Chladek
Wealth Management

FINANCIAL AID ISSUES

	YES	NO

Do you need help determining which financial aid form to complete (FAFSA, CSS, 568 group)? If so, consider contacting each school to verify which forms must be completed. ☐ ☐

If completing FAFSA, do you need help estimating your Expected Family Contribution (EFC)? If so, consider the following: ☐ ☐
- The income and assets of a child will impact EFC more than the parent's income and assets.
- Income is based on prior, prior year (for 2022, figures will be based on 2020 income). Asset values are based on the day the FAFSA is submitted.
- Qualified distributions from a 529 account owned by a child or their parent will not be included in income (but would be included if the account were owned by a grandparent or other third party).
- Note that the FAFSA will change for the 2023-2024 school year. The updated form will be available October 1, 2022.

Are you divorced or separated from your spouse? If so, consider the following: ☐ ☐
- Schools that use FAFSA will consider the income and assets of the custodial parent.
- Schools that use the CSS Profile may also require information from the non-custodial parent.

Has your financial situation changed since the financial aid decision? If so, consider appealing the financial aid decision. ☐ ☐

FUNDING ISSUES

	YES	NO

Does the cost of college exceed your Expected Family Contribution as calculated by FAFSA? If so, Federal student aid such as Pell Grants, work-study programs and FSEOG may be awarded. (continue on next column) ☐ ☐

FUNDING ISSUES (CONTINUED)

	YES	NO

Do you hope to find grants, scholarships or awards? If so, consider the following: ☐ ☐
- Complete the FAFSA form as it is used by colleges and states to determine need and eligibility.
- Apply early as many awards are given on a first come first served basis.
- Consider looking for awards either online, at college, affinity groups, professional or civic organizations.

Do you expect relatives (such as grandparents) to gift money? If so, consider the following: ☐ ☐
- Direct payments of tuition are not subject to gift tax, and do not use the donor's annual exclusion amount or lifetime exemption.
- For financial aid purposes, many gifts (including distributions from third-party owned 529 accounts) will be treated as income of the child, which will impact needs-based financial aid eligibility if used more than two years before graduation.

Does your child expect to become an elementary or secondary school teacher? If so, your child may be eligible for a TEACH Grant if the school has a TEACH Grant program. ☐ ☐

Did you or your spouse serve (or currently serve) in the military? If so, your child may be eligible for certain benefits. ☐ ☐

Would your child consider military service? If so, the Reserve Officers' Training Corps will cover most college expenses as long as the child serves at least four years in active duty and four years in reserves. ☐ ☐

Do you expect to need a loan to cover additional education related expenses? If so, consider loans with the most favorable terms, which are generally in this order: Federal Direct Subsidized Loans (needs based), Federal Direct Unsubsidized Loans, Federal Direct PLUS Loans, and private loans (banks, colleges, states). ☐ ☐

Will your child have loans and plan to work in the government or for a nonprofit for 10 years? If so, your child may be eligible for Public Service Loan Forgiveness. ☐ ☐

2022 · WHAT ISSUES SHOULD I CONSIDER
TO FUND MY CHILD'S COLLEGE EDUCATION?

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TAX-ADVANTAGED ACCOUNT ISSUES

	YES	NO

Do you have an IRA, Roth IRA, or employer retirement plan? ☐ ☐
If so, consider the following:
- Distributions from a traditional IRA to pay for qualified education expenses may be subject to ordinary income taxes but there is no 10% penalty.
- Distributions from a Roth IRA to pay for qualified education expenses may be subject to ordinary income taxes on the earnings but there is no 10% penalty.
- Distributions from a traditional IRA or Roth IRA may impact needs-based financial aid eligibility if used more than two years before college graduation.
- Some employer plans, such as a 401(k), allow employees to take loans. There are no tax ramifications for the loan and a loan does not count as income on the FAFSA, however it may count as an asset if not spent.

Do you have a 529 account? If so, consider the following: ☐ ☐
- You can use your gift tax annual exclusion amount to contribute up to $16,000 per year to a beneficiary's 529 account, gift tax-free.
- Alternatively, you can make a lump sum contribution of up to $80,000 to a beneficiary's 529 account, and elect to treat it as if it were made evenly over a 5-year period, gift tax-free.
- You may be eligible for a state income tax deduction or credit if you contribute to a plan sponsored by your state.

Do you have a Coverdell Education Savings Account? If so, ☐ ☐
consider the following:
- Coverdell Education Savings Accounts tend to be more restrictive than a 529 account.
- Coverdell Education Savings Accounts can be rolled over to a 529 account, as long as the account beneficiaries are the same.

Do you own Series EE or I Bonds? If so, you may be able to ☐ ☐
exclude from gross income the interest paid upon the redemption of the bonds to pay for qualified education expenses (subject to income limitations).

TAX PLANNING ISSUES

	YES	NO

Is your MAGI less than $90,000 ($180,000 if MFJ)? If so, consider ☐ ☐
the following:
- You may be eligible for the American Opportunity Tax Credit for 100% of the first $2,000 of qualified education expenses and 25% of the next $2,000 (per eligible student).
- You may be eligible for the Lifetime Learning Tax Credit for 20% of the first $10,000 of qualified education expenses (per tax return).
- The phaseout range for these credits for a single filer is $80,000 - $90,000 ($160,000 - $180,000 if MFJ).

Does your state offer an income tax deduction or credit for 529 ☐ ☐
plan contributions? If so, consider an "in-and-out" strategy where deductions or credits may be allowed on contributions that are immediately withdrawn to pay for qualified education expenses.

Are you eligible for any education tax credits and have a 529 ☐ ☐
account? If so, be aware that there is no double-dipping. See the "Is The Distribution From My 529 Plan Subject To Federal Income Tax?" flowchart.

Will you or your child have student loans? If so, consider the ☐ ☐
following:
- You can deduct up to $2,500 of interest on qualifying student loan debt, per tax return. The phaseout range for a single filer is $70,000 - $85,000 ($145,000 - $175,000 if MFJ).
- If you have a 529 account, up to $10,000 can be used to pay down student loans. This is a lifetime limit per person. An additional $10,000 may be distributed to each of the beneficiary's siblings.