

## Frequently Asked Questions

### **Who is a parent for the FAFSA?**

- Biological, adoptive, and stepparents
  - Stepparent is considered a parent if married to a biological or adoptive parent and if the student counts in their household size. A pre-nuptial agreement does not exempt the stepparent from providing information on the FAFSA.
  - Biological and adoptive (whether of the opposite or same sex) parents who are unmarried and living together both report their information on the FAFSA
- Foster parents, legal guardians, and relatives
  - A foster parent or a legal guardian is not considered as a parent for Federal Student Aid. If at any time since the age of 13 both of the student's parents were dead (and he did not have an adoptive parent) or the student was in foster care, the student is independent.
  - If a student is living with her grandparents or other relatives, the grandparent data should not be reported on the FAFSA as parental data unless they have adopted the student.
- Divorce of the student's parent
  - If the student's parents are divorced, the student should report the information of the parent with whom he lived longer during the 12 months prior to the date he completes the application, regardless of which parent claimed him as an exemption for tax purposes. If the student lived equally with each parent or did not live with either one, then he should provide the information for the parent from whom he received more financial support or the one from whom he received more support the last calendar year for which it was given.
- Separation of the student's parents
  - A couple does not need to be legally separated to be considered separated—they may deem themselves informally separated when one of the partners has left the household for an indefinite period and the marriage is severed. For a dependent student, use the rules for divorce to determine which parent's information to report.

### **How do we Report Section 529 Plans (including Coverdell Savings)?**

*(From the Federal Student Aid Handbook)*

- They are an asset of the owner (not the beneficiary since the owner can change the beneficiary) except when the owner is a dependent student, in which case they are an asset of the parent
- When the owner is some other person (including a noncustodial parent), distributions from these plans to the student count as untaxed income, as "money received".
- Prepaid tuition plans are an asset of the plan owner

**How much of parent savings are actually used in determining parent contribution?**

- Parent assets included on the FAFSA are: cash, savings, checking, investments
- Investments include mutual funds, money market, certificates of deposit, stocks, bonds, college savings plans, equity in real estate other than primary home, trust funds, (for a complete list see the FAFSA)
- Excluded assets include possessions (like a car), principal place of residence, retirement plans and whole life insurance (for a complete list see the FAFSA)
- The Federal Methodology (FM) includes an “asset protection” because the family needs assets for emergencies, education of other children, etc.
- There are certain families who may have their assets excluded (e.g., receive “means tested benefits”, filed a 2019 IRS Form 1040, but did not file a Schedule 1 and earned less than \$49,999)
- Here is an example of married parents who saved for college that did not qualify for assets to be excluded:

<b>Age of the older parent</b>	<b>50</b>
<b>Cash, savings and checking</b>	\$2,000
<b>Investments</b>	\$65,000
<b>Total Assets</b>	\$67,000
<b>FM Asset Protection Allowance</b>	\$7,000
<b>Remaining Assets</b>	\$60,000
<b>Portion of assets used (multiply by 12%)</b>	\$7,200