

THE FINANCIAL AID FORMULA 529 COLLEGE SAVINGS PLANS



Investors saving for college often wonder what effect saving may have on a student's chances of qualifying for financial aid. 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 expected family contribution (EFC), financial aid offices weigh parental and student income more heavily than assets. Furthermore, student assets are weighed more heavily than parental assets.

EFC 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
- Expected family contribution

= Financial need

	Parents	Students
Income	22% to 47% of available income¹	50% of adjusted gross income over \$6,310²
Assets	0% to 5.64% of assets³ <ul style="list-style-type: none"> ■ Mutual funds ■ Securities ■ Bank accounts, CDs ■ 529 savings plans when parent is account owner 	20% of assets held in student's name⁴ <ul style="list-style-type: none"> ■ 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 \$6,310 is the income protection allowance for the 2015-2016 academic year; \$6,260 is the amount for the 2014-2015 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 EFC will vary based on the amount of assets, the age of the eldest parent and whether there are one or two parents.

⁴ Any student-owned or UTMA/UGMA-owned 529 account is reported as a parental asset if the student files the FAFSA as a dependent student.

Source: U.S. Department of Education and Federal Student Aid, 2015-2016.

Not FDIC insured • No bank, state or federal guarantee • May lose value

529 plans and financial aid

529 plans are considered parental assets for the purposes of the financial aid formula (when the parent is the account owner). 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 higher education expenses. Earnings on any portion of the withdrawal not used for qualified higher 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).⁵

Institutional aid is aid that comes from the college or university. Generally, institutions follow the federal methodology, but the methodology for individual schools varies. Institutional aid is awarded based on merit as well as financial need.

When you invest for college through a 529 plan, you are investing in securities that could lose money.

Additional resources

The sources below provide detailed information regarding the financial aid process, the different types of available financial aid and how an individual's or family's specific circumstances may affect their chances of qualifying for federal student aid.

ed.gov	Main website for the U.S. Department of Education
fafsa.ed.gov	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.ed.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 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 **888.244.5674**
or visit columbiathreadneedle.com/us
blog.columbiathreadneedleus.com



Please consider the investment objectives, risks, charges and expenses associated with 529 plan investments before investing. Contact your financial advisor or visit columbiathreadneedle.com/us for a program brochure, which contains this and other important information about the plan. Read it carefully before investing. You should also consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program. Columbia Management Investment Distributors, Inc., member FINRA, is the distributor and underwriter for 529 plans available through Columbia Management.

References to third-party websites should not be construed as an endorsement by Columbia Management or any of its affiliates. Although we believe the sites to be reliable, neither Columbia Management nor any of its affiliates represents or guarantees that they are accurate or complete, and they should not be relied upon as such.

The tax information set forth in this flier is general in nature and does not constitute tax advice on the part of Columbia Management Investment Distributors, Inc. or its affiliates. This information cannot be used for the purposes of avoiding penalties and taxes. Consult with your tax advisor regarding how aspects of a 529 plan relate to your own specific circumstances.

Not FDIC insured • No bank, state or federal guarantee • May lose value

Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies.

Columbia funds are distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.

Columbia Management Investment Distributors, Inc., 225 Franklin Street, Boston, MA 02110-2804

© 2015 Columbia Management Investment Advisers, LLC. All rights reserved.

CT-FS/247113 F (03/15) 5205/1131887