

FAFSA for 2021-2022 Academic Year Opens on October 1



The FAFSA and your income

Your income from two years prior is what counts on the FAFSA. For example, the 2021-2022 FAFSA will rely on income information in your 2019 tax return.

The FAFSA (Free Application for Federal Student Aid) for the 2021-2022 year opens on October 1, 2020. The FAFSA is a prerequisite for federal student loans, grants, and work-study. In addition, colleges typically require the FAFSA before distributing their own need-based aid and, in some cases, merit-based aid.

Students must submit the FAFSA every year to be eligible for financial aid (along with any other college-specific financial aid form that may be required, such as the CSS Profile). It is a good idea to file the FAFSA as early as possible in the fall because some aid programs operate on a first-come, first-served basis. Colleges have their own deadlines for filing the FAFSA, generally in the spring. Typically, first-year students have earlier deadlines than returning students. Check with your child's college for exact timetables.

How does the FAFSA calculate financial need?

The FAFSA looks at a family's income, assets, and household information to calculate its EFC, or expected family contribution. The EFC is the amount of money a family is deemed able to pay (afford) for college. All financial aid packages are built around this number.

When quantifying your income, the FAFSA uses information in your tax return from *two years prior*. This year is often referred to as the "base year" or the "prior-prior year." For example, the 2021-2022 FAFSA will use income information in your 2019 tax return, so 2019 would be the base year or prior-prior year.

When quantifying your assets, the FAFSA uses the current value of your assets. Some assets are not counted and do not need to be listed on the FAFSA: home equity in a primary residence, retirement accounts (e.g., 401k, IRA), annuities, and cash value life insurance. Student assets are weighted more heavily than parent assets — students must contribute 20% of their assets vs. 5.6% for parents.

Your income, assets, and household information are run through a formula to arrive at your EFC. Your EFC remains constant, no matter which college your child attends. The difference between your EFC and a college's cost of attendance equals your child's financial need. Your child's financial need will be different at every school.

Once your EFC is calculated, the financial aid administrator at your child's school will attempt to craft an aid package to meet your child's financial need by offering a combination of loans, grants, scholarships, and/or work-study. Keep in mind that colleges are not obligated to meet 100% of your child's financial need.

How do I submit the FAFSA?

The fastest and easiest way to submit the FAFSA is online at fafsa.ed.gov. To do so, you and your child will each need to obtain an FSA ID, which you can also do online by following the instructions. (Once you have an FSA ID, you can use the same one each year.) There is no cost to submit the FAFSA.

Before filling out the form, you might want to gather financial papers and account records. In most cases the FAFSA is able to import information from your tax return directly into the form using its built-in IRS Data Retrieval Tool, saving you time and reducing the chance for mistakes.

After your FAFSA is processed, you will receive a Student Aid Report with your EFC, which is typically designated like this: "EFC36000" (translation: your EFC is \$36,000). If you submit the FAFSA online, you will receive your report immediately via email; if you submit a paper FAFSA, your report will take longer to arrive by mail. Any college you list on the FAFSA will also get a copy of the report.

Should I file the FAFSA even if my child is unlikely to qualify for aid?

Even if you don't expect your child to qualify for need-based aid, there may be two reasons to submit the FAFSA.

First, all students attending college at least half-time are eligible for a federal unsubsidized Direct Loan each year, *regardless* of financial need. ("Unsubsidized" means the borrower, rather than the federal government, pays the interest that accrues during school and during the grace period and any deferment periods after graduation.) If you want your child to be eligible for this federal loan, you need to submit the FAFSA. And don't worry, your child won't be locked in to taking out the loan. If you submit the FAFSA and then decide you don't need or want the federal unsubsidized loan, your child can decline the loan through his or her college financial aid portal before the start of the new school year.

Second, colleges typically require the FAFSA when distributing their own need-based aid and, in some cases, merit-based aid. So filing it can give your child the broadest opportunity to be eligible for college-based aid.

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