

Perspective from  
**Franklin Templeton**  
Wealth Planning

# Navigating financial aid: New FAFSA rules and tips for families

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Saving for a college education is at the core of a comprehensive financial plan for families with children hoping to advance their education someday.

The use of savings vehicles such as 529 plans support these efforts. In fact, assets in 529 savings plans exceeded \$500 billion as of June 30, 2024, according to the College Savings Plan Network.<sup>1</sup>

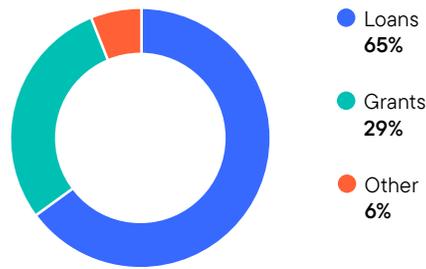
Still, as the costs of college continue to rise, the significance of financial aid persists. As a result, most families will rely on some form of federal financial aid to cover the cost of higher education.

## Importance of federal aid

About \$130 billion in total federal financial aid will be awarded this year. More than half of undergraduate students receive some type of aid, including federal student loans, according to the College Board (Trends in Student Aid 2023), with the average grant totaling about \$10,500.<sup>2</sup> It is also important to note that more than half of federal financial aid consists of loans which will have to be generally paid back, unless a loan forgiveness program is applied. In our view, this makes it more important than ever for families to implement a dedicated college savings program.

1. Source: The College Savings Plan Network. Data as of June 30, 2024.  
2. Source: "Trends in Student Aid." The College Board. November 2023.

## Composition of Federal Aid



Note: Other includes federal work-study programs and federal tax benefits. Source: "Trends in Student Aid." College Board. November 2023.

### Applications for aid are declining

While programs are funded and the need is evident, the number of families applying for the Free Application for Federal Student Aid (FAFSA) has declined.

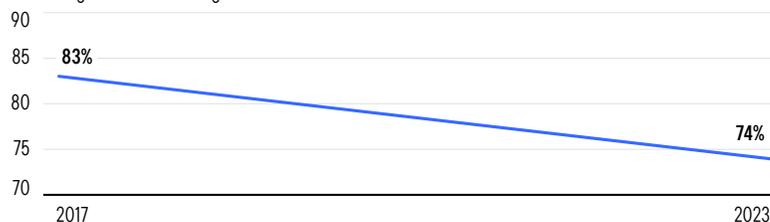
The data show that some families are not filing the FAFSA form because they don't believe they will qualify for aid or they don't have the time. Changes have been implemented to the FAFSA form to address some of the concerns about the complexity of the process.

The initial year of attendance may be an opportune time for families to file for federal financial aid for several reasons:

- Some families assume they won't get aid. However, recent data suggest roughly one million students missed out on Pell grants because they didn't file a FAFSA.
- Some non-need-based grants from schools require a FAFSA submission. By not filling out the FAFSA, these students will not have the opportunity to potentially access these grants.
- It may also be a good idea to have a completed FAFSA on file each year if the family financial situation changes dramatically due to loss of employment or another unforeseen circumstance

## Fewer Families Are Filing for Financial Aid

Percentage of students filing the FAFSA form



Top reasons for not completing the FAFSA:

- Did not have time, missed the deadline or found the process too complicated
- Do not believe they would qualify for financial aid

Source: "How America Pays for College." Sallie Mae. 2024.

### Understanding recent changes to financial aid

Legislation signed into law a few years ago is driving several changes to the application. A major catalyst to the changes grew from concerns of families about the application process being complicated and lengthy. The changes to the form and process are designed to make it simpler to follow and more understandable. Our post, "The new FAFSA: What every advisor and parent should know," (<https://www.franklintempleton.com/articles-us/blogs/the-new-fafsa-what-every-advisor-parent-and-student-should-know>) has more background on the changes coming to FAFSA.

- First, the good news is that the number of questions on the form has been reduced from over 100 to around 40, and some applicants may have to answer much fewer questions.

- There is a new eligibility formula for aid as the Student Aid Index (SAI) replaces the Expected Family Contribution (EFC); this change is designed to make the aid award more intuitive to parents and students.
- The cost of attendance (COA) has been re-defined, expanded and standardized to make it more consistent across different educational institutions.
- There is a requirement that tax information must be provided electronically using the FAFSA data retrieval system which should streamline the process. There is no longer an option to manually provide tax return details.
- For 529 accounts owned by non-parents (such as grandparents), distributions from these accounts for qualified education expenses will no longer have a negative impact on the next financial aid filing.
- Untaxed income such as contributions to 401(k)s are no longer reported on the FAFSA form.
- The new calculation does not account for families with multiple children in college at the same time; this may result in less financial aid for these families.
- For divorced or separated parents, the parent who provides more financial support must complete the FAFSA regardless of who the student lives with.
- Certain families with small business or farm ownership must now report those assets on the FAFSA.

## New update on timing of FAFSA form for 2025/26 school year

Senior year in high school is a memorable one as students focus on a major milestone: graduation. For students planning for college, it's a year with many deadlines and final preparations.

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### FAFSA deadline moved to December 1

The US Department of Education recently announced a new schedule and process for the 2025-2026 FAFSA application. The FAFSA application will be made available to all students on or before December 1, 2024.

The deadline is part of a phased rollout of the revised form, following a testing period in the fall with limited groups of users. Feedback will be incorporated to ensure the instructions are clear. For more information read the details at <https://www.ed.gov/news/press-releases/us-department-education-announces-schedule-and-new-process-launch-2025-26-fafsa-form>.

### Next steps for families on financial aid

- Students and parents should each create an FSA ID at Studentaid.gov. This is the important first step to unlock a financial aid package.
- Identify financial support: Determine which parent provides more financial support in cases of divorce or separation.
- Update financial records: Ensure all necessary tax forms are filed and accessible.
- Know the deadlines: Be aware of state and college deadlines.
- Get an estimate of federal financial aid by accessing [studentaid.gov/aid-estimator/](https://studentaid.gov/aid-estimator/)
- Once available for the upcoming academic year complete and submit the FAFSA as soon as possible—those who file earlier are more likely to qualify for more aid

**For more information, speak with your financial professional.**

## WHAT ARE THE RISKS?

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