The same family. The same money. A very different aid letter.

How to run the Student Aid Index with a client, reposition counted assets into protected vehicles, and present the result as a lower number for four years and a retirement asset afterward. Formula tables, the asset map, a worked case, talk tracks, product menu, comp, and the ground rules.

SAMPLE CASE · SAI

42,910 → 35,860

by moving $125k to the protected pile

ADDITIONAL AID, 4 YRS

≈$19,700

at a $58k school, 70% need met

YEAR-ONE COMP, SAMPLE

≈$12,250

FIA + IUL + term bridge

Four steps, two people, one number

STEP 1 · PARENT INCOME

Available income

Total income − federal tax − payroll tax − income protection allowance − employment expense allowance (35% of earned income, max $5,000).

AI

STEP 2 · PARENT ASSETS

Asset add-on

12% of counted net worth is added to available income. Retirement, life insurance cash value, annuities and the home are never reported.

12%

STEP 3 · PARENT CONTRIBUTION

Progressive brackets

Adjusted available income runs through brackets from 22% to 47%. Number in college no longer divides the result.

22–47%

STEP 4 · STUDENT

Student contribution

Income above $11,770 (after taxes) at 50%. Assets in the student's name at 20%, no allowance.

50% / 20%

TABLE A2 · INCOME PROTECTION ALLOWANCE

FAMILY SIZE	ALLOWANCE
2	$29,190
3	$36,330
4	$44,880
5	$52,950
6	$61,930
Each additional	+$6,990

TABLE A5 · PARENT CONTRIBUTION FROM AAI

AAI	CONTRIBUTION
< −$8,500	−$1,870
to $21,800	22%
to $27,300	$4,796 + 25%
to $32,800	$6,171 + 29%
to $38,400	$7,766 + 34%
to $43,900	$9,670 + 40%
> $43,900	$11,870 + 47%

OTHER CONSTANTS

Payroll tax	6.2% to $168,600 + 1.45%
Student IPA	$11,770
Student income rate	50%
Student asset rate	20%
Parent asset conversion	12%
SAI floor	−1,500
Max Pell (SAI ≤ 0)	$7,395
Income year used	Prior-prior

Per-dollar cost, per year, at the top bracket: student asset 20¢ · student income 50¢ · parent income 47¢ · parent counted asset 12% × 47% ≈ 5.64¢ (2.64¢ at the bottom bracket) · protected asset 0¢. Memorize this line; it's the napkin version of the whole concept.

Where the money sits decides what the school sees

COUNTED · REPORTED EVERY YEAR

Checking & savings As of filing day; cash is the easiest move	12%
Brokerage, stocks, bonds, funds, CDs Watch capital gains on liquidation; gains land in a FAFSA income year	12%
529 plans, parent- or student-owned Don't close it; stop the "529 is the answer" reflex	12%
Investment real estate equity Rentals, land, vacation home	12%
Business / farm net worth Reportable since 2024-25; Table A3 discounts it (40% of first $175k)	12%*
UTMA / UGMA, student savings Custodial 529 converts it to a parent asset at 12%	20%

PROTECTED · NEVER REPORTED

401(k), 403(b), 457, pensions Max the match first; it's free and invisible	0%
Traditional & Roth IRA, SEP, SIMPLE Current-year contributions no longer added back as income	0%
Cash value of life insurance Whole life, IUL, VUL; policy loans for tuition are not income	0%
Annuities Withdrawals in a FAFSA year are income; plan the access	0%
Primary home equity Not on the FAFSA; CSS Profile schools may ask	0%
Personal property	0%

Who is a prospect

The saver

$100k–$500k in cash and brokerage, kids 12–17, income $120k–$300k. Assumes they earn too much for aid; the asset line is the whole conversation.

The 529 family

Did the "right thing" and is still counted at 12%. Loves the flexibility argument: college, wedding, or retirement.

The grandparent gift

Money landed in the kid's name. Every dollar costs 20¢ a year. The custodial-529 or protected-vehicle move is immediate and obvious.

Two-earner family of four, $161k income, $195k counted

INPUTS

Parent 1 / Parent 2 wages	$95,000 / $60,000
Other taxable income	$6,000
Federal tax paid (est.)	$19,102
Checking & savings	$45,000
Brokerage	$120,000
529	$30,000
Student UTMA	$15,000
Student wages	$4,000
401(k) + IRAs / home equity	$395,000 / $220,000
Cost of attendance / need met	$58,000 / 70%

The move: $25,000 of cash and $100,000 of brokerage into a fixed indexed annuity and an IUL. Retirement and home were never counted. 529 and UTMA left alone in this version (custodial 529 would trim another ~$1,200).

LINE	TODAY	REPOSITIONED
Total income	$161,000	$161,000
− Federal tax, payroll tax	−$30,960	−$30,960
− IPA (family of 4), employment allowance	−$49,880	−$49,880
Available income	$80,160	$80,160
Counted assets	$195,000	$70,000
+ Asset add-on (12%)	$23,400	$8,400
Adjusted available income	$103,560	$88,560
Parent contribution ($11,870 + 47% over $43,900)	$39,910	$32,860
Student: income (below IPA) + 20% × $15,000	$3,000	$3,000
SAI	**42,910**	**35,860**

NEED / YR

$15,090 → $22,140

COA − SAI

AID GAIN, 4 YRS

$19,740

$4,935/yr at 70% met

AT 65, PROTECTED + AID

≈$400k

5.5% illustrated, age 48 today

Every dollar of counted assets removed cuts the SAI by 5.64¢ at this income. The move is worth $7,050 a year of SAI for as long as a child is enrolled, and the client keeps the $125,000. Present the retirement number as a range from the carrier illustration, never as a promise.

Say it the way a planner says it

OPENING · ANY PARENT WITH A 12–17 YEAR OLD

> "Every college you apply to gets one number about your family, and it decides how much they expect you to pay. Most parents have never seen theirs. It takes me about ten minutes to show you, and about half of what goes into it is optional."

OBJECTION · "OUR INCOME IS TOO HIGH FOR AID"

> "You might be right about the Pell Grant. But schools that discount tuition use the same number, and on this screen your savings and brokerage are adding about $11,000 a year to it. That's the part we control."

THE MAP

> "Everything on the left gets reported every year your child is in school. Nothing on the right does. Your 401(k) is on the right. Your house is on the right. Cash-value life insurance and annuities are on the right. Your savings and brokerage accounts are on the left."

THE REVEAL · AFTER REPOSITIONING

> "We moved $125,000 from the left column to the right. Your number went from 42,910 to 35,860. Over four years that's roughly $19,700 the school is expected to cover instead of you, and you still own every dollar we moved."

OBJECTION · "WHY NOT JUST A 529?"

> "A 529 is a fine account and I'm not telling you to close it. It's just counted, at 12%, every year. And if your child gets a scholarship or doesn't go, the money is stuck for education or taxed and penalized coming out. The right-column vehicles are flexible: college, a wedding, or your retirement."

CLOSE · THE RETIREMENT SLIDE

> "Here's what most families never see. The aid you keep, plus the asset you kept, grown to 65. You didn't earn a dollar more. You stopped showing the school money it never had to see. For a lot of my families that's the difference between retiring on time and retiring years early."

Objections you'll hear next

THEY SAY	YOU SAY
"What if we need the money?"	"Then it doesn't go in. We only move dollars you won't touch inside the surrender period. Your emergency fund stays where it is."
"Is this legal?"	"The formula excludes these accounts on purpose, the same way it excludes your 401(k). We're not hiding anything; we're reading the instructions."
"Our schools use the CSS Profile."	"Good to know now. Those schools may count home equity, so the annuity and policy still help while the house does less. Let's run both."
"How do we get the money out for tuition?"	"Policy loans aren't income on the FAFSA. Annuity withdrawals are, so we time them for the last FAFSA year or after."

Match the vehicle to the dollar, then price the case

PRODUCT	BEST FOR	FUNDED WITH	FIRST-YEAR COMP*	RENEWAL*	SAMPLE CASE, YR 1
Indexed universal life Tax-deferred cash value, loans for tuition or retirement	Ongoing annual funding; families who want growth and a death benefit	$6,000 / yr	90% of target	3%, yrs 2–10	**$3,312**
Participating whole life Guaranteed cash value plus dividends	Conservative families; alternative to IUL	$6,000 / yr	55% of base	5%, yrs 2–10	($2,100 alt.)
Fixed indexed annuity Principal-protected, index-linked; 7–10 yr surrender	The repositioned lump sum	$125,000	6% of premium	0–1% trail	**$7,500**
MYGA Fixed rate 3–7 years; the CD alternative	Money the family wants boring; alternative to FIA	$125,000	2.5% of premium	—	($3,125 alt.)
Term life (bridge) Covers the death-benefit gap while cash value builds	Add-on on nearly every case	$1,800 / yr	80% of premium	2%, yrs 2–10	**$1,440**
Sample case, year one (FIA + IUL + term)					**$12,252**

*Illustrative street-level independent schedules. Real comp depends on carrier, product, insured's age and your IMO contract level. IUL excess premium above target typically pays 2–5%, not the year-one rate. Renewals assume persistency; chargebacks apply on early lapse.

YEAR-ONE COMP, SAMPLE CASE
$12,252
+ ≈$1,900 renewals over yrs 2–10

3 FAMILIES / MONTH
$36,756
Year-one comp per month

ANNUALIZED, FIRST YEAR
$441,072
Before renewals start stacking

Case design rules

1. **Lump sum → annuity, cash flow → life.** The brokerage balance becomes a single-premium FIA; the monthly savings habit becomes the IUL premium.
2. **Fund the IUL near target, not far above it.** Excess premium pays little and can push toward MEC status; the client's growth case doesn't need it.
3. **Surrender period ≤ years until the last FAFSA.** If the child is a junior, a 10-year annuity is fine; a 3-year MYGA may be wrong for a 9th grader's parents.
4. **Time the access.** Policy loans are not FAFSA income. Annuity withdrawals are; take them after the last FAFSA year or plan around the prior-prior rule.
5. **Never move the emergency fund.** Six months of expenses stays in cash even though it's counted.
6. **Custodial 529 for the UTMA.** Same money, 12% instead of 20%, and it stays the child's.

The appointment, and how to stay licensed

The 45-minute first meeting

0–5 · "Have you seen your number?"

Ask, don't tell. Get the school list and the children's ages.

5–15 · Run the calculator, today's numbers

Last year's 1040 and today's balances. Show the SAI and the need line for their top school.

15–25 · The map

Have them sort their own accounts into counted and protected. Let the 401(k) and the house do the teaching.

25–35 · The reveal

Reposition on screen. SAI before and after, aid gain over four years, growth to 65.

35–45 · Suitability and next step

Liquidity, surrender periods, health for underwriting. Book the design meeting; leave the parent guide.

Before the second meeting

- [ ] School list checked for CSS Profile
- [ ] Prior-prior year income and any pending capital gains
- [ ] Carrier illustrations at target premium, with loan schedule
- [ ] Emergency fund confirmed and excluded
- [ ] Custodial 529 conversion for UTMA dollars

Ground rules

1. **Suitability first.** Money going into a policy or annuity must be money the family won't need in the surrender-charge period. Never move the emergency fund.
2. **Timing matters.** Assets are reported as of filing day, income from two years earlier. Repositioning happens before filing; income planning starts sophomore year.
3. **Liquidity and cost.** Disclose surrender charges, cost of insurance, loan interest, and lapse risk on an underfunded policy. Guarantees come from the carrier illustration, not this guide.
4. **Schools differ.** CSS Profile schools may count home equity and ask about retirement and insurance. Confirm the list before quoting a result.
5. **Never coach a false FAFSA.** Repositioning is legal because the formula excludes these assets by design. Omitting a counted asset is fraud, for the family and for you.
6. **Stay inside your licenses.** Variable products and securities advice require the appropriate registrations. Liquidating a brokerage account is a securities event; coordinate with a registered rep where required.
7. **No aid guarantees, ever.** "Estimated," "illustrative," "based on the federal formula." Schools award aid; you lower a number.

Every result in this guide comes from the U.S. Department of Education's 2026-27 SAI and Pell Grant Eligibility Guide, Formula A. Growth and comp figures are hypothetical illustrations, not projections of any product or contract.