biological parent





# Tax Credits and CHET Deductions

## American Opportunity Tax Credit

- Refund of up to \$2,500 of qualifying expenses
- AGI > \$160k (MFJ) or \$80k(Single)

## Do the CHET Shuffle

- Income > College
- Income > CHET > College = State tax deduction
- Contributions over the stated limit roll to following years
- K-12 Eligible





# Retirement Assets

## Roth IRA

- If held for five years or longer, withdrawals may be tax-free
- Unlimited investment choices
- If child does not go to college, funds are not designated for education



## In-Service Distribution

- Tax and penalty free rollover of after-tax dollars in 401k
- Offered by limited number of qualified plans





# New England Regional Program

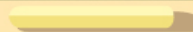
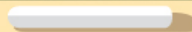
- Over 800 programs offered at an in-state tuition rate
- Major must not be offered by public colleges in student's home state
- [www.nebhe.org](http://www.nebhe.org)



**tuition**<sup>i</sup>**break**  
for new england residents



# 7. Craft an Appeal





# The Three Criteria

Write a Letter Addressing:

1. Unmet Need
2. Unmet Achievement
3. Inconsistencies with Similarly Priced Schools







University of  
Hartford

Cost of Attendance: \$53,130

President's Scholarship: \$15,000

Pell Grant: \$4,000

Subsidized Stafford Loan: \$3,500

Unsubsidized Stafford Loan: \$2,000

Work Study: \$1,000

Net Cost: \$27,630







# University of New Haven

Cost of Attendance: \$54,970

President's Scholarship: \$17,500

Pell Grant: \$5,500

Subsidized Stafford Loan: \$3,500

Unsubsidized Stafford Loan: \$2,000

Work Study: \$1,000

Net Cost: \$25,470

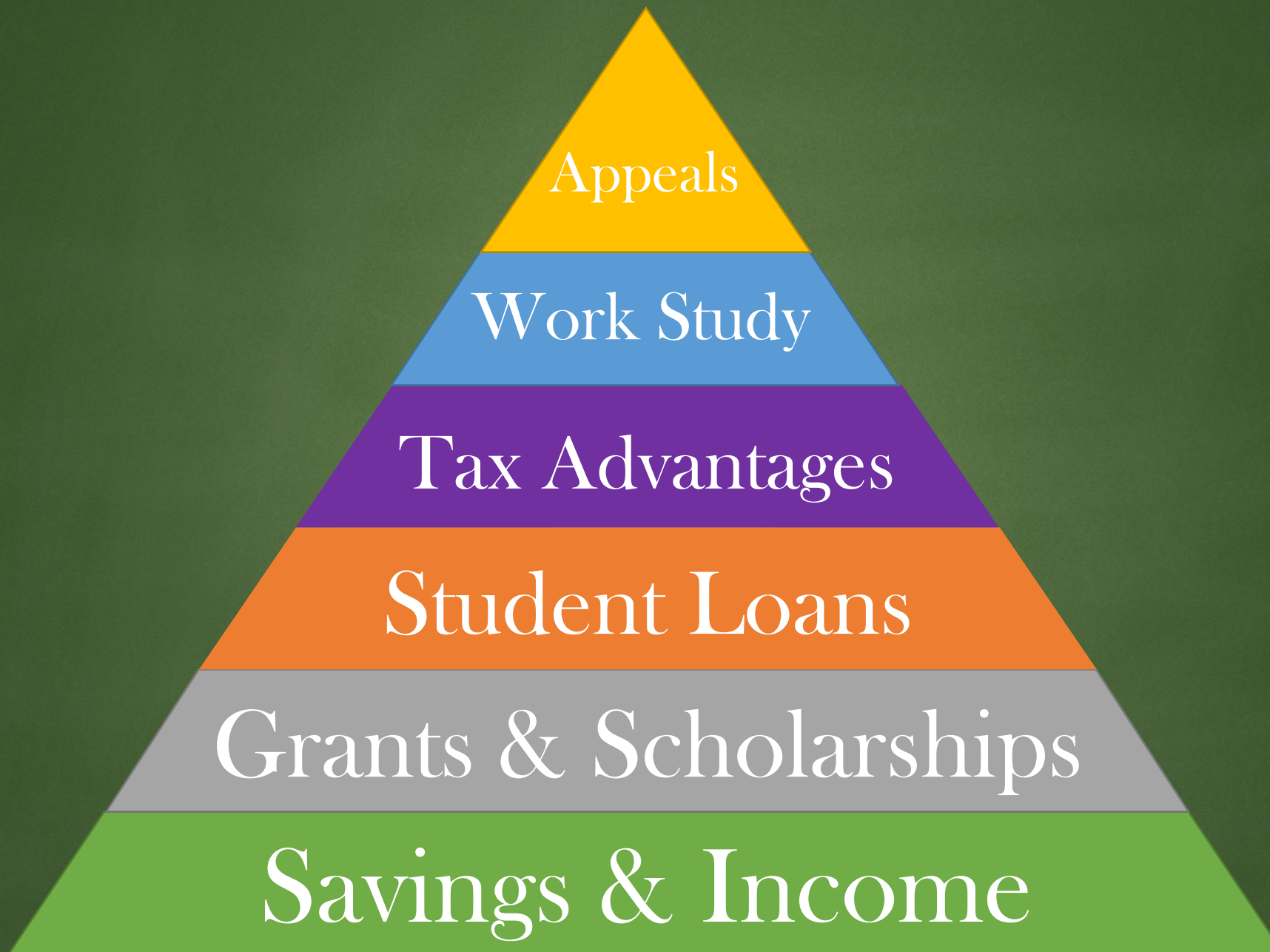




# 8. Build your Resource Pyramid

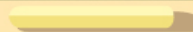
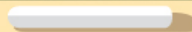








# 9. Ongoing Protection





# Items to Consider

## Estate Planning

- Healthcare Proxies
- HIPAA Waiver
- Update wills and revocable trusts





# Items to Consider

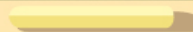
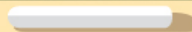
## In Case of Emergency Key

- Inexpensive
- Stores important contacts and medical data
- First responders trained to locate





# 10. Make your Plan!





*Turn in your comment card for a free consultation*

The secret of getting ahead is  
getting started.

- Mark Twain



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