

FINANCIAL PLANNING TIPS

QUICK AND ACTIONABLE IDEAS TO HELP IMPROVE YOUR FINANCIAL WELL-BEING



Planning for College

Timely tips for families when college is right around the corner.

If you have a child in high school, many of your conversations probably revolve around college planning.

It's right around the corner, and things start to pick up quickly: touring campuses, comparing tuition numbers, and hopefully your son or daughter is finding a place that feels like home.

While this is an exciting time for families, most parents are also asking themselves the same question: "How are we actually going to pay for this?"

The good news is that even when college is rapidly approaching, there are strategies to strengthen your ability to afford college. A thoughtful plan can set your child up for success and keep you from making costly financial mistakes.

This article covers the practical steps families can take as they prepare for the transition to college.

Completing the FAFSA

Even families who assume they will not qualify for financial aid should strongly consider completing the FAFSA.

The FAFSA, or Free Application for Federal Student Aid, helps colleges determine how much financial aid to grant a student by reviewing parent and student finances.

For parents, income is the largest factor. The formula starts with your income, then subtracts taxes along with a standard allowance for basic living costs based on household size. From there, it estimates your "expected family contribution". This amount is what a school will assume your family can "afford" to pay based on your income. The FAFSA also considers parents' savings and investments.

Keep in mind, retirement accounts and your primary residence do not get included in the calculation. Pro-tip – extra cash can be used to pay down a mortgage to remove these assets as countable resources.

Student finances are also considered, but they are treated differently. A larger portion of student income and assets are expected to go toward college compared to parent resources.

The FAFSA accounts for a family's complete financial situation to determine their "expected family contribution". The FAFSA application will deem the amounts to be covered by grants, scholarships, borrowed money, or funded out of pocket by the family.

Once that need is determined, the school typically provides a financial aid package to help cover the difference.

Let's review the difference between the different types of funding.

Grants

Grants are usually based on financial need and do not need to be repaid. The most common federal grant is the Pell Grant, which can provide up to \$7,395 per year.

Many states also offer their own grants. In New York, students may qualify for the Tuition Assistance Program (TAP), which can provide up to \$5,665 per year for eligible students attending schools in the state. By completing the TAP application, students are also automatically considered for the Excelsior Scholarship, which can cover remaining tuition at SUNY and CUNY schools after other grants and scholarships are applied for families with incomes up to \$125,000 per year.

In addition to federal and state programs, many colleges offer their own institutional grants to help reduce the remaining cost of attendance for students who demonstrate financial need.

CONSIDER THE FOLLOWING EXAMPLE:

John and Jennifer live in Rochester, NY with their child, Audrey. They earn \$150,000 per year and save \$10,000 into John's 401(k).

Last year they paid \$13,698 in federal taxes, \$11,475 in FICA taxes, and \$6,320 in New York State taxes.

The FAFSA does not expect families to use 100% of their remaining income for college. First, taxes are removed. Families are then given an allowance for basic living costs. For a family of three, that allowance is about \$34,350. For most families, this number is considerably lower than actual living costs.

After taxes and basic living expenses are removed, the remaining income is assessed using a bracket system, similar to income taxes. For John and Jennifer, about \$36,600 of their income is counted as available for college each year.

Assets are also reviewed. Money held in retirement accounts and the family's primary home is not counted.

Outside of their retirement accounts and home, John and Jennifer have \$20,000 in savings and \$100,000 invested in a joint brokerage account. Parent assets are typically assessed at about 5.29%, meaning roughly \$6,348 of their \$120,000 in savings and investments is considered available for college funding each year.

Student finances are treated differently.

Audrey works part time and earns \$5,000 per year. Because this is below the student income allowance of \$7,000, it is not counted.

She also has \$10,000 saved in her bank account. Student assets are typically assessed at about 20%, meaning roughly \$2,000 per year may be considered available for college funding each year.

After each factor has been taken into account, John and Jennifer's estimated contribution comes to about \$45,000 per year.

If Audrey attends Syracuse University, which costs about \$70,000 per year, the remaining \$25,000 is considered financial need. Colleges use this number to determine how much financial aid a student may be eligible to receive.



Scholarships

Scholarships are also funds that do not need to be repaid. Many schools offer their own scholarships based on factors such as academic performance, leadership, athletics, or other achievements.

Work Study

Some students may qualify for work study programs, which allow them to work part time in eligible on-campus jobs while attending school. The money is paid directly to the student to help cover college expenses and is not counted against them on future FAFSA applications.

Financial Aid

Financial aid packages also commonly include federal student loans. These loans are offered through the federal government and typically provide fixed interest rates and flexible repayment options. Some students may qualify for subsidized loans, where the government pays the interest while the student is in school, helping keep the loan balance from growing during that time.

Each school may offer a different combination of these options, which is why families often compare financial aid offers carefully when deciding where to enroll.

How Families Often Cover the Remaining Cost

Even after financial aid is applied, many families are still responsible for part of the cost of college. The remaining amount is often covered through a mix of family savings, outside scholarships, and sometimes student loans.

One opportunity many families overlook is outside scholarships.

Local businesses, employers, community foundations, and private groups often offer scholarships in the \$500 to \$2,000 range. These smaller awards usually receive far fewer applications than large national scholarships.

For students, applying for scholarships can be one of the highest paying uses of their time. A few hours spent filling out applications can translate into a meaningful contribution towards college costs.

If a gap still remains after savings, aid, and scholarships, families sometimes consider private student loans.

Private loans are offered through banks and other lenders and are typically used to cover the remaining balance after federal aid has been applied. These loans usually require a parent or another adult with credit to cosign.

Because private loans can become a long-term costly obligation, many families try to keep borrowing as low as possible. Most parents first look to savings, financial aid, and scholarships before turning to private loans to fill the remaining gap.



Tax Advantages That Can Help Reduce the Cost of College

There are several tax-advantaged strategies that can help families reduce the cost of college. Two of the most common are 529 college savings plans and education tax credits.

A 529 College Savings Plan allows families to save and invest money for college while receiving tax benefits. The money in the account grows tax-free, and withdrawals are also tax free when used for qualified education expenses such as tuition, fees, books, and some housing costs.

Many states also offer tax benefits for contributions. In New York, married couples can deduct up to \$10,000 per year in contributions to the state's 529 plan.

Families can also take advantage of a strategy known as "super-funding." This allows parents or grandparents to contribute up to five years' worth of annual gift exclusions into a 529 plan at once. In 2026, that means up to \$90,000 per individual, or \$180,000 for a married couple, can be contributed in a single year without triggering gift taxes. This can be a powerful way to jump start college savings early and maximize tax free growth over time.

Families can still benefit from a 529 plan even if their child is already in college. Parents can contribute money to the account and then use the 529 to pay for qualified expenses such as tuition, fees, books, supplies, and certain housing costs.

For example, a New York family could deposit \$10,000 into a 529 plan and then either write a check from the account directly to the school or pay the expense with other funds and reimburse themselves from the 529.

If the family is in a 5.25% New York state tax bracket, that \$10,000 contribution could create about \$525 in state tax savings.

Families may also qualify for federal education tax credits while their child is attending college.

The American Opportunity Tax Credit can provide up to \$2,500 per year per student during the first four years of undergraduate education. The credit applies to qualified expenses such as tuition, fees, and required course materials.

The credit is calculated as:

- 100% of the first \$2,000 spent
- 25% of the next \$2,000 spent

Families can receive the full \$2,500 credit if they spend at least \$4,000 on eligible expenses. Up to \$1,000 of the credit may be refundable, meaning families could receive that portion even if they owe little or no tax.

Another option is the Lifetime Learning Credit. This credit is worth 20% of up to \$10,000 in qualified education expenses, for a maximum credit of \$2,000 per year per tax return.



Unlike the American Opportunity Credit, the Lifetime Learning Credit can be used for graduate school, professional courses, or part time enrollment, and there is no limit on the number of years it can be claimed. It is important to choose the option that provides the greatest benefit, as families cannot claim both credits.

Taken together, these tax benefits can meaningfully reduce the cost of college. Families who understand how these programs work often save thousands of dollars over the course of a child's education.

When combined with financial aid, scholarships, and thoughtful planning, the cost of a degree can become much more manageable than it first appears.

Bringing it All Together

The cost of college continues to rise each year. Over the past decade, tuition has increased roughly 3 to 4 percent annually at most schools. Because of this, thoughtful planning can make a meaningful difference in how much families ultimately pay.

Financial aid, scholarships, tax credits, and savings strategies can all play a role in lowering the cost of a degree. Families who understand how these pieces work together often find that the true cost of college is lower than the sticker price.

Still, every situation is different. Income, savings, financial aid eligibility, and tax considerations all affect how a family chooses to pay for school. Just as important, college funding decisions should be made while keeping retirement savings and day to day financial goals in mind.

A clear plan can help families balance these priorities. The goal is not just to pay for college, but to do so in a way that supports long term financial stability.

If you would like help building a college funding strategy, our team would be happy to talk with you. We can help evaluate savings options, financial aid considerations, and tax strategies to determine an approach that fits your family's situation while still protecting your retirement and long term financial goals.

[Here's a link to schedule a Discovery call with our team.](#)

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