



Five Important Things You Should Know About Financial Aid

Consider these points when developing a savings strategy for your child's college education.

KEY INSIGHTS

- Trying to save for the full sticker price of your child's four-year college education can be daunting.
- Remember that most schools don't meet 100% of a family's financial need and that loans are often part of the financial aid package.
- Don't let the quest for financial aid eligibility deter you from saving. You don't often hear about people who are unhappy that they saved too much.



Roger Young, CFP®
Thought Leadership Director

Parents of young children receive a lot of advice about saving for college. Trying to cover the full sticker price can be overwhelming—even for an in-state public school. For most people, it makes sense to estimate how much financial aid your family might be eligible for when developing a savings strategy. As you factor financial aid into the total savings you will need, consider these five points.

1. Colleges probably expect you to pay more than you think you can afford.

The government and most colleges award financial aid based on your FAFSA—the Free Application for Federal Student Aid. The information you provide on your FAFSA determines your Student Aid Index (SAI). The SAI depends on many factors, with the most important being your family's income. If your SAI is less than a college's cost of attendance, the difference is considered your "need."

Starting with the 2024–2025 school year, the SAI replaces the previous metric, called the Expected Family Contribution (EFC). The new name is intended to convey that the number is a factor in determining financial aid, rather than the actual amount a family will be required to pay. There are several key changes from the EFC in the calculation of the SAI. Perhaps the largest change is that having a second student attending college at the same time would dramatically reduce the EFC for each student but would not affect the SAI at all. On the favorable side, cash support and amounts paid on behalf of a student (for example, from a grandparent) are no longer added to income. In addition, the calculation of income no longer adds back pretax contributions to workplace retirement plans such as 401(k) plans. Overall, the new FAFSA significantly simplifies preparation of the form, particularly for families that might qualify for Pell grants.

Estimated Student Aid Index for a Family of Four, 2024–2025 School Year

		Total value of parents' cash and nonretirement investments (\$)								
		–	25,000	50,000	75,000	100,000	125,000	150,000	175,000	200,000
Parents' Adjusted Gross Income (\$)	60,000	(495)	265	1,025	1,785	2,545	3,305	4,124	4,974	5,935
	80,000	3,042	3,892	4,775	5,745	6,797	7,917	9,178	10,487	11,997
	100,000	7,806	9,106	10,490	12,000	13,510	15,020	16,530	18,040	19,550
	120,000	14,527	16,037	17,547	19,057	20,567	22,077	23,587	25,097	26,607
	140,000	21,140	22,650	24,160	25,670	27,180	28,690	30,200	31,710	33,220
	160,000	27,753	29,263	30,773	32,283	33,793	35,303	36,813	38,323	39,833
	180,000	34,366	35,876	37,386	38,896	40,406	41,916	43,426	44,936	46,446
	200,000	40,979	42,489	43,999	45,509	47,019	48,529	50,039	51,549	53,059
	220,000	47,442	48,952	50,462	51,972	53,482	54,992	56,502	58,012	59,522
	240,000	53,867	55,377	56,887	58,397	59,907	61,417	62,927	64,437	65,947
	260,000	60,251	61,761	63,271	64,781	66,291	67,801	69,311	70,821	72,331
	280,000	66,594	68,104	69,614	71,124	72,634	74,144	75,654	77,164	78,674
	300,000	73,112	74,622	76,132	77,642	79,152	80,662	82,172	83,682	85,192

The table shows SAI based on 2022 family income on the left and certain assets at the top. Those assets can include cash, stocks, bonds, mutual funds, and other investments, as well as the value of real estate other than your primary home and any business ownership. It excludes retirement accounts (such as an IRA or 401(k)), but 529 college savings accounts are included. Assumptions that affect SAI: The student is a dependent, has assets equal to 2% of the parents' assets, and has income below \$8,800. The family has no non-work income or other assets for FAFSA purposes. The family uses the married filing jointly status and standard deduction for federal income tax.

Source: T. Rowe Price calculations based on the 2024–25 FAFSA® Pell Eligibility and SAI Guide:
<https://fsapartners.ed.gov/sites/default/files/2024-01/20242025FAFSAPellEligibilityandSAIGuide.pdf>
 See the Appendix for additional estimates, including different family sizes and for single parents.

For example, based on the SAI formula, a hypothetical dual-income family of four earning \$140,000 with \$50,000 saved in a 529 college savings plan (or other nonretirement accounts) would have an SAI of around \$24,000. (See “Estimated Student Aid Index for a Family of Four” and the appendices for more information). At a private college costing \$60,000 per year, this family would have \$36,000 of need. At an in-state public college with a \$24,000 annual cost, their need would be zero. The SAI amount may surprise you and could be a higher portion of your annual income than you would expect.

Keep in mind that accumulating more savings doesn't increase your SAI nearly as much as increasing your income. At most, only 5.64% of additional assets are

added to the SAI. An increase in income, on the other hand, can raise your SAI by as much as 47%.

2. Colleges may not give you the amount of financial aid you need.

Fewer than 10% of four-year colleges meet 100% of their students' demonstrated financial need, according to the College Board. Their data suggest that many meet less than 75% of financial need. Even then, the exact amount can vary widely from student to student. Be conservative in estimating how much need-based aid your family will receive.

“Save what you can and work toward a plan that enables your child to graduate.

— Roger Young, CFP®
Thought Leadership Director

3. Financial aid provided includes loans.

Your aid package is not necessarily “free money”—loans can represent a large part of your overall financial aid, especially for families with significant income. In fact, federal loans accounted for 25% of financial aid for undergraduates in 2022–2023, according to the College Board.¹ So, even if a college offers financial aid equal to your need, your family could still ultimately have to pay more than your SAI. Saving more now can help you limit the number of loans you may need to take in the future.

4. Your child may not receive large merit or athletic scholarships.

Merit scholarship offers can be very hard to predict. Some colleges regularly give out scholarships as a form of discounting, while others don't offer any. Meanwhile, athletic scholarships are primarily offered at Division I schools

and generally don't provide a full ride for most sports.

5. Rely on your numbers instead of hypothetical amounts.

There are tools available that can help you estimate your financial aid and the amount you may need to save each month. To get more specific with your estimates, check out the online net price calculator (NPC) provided by each college. Just enter your financial data (anonymously, if you wish), and you'll receive an estimated financial aid package for that school. Results from the NPC can then inform your inputs into a savings calculator, such as the [T. Rowe Price College Savings Planner](#).

If a calculator suggests what seems to be an unrealistic amount, don't despair. Save what you can and work toward a plan that enables your child to graduate. And whatever you do, don't let the quest for financial aid eligibility [deter you from saving](#).

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¹ Figure SA-3 in “Trends in College Pricing and Student Aid 2023”: <https://research.collegeboard.org/media/pdf/Trends%20Report%202023%20Updated.pdf>

Appendix 1

Estimated Student Aid Index for a Household with One Dependent, 2024–2025 School Year

		Total value of parents' cash and nonretirement investments (\$)								
Single Parent's Adjusted Gross Income (\$)		-	25,000	50,000	75,000	100,000	125,000	150,000	175,000	200,000
	60,000	65	825	1,585	2,345	3,105	3,910	4,760	5,702	6,678
	80,000	3,178	4,028	4,933	5,903	6,982	8,102	9,395	10,743	12,253
	100,000	7,286	8,523	9,823	11,315	12,825	14,335	15,845	17,355	18,865
	120,000	13,229	14,739	16,249	17,759	19,269	20,779	22,289	23,799	25,309
	140,000	19,654	21,164	22,674	24,184	25,694	27,204	28,714	30,224	31,734
	160,000	26,458	27,968	29,478	30,988	32,498	34,008	35,518	37,028	38,538
	180,000	33,466	34,976	36,486	37,996	39,506	41,016	42,526	44,036	45,546
	200,000	39,834	41,344	42,854	44,364	45,874	47,384	48,894	50,404	51,914
	220,000	46,008	47,518	49,028	50,538	52,048	53,558	55,068	56,578	58,088
	240,000	52,026	53,536	55,046	56,556	58,066	59,576	61,086	62,596	64,106
	260,000	57,917	59,427	60,937	62,447	63,957	65,467	66,977	68,487	69,997
	280,000	63,809	65,319	66,829	68,339	69,849	71,359	72,869	74,379	75,889
	300,000	69,701	71,211	72,721	74,231	75,741	77,251	78,761	80,271	81,781

		Total value of parents' cash and nonretirement investments (\$)								
Married Parents' Adjusted Gross Income (\$)	27,958	-	25,000	50,000	75,000	100,000	125,000	150,000	175,000	200,000
	60,000	1,283	2,043	2,803	3,594	4,444	5,368	6,338	7,441	8,582
	80,000	5,179	6,184	7,304	8,510	9,810	11,265	12,775	14,285	15,795
	100,000	11,268	12,778	14,288	15,798	17,308	18,818	20,328	21,838	23,348
	120,000	18,325	19,835	21,345	22,855	24,365	25,875	27,385	28,895	30,405
	140,000	24,938	26,448	27,958	29,468	30,978	32,488	33,998	35,508	37,018
	160,000	31,551	33,061	34,571	36,081	37,591	39,101	40,611	42,121	43,631
	180,000	38,164	39,674	41,184	42,694	44,204	45,714	47,224	48,734	50,244
	200,000	44,776	46,286	47,796	49,306	50,816	52,326	53,836	55,346	56,856
	220,000	51,239	52,749	54,259	55,769	57,279	58,789	60,299	61,809	63,319
	240,000	57,664	59,174	60,684	62,194	63,704	65,214	66,724	68,234	69,744
	260,000	64,048	65,558	67,068	68,578	70,088	71,598	73,108	74,618	76,128
	280,000	70,391	71,901	73,411	74,921	76,431	77,941	79,451	80,961	82,471
	300,000	76,909	78,419	79,929	81,439	82,949	84,459	85,969	87,479	88,989

See page 2 for disclosure and assumptions. However, the table for a single parent reflects the single tax filing status.

Appendix 2

Estimated Student Aid Index for a Household with Two Dependents, 2024–2025 School Year

		Total value of parents' cash and nonretirement investments (\$)								
Single Parent's Adjusted Gross Income (\$)		-	25,000	50,000	75,000	100,000	125,000	150,000	175,000	200,000
	60,000	780	1,540	2,300	3,060	3,873	4,723	5,675	6,663	7,783
	80,000	3,990	4,905	5,875	6,967	8,095	9,395	10,760	12,270	13,780
	100,000	8,523	9,823	11,333	12,843	14,353	15,863	17,373	18,883	20,393
	120,000	14,757	16,267	17,777	19,287	20,797	22,307	23,817	25,327	26,837
	140,000	21,182	22,692	24,202	25,712	27,222	28,732	30,242	31,752	33,262
	160,000	27,985	29,495	31,005	32,515	34,025	35,535	37,045	38,555	40,065
	180,000	34,993	36,503	38,013	39,523	41,033	42,543	44,053	45,563	47,073
	200,000	41,362	42,872	44,382	45,892	47,402	48,912	50,422	51,932	53,442
	220,000	47,536	49,046	50,556	52,066	53,576	55,086	56,596	58,106	59,616
	240,000	53,553	55,063	56,573	58,083	59,593	61,103	62,613	64,123	65,633
	260,000	59,445	60,955	62,465	63,975	65,485	66,995	68,505	70,015	71,525
	280,000	65,337	66,847	68,357	69,867	71,377	72,887	74,397	75,907	77,417
	300,000	71,229	72,739	74,249	75,759	77,269	78,779	80,289	81,799	83,309

		Total value of parents' cash and nonretirement investments (\$)								
Married Parents' Adjusted Gross Income (\$)		-	25,000	50,000	75,000	100,000	125,000	150,000	175,000	200,000
	60,000	(495)	265	1,025	1,785	2,545	3,305	4,124	4,974	5,935
	80,000	3,042	3,892	4,775	5,745	6,797	7,917	9,178	10,487	11,997
	100,000	7,806	9,106	10,490	12,000	13,510	15,020	16,530	18,040	19,550
	120,000	14,527	16,037	17,547	19,057	20,567	22,077	23,587	25,097	26,607
	140,000	21,140	22,650	24,160	25,670	27,180	28,690	30,200	31,710	33,220
	160,000	27,753	29,263	30,773	32,283	33,793	35,303	36,813	38,323	39,833
	180,000	34,366	35,876	37,386	38,896	40,406	41,916	43,426	44,936	46,446
	200,000	40,979	42,489	43,999	45,509	47,019	48,529	50,039	51,549	53,059
	220,000	47,442	48,952	50,462	51,972	53,482	54,992	56,502	58,012	59,522
	240,000	53,867	55,377	56,887	58,397	59,907	61,417	62,927	64,437	65,947
	260,000	60,251	61,761	63,271	64,781	66,291	67,801	69,311	70,821	72,331
	280,000	66,594	68,104	69,614	71,124	72,634	74,144	75,654	77,164	78,674
	300,000	73,112	74,622	76,132	77,642	79,152	80,662	82,172	83,682	85,192

See page 2 for disclosure and assumptions. However, the table for a single parent reflects the single tax filing status.

Appendix 3

Estimated Student Aid Index for a Household with Three Dependents, 2024–2025 School Year

		Total value of parents' cash and nonretirement investments (\$)								
		-	25,000	50,000	75,000	100,000	125,000	150,000	175,000	200,000
Single Parent's Adjusted Gross Income (\$)	60,000	(998)	(238)	522	1,282	2,042	2,802	3,562	4,403	5,272
	80,000	2,097	2,857	3,670	4,520	5,472	6,460	7,580	8,763	10,063
	100,000	5,672	6,763	7,891	9,191	10,555	12,065	13,575	15,085	16,595
	120,000	10,959	12,469	13,979	15,489	16,999	18,509	20,019	21,529	23,039
	140,000	17,384	18,894	20,404	21,914	23,424	24,934	26,444	27,954	29,464
	160,000	24,188	25,698	27,208	28,718	30,228	31,738	33,248	34,758	36,268
	180,000	31,196	32,706	34,216	35,726	37,236	38,746	40,256	41,766	43,276
	200,000	37,564	39,074	40,584	42,094	43,604	45,114	46,624	48,134	49,644
	220,000	43,738	45,248	46,758	48,268	49,778	51,288	52,798	54,308	55,818
	240,000	49,755	51,265	52,775	54,285	55,795	57,305	58,815	60,325	61,835
	260,000	55,647	57,157	58,667	60,177	61,687	63,197	64,707	66,217	67,727
	280,000	61,539	63,049	64,559	66,069	67,579	69,089	70,599	72,109	73,619
	300,000	67,431	68,941	70,451	71,961	73,471	74,981	76,491	78,001	79,511

		Total value of parents' cash and nonretirement investments (\$)								
		-	25,000	50,000	75,000	100,000	125,000	150,000	175,000	200,000
Married Parents' Adjusted Gross Income (\$)	60,000	(1,500)	(1,400)	(653)	107	867	1,627	2,387	3,147	3,917
	80,000	1,362	2,122	2,882	3,684	4,534	5,473	6,443	7,563	8,726
	100,000	5,283	6,307	7,427	8,654	9,954	11,434	12,944	14,454	15,964
	120,000	10,941	12,451	13,961	15,471	16,981	18,491	20,001	21,511	23,021
	140,000	17,554	19,064	20,574	22,084	23,594	25,104	26,614	28,124	29,634
	160,000	24,167	25,677	27,187	28,697	30,207	31,717	33,227	34,737	36,247
	180,000	30,780	32,290	33,800	35,310	36,820	38,330	39,840	41,350	42,860
	200,000	37,393	38,903	40,413	41,923	43,433	44,943	46,453	47,963	49,473
	220,000	43,856	45,366	46,876	48,386	49,896	51,406	52,916	54,426	55,936
	240,000	50,281	51,791	53,301	54,811	56,321	57,831	59,341	60,851	62,361
	260,000	56,665	58,175	59,685	61,195	62,705	64,215	65,725	67,235	68,745
	280,000	63,008	64,518	66,028	67,538	69,048	70,558	72,068	73,578	75,088
	300,000	69,526	71,036	72,546	74,056	75,566	77,076	78,586	80,096	81,606

See page 2 for disclosure and assumptions. However, the table for a single parent reflects the single tax filing status.

Appendix 4

Estimated Student Aid Index for a Household with Four Dependents, 2024–2025 School Year

Single Parent's Adjusted Gross Income (\$)	Total value of parents' cash and nonretirement investments (\$)									
	-	25,000	50,000	75,000	100,000	125,000	150,000	175,000	200,000	
	60,000	(1,500)	(1,400)	(1,157)	(397)	363	1,123	1,883	2,643	3,403
	80,000	419	1,179	1,939	2,699	3,463	4,313	5,199	6,169	7,225
	100,000	3,580	4,430	5,400	6,409	7,529	8,739	10,039	11,499	13,009
	120,000	7,723	9,023	10,393	11,903	13,413	14,923	16,433	17,943	19,453
	140,000	13,798	15,308	16,818	18,328	19,838	21,348	22,858	24,368	25,878
	160,000	20,602	22,112	23,622	25,132	26,642	28,152	29,662	31,172	32,682
	180,000	27,609	29,119	30,629	32,139	33,649	35,159	36,669	38,179	39,689
	200,000	33,978	35,488	36,998	38,508	40,018	41,528	43,038	44,548	46,058
	220,000	40,152	41,662	43,172	44,682	46,192	47,702	49,212	50,722	52,232
	240,000	46,169	47,679	49,189	50,699	52,209	53,719	55,229	56,739	58,249
	260,000	52,061	53,571	55,081	56,591	58,101	59,611	61,121	62,631	64,141
280,000	57,953	59,463	60,973	62,483	63,993	65,503	67,013	68,523	70,033	
300,000	63,845	65,355	66,865	68,375	69,885	71,395	72,905	74,415	75,925	

		Total value of parents' cash and nonretirement investments (\$)								
		-	25,000	50,000	75,000	100,000	125,000	150,000	175,000	200,000
Married Parents' Adjusted Gross Income (\$)	60,000	(1,500)	(1,400)	(1,300)	(1,200)	(1,003)	(243)	517	1,277	2,037
	80,000	(508)	252	1,012	1,772	2,532	3,292	4,109	4,959	5,918
	100,000	3,027	3,877	4,758	5,728	6,777	7,897	9,154	10,459	11,969
	120,000	7,402	8,660	9,966	11,476	12,986	14,496	16,006	17,516	19,026
	140,000	13,559	15,069	16,579	18,089	19,599	21,109	22,619	24,129	25,639
	160,000	20,172	21,682	23,192	24,702	26,212	27,722	29,232	30,742	32,252
	180,000	26,785	28,295	29,805	31,315	32,825	34,335	35,845	37,355	38,865
	200,000	33,398	34,908	36,418	37,928	39,438	40,948	42,458	43,968	45,478
	220,000	39,861	41,371	42,881	44,391	45,901	47,411	48,921	50,431	51,941
	240,000	46,286	47,796	49,306	50,816	52,326	53,836	55,346	56,856	58,366
	260,000	52,670	54,180	55,690	57,200	58,710	60,220	61,730	63,240	64,750
	280,000	59,013	60,523	62,033	63,543	65,053	66,563	68,073	69,583	71,093
300,000	65,531	67,041	68,551	70,061	71,571	73,081	74,591	76,101	77,611	

See page 2 for disclosure and assumptions. However, the table for a single parent reflects the single tax filing status.

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