

## **Divorce is Major Factor in College Financing**

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*(Published in the Newport Daily News, June 20, 2009)*

This past week I was speaking with divorce attorneys on the benefits of pre-divorce financial planning and how the financial consequences of a particular settlement could make a large difference to their clients after the divorce is finalized. Often overlooked are the ramifications on college planning for the children of a divorcing couple. Family cash flow during the college years, financial aid, and the ability (or not) to meet the Estimated Family Contribution (EFC) are all factors that are heavily influenced by divorce and how the divorce is structured. Given some cooperation and planning by the divorcing parents, they and their student(s) may avoid costly mistakes and actually benefit from a properly-structured divorce settlement.

For financial aid calculations, most colleges (especially the public schools) usually only consider the "custodial family" of the student. This means the "non-custodial" parent living elsewhere may not have his/her income or assets as part of the aid calculations. (Private schools requiring the CSS Profile financial aid application will ask for the non-custodial parent's financials, however). There may be a significant difference in the financial resources between the two biological parents and ideally, the student could potentially benefit by being the custodial child of the parent with the lower income and assessable assets. Parents should be careful though, as a parent with higher income and assets may also have more obligations that may lower their net EFC below that of the other parent.

Although Rhode Island law does not require provisions for college payments by divorcing couples, many parents often negotiate such obligations into their agreement to make sure one or the other contributes toward college in the future. If their students apply to private schools, documenting such obligations may actually work against the family, since colleges often ask (on the Profile application) whether the parents are divorced and if there is such a provision in the divorce decree. If so, the college chosen will often ask for copies of the divorce decree and this could work against the student in qualifying for aid. Assuming both parents are truly earnest in meeting college costs for their children, it may be better to leave such obligations un-documented if financial aid could be realized in the future. (Of course, if there's a possibility someone will waltz on their promise, that's another consideration and one's attorney should certainly be consulted).

Many times, a student's chosen college(s) will request financial information on the non-custodial parent, who then balks and refuses to provide tax returns, asset and income information. This is due to fears the college may require contributions from that parent that were not part of the divorce agreement. What many parents fail to realize is that colleges only assess certain assets in the aid calculations and even then, the percentage of value actually assessed of those assets are very low; often only 3-4%. Home equity and retirement accounts are often not even a factor either.

If you are a divorced parent with college-bound children, it may be beneficial to put aside bitter memories and past conflicts and cooperate together to find the most efficient and cost-saving solutions to pay college costs. With open discussion and a little less ego-protection, divorcing parents might be able to give their children some financial benefits or even find some cost-savings for themselves in college financing. Such measures may go a long way in at least giving the children the best start possible in their own lives.

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