2025 · WHAT ISSUES SHOULD I CONSIDER TO FUND MY CHILD'S COLLEGE EDUCATION?

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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 Student Aid Index (SAI)? If so, consider the following: ▪ The income and assets of a child will impact SAI more than the parent's income and assets. ▪ Income is based on prior, prior year (for 2025, figures will be based on 2023 income). Asset values are based on the day the FAFSA is submitted. ▪ Qualified distributions from a 529 account owned by a child, parent, or grandparent will not be included in income for purposes of determining the SAI (but may be counted as assets if owned by a parent or child).	☐	☐
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 parent who provides the most financial support for the student. ▪ Schools that use the CSS Profile may also require information from the other 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 Student Aid Index as calculated by FAFSA? If so, Federal student aid such as Pell Grants, work-study programs and FSEOG may be awarded.	☐	☐
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. (continue on next column)	☐	☐

FUNDING ISSUES (CONTINUED)	YES	NO
▪ 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.		
Are any relatives planning to gift money? If so, consider the following: ▪ Direct tuition payments are not subject to gift tax and do not use the donor's annual exclusion amount or lifetime exemption. ▪ Distributions from third-party owned 529 accounts (e.g., grandparents) are no longer treated as income of the child. As a result, they may be used during all school years with no impact on federal need-based financial aid eligibility.	☐	☐
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.	☐	☐

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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 (or are you considering opening one)? If so, consider the following: ■ You can use your gift tax annual exclusion amount to contribute up to $19,000 per year to a beneficiary's 529 account, gift tax-free. ■ Alternatively, you can make a lump sum contribution of up to $95,000 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. ■ Unused 529 funds may be transferred (in the future) to the beneficiary's Roth IRA (rules and limitations apply).	☐	☐
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 $85,000 - $100,000 ($170,000 - $200,000 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.	☐	☐

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