

**"He that respects himself is safe from others;**

**he wears a coat of mail that none can pierce."**

*-- Henry Wadsworth Longfellow, author*

Tax Tip – February 15, 2017

Paying for Education

It’s never too early to prepare for the potentially high cost of educating your children.

* 529 College Savings Plans – invests your contribution into mutual funds or similar investments operated by the state or educational institution. Earnings are tax-free when used for qualified expenses. Used for undergrad and graduate education.
* Coverdell ESA - $2,000 non-deductible contribution limit per year but earnings are tax-free. Used for K-12 at private and parochial schools, undergrad and graduate levels. Phaseouts: Single and HH $95,000-$110,000; MFJ $190,000-$220,000.
* Education Bonds – interest earned is excluded from income upon the redemption of eligible Series EE and Series I savings bonds. MAGI phaseout of full exclusion: Single and HH $77,550-$92,550; MFJ $116,300-$146,300. Bond must be in parent’s name, not child’s.

Financial Aid

Most colleges use federal guidelines to determine the need-based aid for which your child may be eligible. (Criteria for colleges that use their own formulas may vary from what is discussed here.) Several factors determine the amount of the aid: the “cost of attendance” for the college in question; the money provided from outside sources (such as scholarships or tuition paid directly by a relative); and the “expected family contribution” (EFC). The information you provide each year on the Free Application for Federal Student Aid (FASFA) is used to calculate your EFC. The college then uses that figure to calculate the amount of federal student aid you are eligible to receive through loans, grants, and/or work-study programs. If you have a child going to college next year, the aid assessment will be based on this year’s return.

If you have any questions regarding this information, please feel free to contact our office.

P.S. Please forward this to your friends or colleagues that you'd like to introduce our firm to. Or send us their email address and we'll ask for their permission to forward with your compliments.

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