# Sophomore and Junior Year Checklist
# Income & Asset Strategies to Decrease your EFC

Your **Expected Family Contribution (EFC)** provides colleges with a minimum dollar amount you're expected to pay toward college. EFC is a key building block determining your financial aid awards. EFC is calculated by the Free Application for Federal Student Aid (FAFSA) using a formula that takes portions of 1) parents' income and 2) savings & investments plus portions of 3) student's income and 4) savings & investments deemed available to pay for college.

This checklist provides actions to reduce the income and assets you report on the FAFSA, therefore, **decrease** your EFC.

## INCOME STRATEGIES

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Avoid actions that inflate your income for the calendar year starting Sophomore winter (January) through Junior fall (December). The most common are the following:

- ❏ Avoid selling of stocks with significant capital gains that will increase your reported income
- ❏ Don't take unnecessary distributions from retirement or annuities
- ❏ Defer any discretionary income, like bonuses or commissions, to the next calendar year
- ❏ For business owners, make planned business investments to reduce extra income flowing through to your personal income

## ASSET STRATEGIES

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Where you hold your savings, investments and cash at the time of applying for financial aid - generally October of Senior Year - impacts your EFC and ultimately your financial aid awards. Consider these key asset strategies during Sophomore and Junior years to prepare for the Senior year application.

- ❏ Move extra money from your regular savings and investment accounts into retirement
- ❏ Minimize assets held in the student's name, except for 529 Plans
- ❏ Consider opening the student's 529 as a custodial 529 when you have multiple children
- ❏ Convert UTMAs/UGMAs into custodial 529
- ❏ Pay down debt and/or accelerate necessary and planned purchases

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*NOTE: Consult with a financial advisor before taking actions to understand the impact on your other financial goals.*