

Blended Families Should Plan Early for Their Kids' College Financial Aid

Finances for blended families – one of the fastest-growing demographics in the United States – can be complicated. The needs of stepchildren may fall into direct conflict with one's own, and aside from the many financial entanglements that result from previous marriages or partnerships, college planning is a particular area where couples should seek help.

Why? Because more than 60 percent of all college students now apply for some form of financial aid, and those numbers will go higher as college costs rise. Add that to the sometimes conflicted financial goals within families with children from previous marriages and relationships, and a couple's financial picture may become a source of considerable strain based on negotiations with former spouses over the welfare of children from previous relationships.

That's why both tax experts and financial planners should be consulted before couples remarry – to address the host of financial issues blended families face. In particular, individuals with children from a previous marriage should think through how college will be funded for their own children as well as any children born after the remarriage.

Here are several key issues that soon-to-be remarried individuals should consider with regard to planning for college:

Divorce agreements should spell out college support: By the time individuals are planning to remarry, a divorce may be long past. But in cases where a divorce may be pending before remarriage, couples may have the opportunity to secure adequate college support if state laws allow that as part of a settlement. Even if the children are very young, support agreements should always look ahead to the years when the child heads to college, not only to make sure that the education is properly funded, but to spell out those financial responsibilities for each divorcing spouse.

Preuptial agreements should too: Even if a remarrying couple has very small children, it makes particular sense to look to the future when the children of this blended family are heading for school. In many situations, it's common for remarrying spouses to shoulder the full burden of the blended family's college expense. But a prenuptial agreement – a financial agreement made by two individuals planning to marry -- can do two things. It can look into the past and document existing agreements with ex-spouses to pay for college expenses and other financial support and it can look into the future to do contingency planning for the kids in case this marriage ends up in divorce as well.

Get advice about the FAFSA: On January 1 each year, students become eligible to file their Free Application for Federal Student Aid (FAFSA) online for the coming school year. This process can get very confusing in blended families because parent-child relationships determine the level of financial responsibility and the potential for aid. In some cases, it might be wiser for a couple *not* to marry while children are still receiving financial aid in college, so it is critical for divorced spouses to get advice on this issue. Colleges will determine financial aid packages on the custodial and financial profile of parents based on any of the following parental scenarios:

- The parent who had provided the majority financial support to the child during the past

- 12 months.
- The parent who supplied more than half of the child's support and pledges to continue to do so.
 - The parent who has legal custody of the child.
 - The parent who claimed the child as a dependent on their taxes.
 - The parent who provided the most financial support to the child during the most recent calendar year.
 - The parent with the greater documented income.

College financial aid is tough enough for traditional families to navigate. A financial planner with specific expertise in navigating financial aid issues as well as your overall financial picture can help you make the best choices in preparing your application for college aid.

Remember that if the parent who provided financial support was single, divorced or widowed but has since remarried, the student will have to submit the stepparent's financial information. While this information will be evaluated, it doesn't legally obligate the stepparent to provide financial assistance.

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