FutureScholar
529 College Savings Plan

COLUMBIA THREADNEEDLE INVESTMENTS

COLLEGE SAVINGS AND FINANCIAL AID: The formula for having both

There's a common investor myth that saving too much for college means you won't qualify for financial aid. So many investors neglect to save as much as they can afford, putting them in a weaker financial position when it comes time to pay for college. Understanding how financial aid works is key to dispelling the myth and turning college dreams into a reality.

Most aid comes down to need

There are several types of financial aid (federal, state and institutional), but federal aid is the most widely dispersed and is based solely on financial need. A family seeking federal financial aid must complete the Free Application for Federal Student Aid (FAFSA) form.

The chart below illustrates that when determining the Student Aid Index (previously known as the expected family contribution), financial aid offices weigh parental and student income more heavily than assets. And student assets are weighed more heavily than parental assets.

The Student Aid Index (SAI) is an annual figure expressed in dollars, and it determines whether a family has financial need.

Financial need is determined by:

School's cost of attendance
– Student aid index

= Financial need

	Parents	Students
Income	**22% to 47% of available income[1]**	**50% of adjusted gross income over $9,410[2]**
Assets	**0% to 5.64% of assets[3]** ■ Mutual funds ■ Securities ■ Bank accounts, CDs ■ 529 savings plans when parent or dependent student is account owner	**20% of assets held in student's name[4]** ■ UGMA/UTMA accounts not held in 529 plan ■ Minor trusts not held in 529 plan ■ Savings bonds (in student's name)

[1] Available income is the amount of parental adjusted gross income after allowances for federal, state, local and FICA taxes, as well as an income protection allowance based on the number of people in the household.

[2] $9,410 is the income protection allowance for the 2024–2025 academic year.

[3] Assets held in qualified retirement plans, such as IRAs, are not considered in determining eligibility for federal student aid. The percentage of other assets considered in determining SAI will vary based on the amount of assets, the age of the eldest parent and whether there are one or two parents.

[4] A UTMA/UGMA 529 account of a dependent student is reported as a parental asset on the FAFSA.

Source for 1–4: U.S. Department of Education and Federal Student Aid, 2024–2025.

Consider your 529 plan an asset (a parental one)

529 plans are considered parental assets for the purposes of the financial aid formula (when the parent or dependent student is the account owner).[5] The earnings portion of a 529 plan withdrawal, if any, is not included as income to the extent that the withdrawal is used to pay for qualified education expenses. So when you consider the formula to determine need and the high cost of a college education, the positives of having 529 plan assets far exceed the negatives.

Keep in mind, earnings on any portion of the withdrawal not used for qualified education expenses, distributed to either a parent or student, would be included as income to the distributee for financial aid purposes (and may be subject to ordinary income tax and a 10% penalty).[6]

Go to the source

The sources below provide detailed information regarding the financial aid process, the different types of available financial aid and how your specific circumstances may affect your chances of qualifying for federal student aid.

ed.gov	Main website for the U.S. Department of Education.
studentaid.gov/h/apply-for-aid/fafsa	Free Application for Federal Student Aid (FAFSA) on the web, a Department of Education website. Provides comprehensive information on federal student aid and allows users to apply for federal student aid online.
studentaid.gov	Website for the Department of Education's Federal Student Aid (FSA) programs.
collegeboard.com	Website sponsored by the College Board, a national nonprofit membership association comprising more than 6,000 schools, colleges, universities and other educational organizations.

[5] Students 18 or older can be the account owner and still be a dependent for tax purposes.
[6] Source: collegesavings.org.

The information contained in this piece is intended to convey a basic understanding of the federal calculations used in determining eligibility for federal student aid and should not be used to estimate the financial aid package that may be awarded to a specific individual.

To find out more, call 800.426.3750
or visit columbiathreadneedle.com.

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Withdrawal of earnings not used for qualified education expenses will be subject to federal and possibly state income tax and may be subject to an additional 10% penalty.

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Investments made in the Future Scholar 529 College Savings Plan:

Not FDIC or NCUA Insured	**No Financial Institution Guarantee**	**May Lose Value**

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