FACTORS THAT AFFECT THE EXPECTED FAMILY CONTRIBUTION

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Understanding how your income, assets, and college savings plans **impact** the Expected Family Contribution (EFC) can be tricky. This information is intended to give you a better understanding of **how** these items should be treated, and what **effect** they will have on the calculation of the EFC.

Impact of Income and Assets on Federal Student Aid for Dependent Students		
Item	**Protected Portion**	**Reduction In Aid Eligibility**
Parent Income[2]	Income Protection Allowance (IPA)[3] ($17,910 to $38,010)	22% to 47% of available income after IPA
Student Income[2]	Income Protection Allowance (IPA) ($6,420 in 2017-18 and $6,570 in 2018-19)	50% of available income after IPA
Parent Assets[4]	- Family Home[5] - Retirement Plans - Small Family Businesses[6] - Asset Protection Allowance (APA)[7] - Simplified Needs Test	2.64% to 5.64% of net asset value for reportable assets above the asset protection allowance
Student Assets[4]	- Family Home[5] - Retirement Plans - Small Family Businesses - Simplified Needs Test	20% of net asset value for reportable assets
Number in College	The parent contribution portion of the Expected Family Contribution (EFC) is divided by the number of children enrolled in college, increasing eligibility for need-based financial aid.	

1. The assessment of ability to pay depends on the income and assets of the student and parents, family size, the number of children in college, and the age of the older parent.
2. Income is based on a prior tax year and includes Adjusted Gross Income (AGI) plus untaxed income.
3. The parent income protection allowance is $27,540 in 2017-18 for a family of four with one in college. For 2018-19 that allowance increases to $28,170. There is an increase of $4,290 (2017-18) and $4,390 (2018-19) for each additional family member in the household. If the number of children in college increases, the allowance decreases by $3,050 (2017-18) and $3,120 (2018-19) for each additional child in college.
4. Assets are based on the net worth (market value minus debt secured by the asset) as of the date the form is filed.
5. Family home is the principal place of residence; vacation homes are reported as an asset.
6. Small businesses have less than 100 FTE employees and are owned and controlled by the family.
7. The parent APA is based on the age of the older custodial parent. There is no APA for student assets. The Simplified Needs Test ignores all assets when parent AGI < $50,000 and parents could file a 1040A/EZ.

Special Treatment of 529 College Savings Plans on the FAFSA			
Account Owner	**Treatment of Assets**	**Treatment of Qualified Distributions**	**Treatment of Non-Qualified Distributions**
Dependent Student	Parent asset	Ignored	Taxable income to the beneficiary
Parent of Dependent Student	Parent asset	Ignored	Taxable income to the beneficiary
Independent Student	Student asset	Ignored	Taxable income to the beneficiary
Grandparent and Others	Ignored	Untaxed income to the beneficiary	Taxable income to the beneficiary

- Only 529 plans owned by the student or the custodial parentof a dependent student are reported as assets on the FAFSA.
- Distributions from 529 plans that are reported as assets on the FAFSA are ignored on the FAFSA, reducing need-based aid eligibility by up to 5.64% of the asset value.
- Distributions from other 529 plans are reported as untaxed income to the beneficiary on the next year's FAFSA, reducing aid eligibility by up to 50% of the distribution amount.
- Grandparent-owned 529 plans hurt need-based aid eligibility more than parent-owned 529 plans.
- Workarounds for grandparent-owned 529 plans include changing the account owner to the parent or student, or waiting until the senior year in college to take a distribution, when there is no subsequent year's FAFSA to be affected.
- The CSS/Financial Aid PROFILE considers all 529 plans that list the student as a beneficiary, regardless of account owner.