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Jul. 12, 2017



Tax professionals most likely have many clients and prospects who have college-bound students in their families. A good way to extend the services you provide in your practice is to offer advice around the funding of a college education, including the various tax benefits. You can brush up on the following tips for your own education, and share them with your clients and prospects.

We all know a college education is very expensive, and costs are continuing to

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Advise your clients to consider colleges that are a good financial fit, in addition to being a good academic fit. According to the College Board, almost 75 percent of full-time students receive grant-based aid to help pay for a college education. Applicants shouldn't be scared off by a very steep sticker price for certain colleges, especially the private ones, because the price can be reduced substantially by financial assistance.

Some colleges have made [low tuition](#) a priority for financially strapped families. For example, New York has recently passed legislation to make tuition free at public colleges for families earning \$100,000 or less per year. However, tuition assistance can sometimes come at a price, as some schools require students to work or fulfill other requirements after graduation as a condition.

### **Don't Forget to Complete the FAFSA**

The Free Application for [Federal Student Aid \(FAFSA\)](#) is the key financial aid form to be eligible for college financial aid. This form is used to determine the Expected Family Contribution, which determines need-based financial aid. Without this form, universities will often not extend any financial aid.

The FAFSA is also needed to be completed for eligibility for many scholarships and other contests. Even if your clients feel like the FAFSA won't result in any need-based aid, they might be surprised and won't know until it is filled out.

The IRS offers help to students and families to get the tax information necessary for completing the student financial aid applications by providing a [data retrieval tool](#).

### **Apply for Scholarships**

Although there are many scholarships available to college-bound students, there may be a low level of awareness about them. For example, there are scholarships available for academic, athletic and even artistic abilities. There are also many

obscure scholarships you and your clients may have never heard about, such as

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## Discuss Student Loans

Around 41 percent of high school seniors expect to borrow money to pay for a college education. So that they can better plan and help curb escalating costs, families of college-bound students should be discussing how to pay for college sooner than later. They should talk about where to apply to school, how to spread out payments and save for college, and the best way to borrow money. Families should think about college savings in a similar manner as retirement planning. Early planning also allows the student time to think about other cost-savings avenues, such as Advanced Placement (AP) credits and scholarships.

If your client's modified adjusted gross income is less than \$80,000 (\$160,000 if filing a joint return), there is a special deduction allowed for paying interest on a student loan. This deduction can reduce the amount of your income, subject to tax, by up to \$2,500.

Another option is to explore peer-to-peer lending sites, such as Prosper and Lending Club, which may offer a better option. They offer loan amounts for as little as \$1,000 with fairly reasonable fixed interest rates. The loan is given a grade based on a variety of factors, including the applicant's [credit](#) rating.

## Tap a Home Equity Line of Credit

If your clients own their home, condominium or townhouse, and have some equity built up, they can take out a home equity line of credit to help pay for college. This second mortgage is a line of credit secured by the home.

The mortgage rates on a home equity line of credit can be favorable and vary depending on market conditions. A huge benefit is that the mortgage interest is tax deductible on the return. However, since your clients may be using the money for

college and not for their home, there is a \$100,000 limit on the interest that can be

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## **Plan Early!**

As you can see, the finances around a college education are very expensive and complex, and there are many planning opportunities to help reduce the cost. It's always best to start planning as early as possible and think broadly to take into account all the options on the table. Help your clients sort out these very important, life-changing issues.

## **Technology**

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