PARENT GUIDE · 2026-27 FAFSA

Your college number, and how to lower it.

Every college your child applies to receives one number about your family. It decides how much they expect you to pay. Most parents never see it. This guide shows you what's in it, what the formula ignores, and how families with the same income end up with very different aid letters.

MONEY IN YOUR CHILD'S NAME

20¢

counted per dollar, every year

YOUR SAVINGS & BROKERAGE

≈5.6¢

counted per dollar, every year

401(K) · IRA · LIFE INSURANCE · ANNUITY · HOME

0¢

never reported

What the SAI is, and why it matters more than tuition

When you file the FAFSA, the federal government runs your family through a formula and sends every school one number: the **Student Aid Index (SAI)**. It replaced the Expected Family Contribution (EFC) in 2024, and the name says the quiet part: it's the government's estimate of what you can afford per year.

Each school subtracts your SAI from its cost of attendance. What's left is your **financial need**, and need is what unlocks the money: Pell Grants, subsidized loans, work-study, and at most private colleges, the institutional grants that quietly discount tuition for families who qualify.

Two things surprise most parents. First, income is only half the formula: your assets are counted too, every year your child is in school. Second, the formula sorts your money into two piles, and one of the piles is completely invisible.

> **The whole idea in one sentence:** the same dollar can be counted against you every year, or never seen at all, depending only on where it sits on the day you file.

SAMPLE FAMILY · TWO EARNERS · FAMILY OF FOUR

Parent wages	$155,000
Other income	$6,000
Checking & savings	$45,000
Brokerage account	$120,000
529 plan	$30,000
Savings in the child's name	$15,000
401(k) and IRAs	$395,000
Home equity	$220,000

SAI TODAY

42,910

What schools expect per year

AFTER REPOSITIONING $125K

35,860

Same money, different pile

At a $58,000-a-year school meeting 70% of need, that's roughly **$19,700 more aid over four years**, and the family still owns every dollar they moved. The $395,000 in retirement accounts and the $220,000 in the house were never counted either way.

What the FAFSA sees, and what it doesn't

Everything on the left is reported every year your child is in college. Nothing on the right is asked about at all.

COUNTED

Reported on the FAFSA

Checking & savings Balance on the day you file	12%
Brokerage, stocks, bonds, mutual funds, CDs Anything not inside a retirement plan	12%
529 plans Parent-owned, and student-owned too	12%
Second homes, rentals, land Equity, not the gross value	12%
Small business or farm Reportable since 2024, partly discounted	12%
UTMA/UGMA, savings in your child's name The most expensive dollar in the formula	20%

PROTECTED

Never reported

401(k), 403(b), 457, pensions Balances are never asked for	0%
Traditional & Roth IRA, SEP, SIMPLE And this year's contributions no longer count as income	0%
Cash value of life insurance Whole life, indexed universal life, variable life	0%
Annuities Deferred or immediate, qualified or not	0%
The home you live in Equity is invisible on the FAFSA	0%
Cars, furniture, personal property	0%

What "12%" really costs you. The formula adds 12% of your counted assets to your available income, then assesses that at 22% to 47%. For most families the net effect is about 5.6 cents per dollar, per year, for every year a child is in school. On $195,000 of counted assets that's roughly $11,000 a year of expected contribution that the formula would never see in a protected account.

About 200 mostly private colleges also use the CSS Profile, which asks about home equity and can ask about retirement and insurance. Ask your advisor which schools are on your list.

The 10-minute worksheet

Use last year's tax return and today's account balances. This follows the 2026-27 federal formula for a dependent student; your advisor can run the exact version.

PARENTS' INCOME		AMOUNT
A	Total income (wages + other taxable + untaxed income)	________
B	Federal income tax paid From your 1040	________
C	Payroll tax About 7.65% of each parent's wages	________
D	Income protection allowance From the table at right	________
E	Employment allowance 35% of wages, max $5,000	________
F	**Available income = A − B − C − D − E**	________
PARENTS' ASSETS		
G	Total counted assets Left column on page 3	________
H	**Asset add-on = G × 12%**	________
I	Adjusted available income = F + H	________
J	**Parent contribution** Apply the bracket table to I	________
STUDENT		
K	(Student wages − $11,770 − taxes) × 50%, not below 0	________
L	Assets in the student's name × 20%	________
SAI	**Your number = J + K + L**	________

INCOME PROTECTION ALLOWANCE (D)

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

PARENT CONTRIBUTION BRACKETS (J)

LINE I IS…	CONTRIBUTION
Below −$8,500	−$1,870
Up to $21,800	22% of I
$21,801–27,300	$4,796 + 25% over $21,800
$27,301–32,800	$6,171 + 29% over $27,300
$32,801–38,400	$7,766 + 34% over $32,800
$38,401–43,900	$9,670 + 40% over $38,400
Over $43,900	$11,870 + 47% over $43,900

An SAI of zero or below qualifies for the maximum Pell Grant ($7,395). The number can go as low as −1,500.

Move the money before you file, keep it after they graduate

Lowering your number is not about hiding anything. The formula excludes retirement accounts, cash-value life insurance, annuities and your home on purpose. Families who understand that simply stop keeping college money in the one place the formula punishes.

The planning move is to shift dollars you won't need in the next several years from the counted pile to the protected pile: a properly designed life insurance policy, an annuity, or, within contribution limits, retirement plans. Those dollars are still yours. They grow tax-deferred, they're accessible for college through policy loans or withdrawals, and whatever you don't spend on tuition is still there at retirement.

> **Rewarded twice.** The school covers more while your child is enrolled, and you own a tax-advantaged asset afterward. Families don't earn a dollar more; they stop showing the school money it never had to see.

YOUR ADVISOR

NAME ______________________

PHONE ______________________

EMAIL ______________________

NEXT STEP ______________________

Five questions to ask your advisor

- [ ] What is our SAI today, and what would it be if our counted assets were repositioned?
- [ ] Which of our schools use the CSS Profile, and does that change the plan?
- [ ] How much of this money might we need before the surrender period ends?
- [ ] What does the policy or annuity cost, and how do we access the money for tuition?
- [ ] What is this worth to us at 65 if we don't spend it all on college?

Don't do this

Don't leave a large balance in your child's name. Don't pull money from a 401(k) to pay tuition in a FAFSA year (it becomes income). Don't move your emergency fund into anything with a surrender charge. And never leave a counted asset off the form; repositioning is legal because the formula excludes these assets by design, hiding one is fraud.

Timing is everything

Grade 9–10

Income used on the FAFSA is from two years before enrollment. Income planning starts now.

Grade 10–11

Reposition counted assets. Surrender periods mean this is money you won't need soon.

Grade 11

Move savings out of your child's name; a custodial 529 counts at 12% instead of 20%.

Oct, Grade 12

FAFSA opens. Assets are reported as of the day you file.

Every year

You file again each year. The protected pile stays protected.

This guide is an educational illustration built from the U.S. Department of Education's 2026-27 Student Aid Index formula for dependent students. It is not tax, legal or investment advice and not a guarantee of aid from any school. Insurance and annuity products carry costs, surrender charges and suitability requirements; review the carrier illustration with a licensed professional.