How Are We Going to Pay for This?
College and Supplemental Supports
College Inclusion Summit 2017

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Important Disclosures

- The information provided is not intended as specific tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.
- Financial professionals who have earned the Chartered Special Needs Consultants (ChSNC®) designation work with you and your professional advisors to review your current situation and offer possible solutions that could help the needs of you, your loved ones, and your entire family
- Work with an attorney to help ensure that benefits such as Medicaid or Supplemental Security Income won't unintentionally be jeopardized
- These potential sources for college tuition and supports are not formal recommendations nor are they all encompassing as everyone's situation is different. These decisions do not occur in a vacuum. If money is made available through aid for tuition then more assets may be available for supports.
- I am a proponent of people-first language. However, I use the blunt language of the government in some explanations.

Ten of the Potential Funding Sources

- 1. UTMA and Adult Child Assets (spend down immediately)
- 2. Scholarships and Grants (repeating and one time)
- 3. Comprehensive Transition and Postsecondary Programs
- 4. State Medicaid Waivers (self directed may cover supports)
- 5. 529 Plans (tax free if used for college)
- 6. Parents and Extended Family (directly pay for supports)
- 7. FAFSA Loans (Free Application for Federal Student Aid)
- 8. Special Needs Trusts (can pay for supports)
- 9. ABLE Act (sheltered from SSI / can pay supports)
- 10. SSI (this can be used for food and housing)

The Need is Real

- Special needs programs inside a university system can cost from $1,300 to more than $13,000 per academic year depending on the college[1]
- Private supports with included residency can be much more expensive
- Many families may not have planned ahead for these costs as college attendance may not have "been on the radar" until recently
- It is better to start with more support rather than less. Some students who may need a comprehensive program second guess committing because they are not convinced of the need and are nervous regarding the cost. Students should try school with full support in the first year. If they find that it is not needed they can pivot to a lower level of support.
- This is a frustratingly complex topic. Much of what is shared works "most of the time" for those looking for supplemental college transition supports.

Source:
[1] https://www.usnews.com/education/best-colleges/paying-for-college/articles/2016-11-21/plan-for-greater-college-costs-for-students-with-learning-disabilities

1. UTMAs and Adult Child Assets

- If a family has an UTMA in place it should be spent immediately as they may have received bad advice in the past
- Avoid placing assets directly in the child's name if planning for needs based benefits or access to significant FAFSA loans
- UTMA is Uniform Transfer to Minors Act account and is essentially a turn key trust set up by the parents for the benefit of the child.
- UTMAs are tracked by the adult child's SSN and are an available resources to the student. They are usually funded with stocks, mutual funds, ETFs, and/or bonds.
- Adult child assets would simply be any savings, checking, or investment accounts in his or her name

Why spend UTMAs and Adult Child Assets First?

- Having over $2,000 in countable assets in the adult child's name can jeopardize access to needs based benefits such as Medicaid and SSI
- Assets in the child's name also impact the availability of FAFSA loans as well as potential scholarships and grants more than assets in the parents' name.
- In most circumstances FAFSA assumes 20% of the student's assets will be spent on college each year and 5.64% of parents' assets. We will see these stats repeated throughout.
- Where to go for more information: https://fafsa.ed.gov

2. Scholarships and Grants

- Though often cumbersome in application processing, these can effectively be “free money”
- Scholarship example tied to a specific school: Landmark College offers scholarships up to $30,000 based on need and merit ($40,000 total with full Pell and FSOEG)
- Where to go for more information: https://studentaid.ed.gov/sa/types/grants-scholarships

Grants tied to FAFSA that may repeat annually

- As part of the FAFSA loan application process an undergrad may receive a Pell Grant. The maximum Federal Pell Grant award is currently $5,920 per year. The grant is purely financially need based.
- Federal Supplemental Educational Opportunity Grant (FSEOG): A student can receive between $100 and $4,000 a year, depending on financial need, the amount of other aid received, and the availability of funds at the school.
- Federal Work Study may also be an option. The amount of potential realized financial benefit varies.

Scholarship examples not tied to a specific school

- Incoming Freshman scholarship: In 2017, RiSE is awarding five students for the RiSE Scholarship Foundation, Inc. Award and one for the RiSE Awards Autism Award. Each award is $2,500 and is paid directly to the college or university.
- College Sophomore or older scholarship: The AAHD (American Association on Health and Disability) Frederick J. Krause Scholarship on Health and Disability is awarded annually to a deserving student with a disability who is pursuing undergraduate/graduate studies in an accredited university who is pursuing studies related to the health and disability. $1,000 is available per applicant.
- Open to vocational or undergrads: OAR (Organism for Autism Research) introduced the Schwallie Family Scholarship to support the post-secondary or undergraduate education of individuals. This scholarship program provides $3,000 scholarships to students across the autism spectrum.

3. Comprehensive Transition and Postsecondary

- FAFSA access is rarely available for non-degree programs. CTP is an exception.
- A CTP program for students with intellectual disabilities means a degree, certificate, or non-degree program that is offered and approved by the U.S. Department of Education. It is designed to support students with intellectual disabilities who want to continue academic, career, and independent living instruction to prepare for gainful employment. It offers academic advising and a structured curriculum.[2]
- No High School diploma is mandated, but the school may require it or a GED
- There is no need for the program to lead to a degree or certificate
- In many cases in these programs the traditional university housing cost may be "bundled" with supports, making this housing cost part of the FAFSA cost of attendance, and therefore eligible for loan support

Source:[2]https://studentaid.ed.gov/sa/eligibility/intellectual-disabilities

Comprehensive Transition and Postsecondary

- There are over 50 CTP programs active in 25 states. The CTP program schools allow access to Federal Pell Grants, Federal Supplemental Educational Opportunity Grants, and Federal Work Study funding.
- It is listed here as a separate "funding" option as these program options may not otherwise qualify for the above financial supports
- They are rarely labeled "CTP"- Ask if a degree is being pursued and if the program is FAFSA eligible
- Academic advising and other supports are usually included in the program cost
- Where to go for more information: https://studentaid.ed.gov/sa/eligibility/intellectual-disabilities or https://thinkcollege.net/sites/default/files/files/resources/snapshot_091417.pdf

4. Self Directed State Medicaid Waivers

- Depending on the county this can be a useful benefit for college transition assistance
- Medicaid waivers are implemented by each state individually with reimbursement by federal government
- Not all states (or potentially counties within a state) offer the self directed option
- Children may qualify if a parent is receiving Social Security or Social Security Disability
- The family should also reach out to their state’s Department of Vocational Rehab to ask if assistance is available to potentially work in concert with Self Directed Medicaid Waivers being utilized to pay supplemental support college transition costs

Medicaid- Self Directed Waivers to Pay for College Transition Supports

- Some counties within a state may only have MCOs (Managed Care Organizations) without access to a la carte supports after High School
- Some counties do have self directed supports allowing families to create model outcomes and the state to make funding available to reach those outcomes. This can include transport, therapy, supports, etc.
- If the county allows self directed Medicaid waivers then this funding may be usable for transition and college support costs even if out of state
- One cannot overstate the importance of residency. This may impact tuition at out of state schools as the benefit of waiver-paid-supports needs to be balanced against the cost of not becoming an in-state tuition student.
- Where to go for more information: For more information on waivers available in your state go to www.cms.hhs.gov/. Information is available by telephone, mail, or in person at an office. The toll-free number is 1-800-633-4227.

5. 529 Plans

- A 529 account provides tax-free growth and tax-free distributions if used for qualified college expenses (tuition, mandatory fees, room, board)
- Some states' plans cover certificate "non-degree" programs while other states' 529s are only usable tax free for degree programs. Before establishing the plan the parent should contact the 529 plan provider to see how they distinguish between degree and certificate programs and potential supplemental support costs.
- If a custodial parent owns the 529 it is part of the Expected Family Contribution (EFC) at a maximum parent rate of 5.64% on FAFSA
- If a parent owns the 529 and it is distributed for college costs the distributions are not considered "base year income" for FAFSA
- If a grandparent owns the 529 it is not factored into FAFSA until distribution

529 Plans

- Unused 529 funds can be transferred to another family member's 529 account
- In some states a portion of each beneficiaries' 529 contribution is annually deductible from the parent's state income tax filing if contributions are made to the in-state plan. Depending on the state and family's tax rate this could be comparable to a $150 +/- tax credit per child per year.
- If the child does not attend college and there is no one else to transfer the 529 funds to, you may have to pay taxes on account earnings plus a 10% penalty when you take the money out. The penalty is waived if it is proven that the beneficiary "cannot do any substantial gainful activity because of his or her physical or mental condition" and a physician determines "that his or her condition can be expected to result in death or to be of long-continued and indefinite duration."

529 Plan FAFSA loan impact example

- If your child has $25,000 in savings account, the child will be expected to contribute 20% of the asset ($5,000) each year toward the cost of college under the federal methodology. If your child has a 529 college account setup by the parent the aid treatment is more favorable under the federal calculation. The same $25,000 in a 529 account will only be assessed at a maximum of 5.64%, and sometimes it may not be assessed at all.
- Where to go for more information: www.savingforcollege.com

6. Parent's Assets and Extended Family's Assets

- Non retirement account parent assets impact FAFSA loan and grant eligibility, even if the parent will not financially help the adult child
- Parents' total reportable assets will vary depending upon the Expected Family Contribution methodology and from the reportable asset value savings (emergency reserve) allowance of about $15,000 to $25,000. This is subtracted to arrive at an available asset value. Parents are expected to use up to 5.64% (Federal) of those available assets each year on college. This is much less than the 20% expected of the student's assets. We have touched on this, but it needs to be repeated.

Parent's Assets

- HELOC- Home Equity Line Of Credit- Use home equity loan for supports
- Cash Value Life Insurance- This is usually a tax free loan available for supports
- Income- Cash Flow (lower discretionary spending) can be used for supports
- 401k- Don't pull from it as it takes an excluded asset for FAFSA purposes and makes it countable. Parents could potentially temporarily reduce 401k deferrals sufficient to create cash flow to fund supports (this may change FAFSA loan availability).
- Asset sales- Do it early in high school or late in college. Then it may not impact the aid math for Free Application for the Federal Student Aid calculation as well as outside grants and scholarships
- Savings- Use up assets saved for other purposes. One can purchase a car or other non-counted assets to reduce countable assets and potentially increase aid.
- Where to go for more information: http://www.finaid.org/fafsa/maximize.phtml

Grandparent's Assets and Others That Want to Help

- If Grandparents or other people invested in the success of the adult child pay for non-university affiliated supports there may be no FAFSA implication
- Distributions from grandparent-owned assets to pay traditional university costs (tuition, room, board, etc.) are technically considered a gift to the student, and treated as untaxed income for financial aid purposes. This can impact a student's aid eligibility by up to 50% of the distribution. So having an asset that is owned by the grandparent does not count as an asset in the student's EFC (Expected Family Contribution toward the cost of college), but if the grandparent makes a distribution to pay for college, that distribution will be considered untaxed income of the student when the student completes the aid forms the following year. This may reduce subsequent loans and grants.
- If Grandparents or non-family pay tuition in bulk it should be in the last year so there is no subsequent untaxed income FAFSA loan reduction implication.

7. FAFSA loans (Free Application for Federal Student Aid)

- Grant Reminder- As part of the FAFSA application process an undergrad may receive a Pell Grant. The maximum Federal Pell Grant award is currently $5,920 per year. The grant is purely financially need based.
- Grant Reminder- Federal Supplemental Educational Opportunity Grant (FSEOG): As part of the FAFSA a student may receive between $100 and $4,000 a year, depending on your financial need, the amount of other aid you get, and the availability of funds at your school.
- FAFSA should always be completed. Many colleges require it before consideration for their own aid programs. Many scholarships want the data provided in the FAFSA as well, though they may ask for more or less information.

FAFSA loan basics

- Students must report the same types of assets as parents, but students do not have a savings allowance, so 100% of the value of student-owned assets gets counted.
- Retirement assets such as 401k, 403b, IRAs, SEP, SIMPLE, Keogh, profit sharing, pensions and Roth IRAs are not included in the calculation of EFC. Assets that aren't in retirement accounts --- balances in checking, savings, CDs, brokerage accounts, money market, investment real estate, stocks, bonds, mutual funds, ETFs, commodities and 529 college savings and prepaid plans---do get included in the EFC formulas.
- This source pays directly to the college. If any added transition costs are bundled at the university level into the "cost of attendance" then this will incidentally be paying some supplemental college support costs.
- Where to go for more information: http://www.finaid.org/fafsa/maximize.phtml

8. Special Needs Trusts

- Individuals with special needs who may qualify for both Medicaid and Supplemental Security Income, may not receive these government benefits if their assets exceed $2,000
- A strategy: Place assets (including inheritance, gifts, life insurance, etc.) in a carefully drafted special needs trust
- Special Needs Trust Assets will supplement the needs of a dependent and will not jeopardize a beneficiary's eligibility for needs-based government assistance such as Medicaid and Supplemental Security Income (SSI), if properly established and administered within a certain trust arrangement.
- You should work with an attorney that is familiar with special needs and creating Special Needs Trusts.
- Where to go for more information: http://estate.findlaw.com/trusts/special-needs-trusts-faq-s.html

"First Party" Medicaid Payback Trust

- This could be used to pay for supplemental supports
- Self-settled first party trusts are available in limited circumstances. They are primarily set up by a Court.
- This is funded with assets that "touched" the beneficiary and were at one time his or her own assets
- After the beneficiary's death, the state is reimbursed for all Medicaid benefits paid to or for the beneficiary. This is called "payback."
- Trust does not provide for basic maintenance needs like food, clothing and shelter that are otherwise provided by government benefits
- This asset may be considered in the Expected Family Contribution math of FAFSA for the child for whom the trust was established. Most believe it shelters these funds from EFC for other children's FAFSA applications in the same household.

"Third Party" Special Needs Trust

- The assets in the trust can be used to pay for supplemental supports
- Dependent upon state law, the Trust can be set up by anyone
- Beneficiary and donor can be any age
- Donor sets up Trust by gifting into an Irrevocable Trust, or at death, as part of their estate plan (funded or unfunded)
- No need to pay back Medicaid if properly drafted
- Trust provides for remainder beneficiary
- Does not provide for basic maintenance needs like food, clothing and shelter that are otherwise provided by government benefits
- This asset may be considered in the Expected Family Contribution math of FAFSA for the child for whom the trust was established. However, most believe it would shelter these funds from EFC for other children's FAFSA applications in the same household.

9. ABLE Accounts (Achieving a Better Life Experience)

- Maximum annual contributions - limited to the annual IRS gift tax exclusion amount. (In 2016, the amount is $14,000)
- New states are creating plans each year and one can use any state's plan regardless of state residence (just like a 529)
- Maximum amount - currently $100,000 for SSI recipients
- If SSI recipient's ABLE account goes over $100k, SSI benefit is suspended until the account falls back below $100k. Does not affect Medicaid.
- Current guidance is that it will not be considered an asset for FAFSA. There has been no final determination. This is ironic as ABLE was enacted in 2014 and some students utilizing it are ostensibly already in college.
- Only one ABLE Account allowed per person
- Contributions can be made by anyone (beneficiary, family members, friends, etc.) and must be made in cash

ABLE Account Manager/Distributions

- Beneficiary or legal guardian manages the account
- If assets are spent on qualifying expenses the distribution is tax free
- "Qualified Disability Expenses"[4]:
    - Education (can be quite broad)
    - Housing (could be comprehensive supported housing)
    - Transportation
    - Employment training and support (vocational rehab)
    - Assistive technology and related services
    - Health
    - Prevention and wellness
    - Financial management and administrative services
    - Legal fees
    - Expenses for ABLE account oversight and monitoring
    - Funeral and burial, and
    - and basic living expenses (again quite broad)

Source: [4] Social Security Program Operations Manual System (POMS)- effective 10/19/2016-Present,, SI 01130.740 Achieving a Better Life Experience (ABLE) Accounts, URL: https://secure.ssa.gov/apps10/poms.nsf/lnx/0501130740

Eligibility and Payback For ABLE Accounts

- Must be blind or disabled prior to the age of 26.[3]
- If age criteria is met AND individual is already receiving SSI and/or SSDI benefits = automatically eligible
- The individual does not need to be currently receiving SSI benefits to qualify for ABLE
- A doctor's written assessment that the disabled individual has "marked and severe functional limitations" may be sufficient to qualify in some states
- ABLE Account requires a Medicaid payback (reimbursement) to the State(s) when the beneficiary dies:
  - For all that the State(s) paid for medical assistance after the establishment of the ABLE account
  - Including for 3rd party contributions (i.e. parents, grandparents, siblings, etc.), after the account was created
- Where to go for more information: http://www.ablenrc.org/about/what-are-able-accounts

Source:
[3] https://secure.ssa.gov/apps10/poms.nsf/lnx/0501130740

10. Supplemental Security Income (SSI)

- Provides cash to meet basic needs for food and shelter. This could be food and shelter in a college environment.
- For an adult child to qualify on his or her own record after age 18 an "impairment" must have begun before 22 and the individual must meet the definition of disability
- For our purposes SSI (Supplemental Security Income) is in the $735+/mo range. It varies from state to state as they may subsidize this to different extents. In most cases the individual must earn under $1,090 a month and have less than $2,000 in assets.

Summary 1-5

- 1. Assets in the adult child's name could be used for supports. However, their existence negatively impacts grants, loans, and needs based government benefits (SSI and Medicaid). Spend these first (preferably before college).
- 2. The FAFSA application is a starting point for access to many Scholarships and Grants. Many pay directly to the college and may not be available to directly pay for supports unless those supports are under the umbrella of the university.
- 3. Comprehensive Transition and Postsecondary Programs often bundle transition support costs into the program tuition fee. These programs are eligible for FAFSA loans and grants and do not require pursuit of a degree.
- 4. Research Self Directed Medicaid Waivers in the student's county of residence for potential aid for a myriad of uses. One must maintain state residency and therefore may pay higher out of state tuition for college education. These could pay supports.
- 5. The family may utilize a 529. Parent owned 529s are removed from the adult child's SSI consideration and are treated as a parental asset for FAFSA. These may or may not be able to pay for supports based on the nature of the support and the state.

Summary 6-10

- 6. Outside third parties (Grandparents, etc.) can pay for non-college affiliated outside supplemental supports without impacting FAFSA. If they pay for tuition it is an untaxed income stream and may reduce loans and grants in the subsequent year. To avoid this implication consider paying for any tuition after the last year's FAFSA application.
- 7. Parents should complete any large parent assets sales a few years before college or in last year of college so FAFSA (Free Application for Federal Student Aid) loans and grants avoid consideration of this income.
- 8. Utilize a Third Party Special Needs trust if warranted to shelter current and future assets from SSI and Medicaid consideration. It may remove assets from FAFSA consideration for non-trust beneficiary students. These assets can be used for transition supports.
- 9. Consider ABLE accounts for supports. These assets are removed from SSI/Medicaid consideration. They may be removed from loan/grant consideration as well. Be cognizant of the ABLE payback which may allow recapture of the remaining balance on death.
- 10. SSI can pay for food and shelter. This could cover some of "room and board."

A Final Thought

- Encourage families to share this general information "upstream" with friends and reach out for guidance early. By the time people reach college age it is "too late" for many strategies to be fully implemented. However, the strategies described here are merely an overview. Families need to consult qualified advisors before implementing these strategies to take into account their particular circumstances and avoid adverse consequences.

Thank You

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