Funding education can present financial challenges. This article presents some alternatives for parents of children who have reached college age but lack the resources to pay the entire bill at once, even when taking into consideration sources of income outside of their regular compensation, such as their equity awards. Contact a Financial Advisor to discuss a variety of ways to fund college education for your children.

**Coordinate gifts from relatives**

Grandparents and family members often want to help. Coordinating the best way for them to do so is critical. Discourage direct gifts to you or your child in excess of the giver’s annual gift tax exemption, as well as any transfer that adds to your total assets. Instead, encourage relatives to make payments directly to the college on your child’s behalf; regardless of amount, these can be made without incurring gift tax.

**Minimize income and student assets when possible**

Once your child is in college, you’ll complete the Free Application for Federal Student Aid (FAFSA) every year. This form determines what portion of tuition you should be able to pay (known as your Expected Family Contribution or EFC), and how much federal or state financial aid, if any, you are entitled to receive. Your EFC calculation is based on several factors, but two tend to worry our clients most: income and assets. Many families receive an EFC that’s much higher than anticipated, which prevents them from receiving most financial aid.

Since EFC calculations weigh income more heavily than other factors, consider deferring capital gains from investments or distributions from your retirement account while your children are near or at college age. Student assets, such as those held in trust through the Uniform Gift to Minors Act (UGMA/UTMA) are assessed at a much higher rate than parental assets. So consider transferring those assets to a 529 account or spending them down before submitting your FAFSA.

FAFSA may make sense since EFC calculations treat 529 plan balances as parental assets. For more information on financial aid go to finaid.org.

**Research scholarships**

Universities and other organizations offer merit-based scholarships to students for academic performance or community service. Check online for more information.
for extensive lists of available scholarships that may be appropriate for your child.

**Negotiate for merit-based aid**

When it comes to college costs, nothing is set in stone. Depending on your child’s merits and qualifications, the real cost to attend a particular college may be entirely different from its published cost. Some students who might not qualify for federal need-based aid, for example, might qualify for merit-based aid. This aid can be based on academics, sports, music and other special talents. Many colleges award merit-based aid to students who don’t even apply for it, based on the child’s profile, such as grade point average and standardized test scores. To help you get an accurate estimate of what you’ll pay, any college that receives federal funds is required to publish a Net Price Calculator (NPC) on its website. This interactive tool requests information about your income and student characteristics to estimate the net price for your child to attend. Because each school uses different parameters to award need- and merit-based aid, it’s smart to try the calculator for each college your child is considering. Overall, private colleges and universities discount tuition by almost half; some students will pay published tuition and fees while others will pay nothing, as all of their costs will be covered by financial aid. Hopefully, this information gives you some insight into the types of college funding solutions that are available—even when it seems like you’ve run out of time.

Educating yourself about the many uses of equity awards is a smart way to understand how they can be used in relation to your overall financial planning. UBS Financial Advisors can help you develop a plan and apply what you have learned to your specific financial goals. You can contact them through the Financial Advisor section on your UBS One Source home page.