

What is the FAFSA and how do we fill it out?

Posted by Frank Palmasani

Soon, after January 1st of 2013, parents of high school seniors will be filing the Free Application for Federal Student Aid—the FAFSA—in their pursuit of financial aid for college.

The federal government uses the FAFSA to calculate families' EFC number. EFC is a term that is often misunderstood; it stands for Expected Family Contribution. Many people believe that the EFC number is the exact amount that schools expect families to spend on college. This is not the case. Actually, your EFC is the number that colleges will use (along with information they garner on a student's application for admission) to develop their award letters. The award letter—which lists eligibility for all scholarships, grants, student loans, and campus employment options—allows families to determine their official net price of the college.

Some people think that filing the FAFSA is a complicated process that requires help from an outside professional, just as one might hire an accountant to file a tax return. The FAFSA, however, is not that complicated and should not require you to pay a fee for someone else's assistance. Before you begin the process, here are some important points to know.

The key information required on the FAFSA can be divided into four parts:

1. **Parent income information**—adjusted gross income and untaxed income.
2. **Parent asset information**—Information on all savings and investments (including 529 plans, UTMA accounts, etc.), except for the equity of your home and the value of any retirement plans.
3. **Student income information**—This also includes adjusted gross income and untaxed income.
4. **Student asset information**—Information on all savings and investments, except for the equity of your home and the value of retirement plans (if applicable).

Every student should file a FAFSA and list all of the colleges to which they wish to apply. Dependent students must include their parents' information in the parent portion of the FAFSA. Independent students should not include any parent information.

Students are generally considered dependent unless they are:

- 24 years of age or older,
- a ward of the court,
- actively engaged in the military,
- a veteran,
- pursuing graduate courses,
- supporting children of their own, and/or
- homeless.

If you are filing in a divorced household, the parent who files is the one with whom the child lives most of the time (for more than 6 months during the last 12-month period). You must report the income and assets of the entire family, including the student, the custodial parent, and the stepparent (if the parent has remarried).

The FAFSA can be filed electronically (www.fafsa.gov) or in paper format. The paper version is not easy to find, but students can check with their high school counseling office for more information.

You can use estimated or exact information from your 2012 tax return to file the FAFSA. If you're trying to decide whether to use estimated or exact information, here is a general rule of thumb. If you file your tax return by the second week of February, you can file your FAFSA using accurate tax return information soon thereafter. However, if you do not file your return until later in February or into March or April, it is more advisable to file your FAFSA as an estimate in January. It's important to note that if you file using estimates, you will need to update your FAFSA upon completing your tax return.