



## **Reporting and Verifying Asset Information**

### **Definition of Assets and Net Worth**

An asset is property owned by the family that has an exchange value. A student and/or parent does not report assets such as a car, a stereo, clothes, or furniture. A family's principal place of residence is not reported as an asset. Net worth means current value minus debt owed.

### **\_\_\_ Investments Value**

Investments include a wide range of investment items, including trust funds, UGMA and UTMA accounts, money-market funds, certificates of deposit, stocks, stock options, bonds, other securities, Coverdell savings accounts, 529 college savings plans, the refund value of 529 state prepaid tuition plans, installment and land sale contracts (including mortgages held), commodities, and precious and strategic metals. Investment value includes the market value of these investments as of today. Investment debt means only those debts that are related to the investments.

### **\_\_\_ Real Estate and/or Rental Properties**

Real estate includes second or summer homes or rental properties the student or the parent owns. A student should report the net value of these properties as of the date the application is signed. Sometimes the student or parent claims that rental properties represent a business. Generally, rental properties must be reported as real estate rather than as business assets. To be reported as a business, a rental property would have to be part of a formally recognized business. Usually such a business would provide additional services, such as regular cleaning, linen, or maid service.

### **\_\_\_ Business (Corporation/S-Corporation/Partnership)**

A student should report the net worth (current market value of a business minus debt owed) including the value of land, buildings, machinery, equipment, inventories, and the like. The student should report the net value of the business as of the date the application was signed. Note that when current market value for a business is reported, it must be the amount the business can sell for as of the date of the application. Also, if the student or parent is not the sole owner of the business, he or she should report only his or her share of the value and the debt. **Do not include** the value of a small business that you (your spouse and/or your parents) own and control and that has 100 or fewer full-time equivalent employees.

### **\_\_\_ Trust Funds**

Trust funds in the name of a student, spouse, or parent should be reported as that person's asset on the application. As a general rule, the applicant must report the trust as an asset, even if the beneficiary's access to the trust is restricted. If the settler of a trust has voluntarily placed restrictions on the use of the trust, then the student should report the present value of the trust as an asset. If a trust has been restricted by court order the student should not report it as an asset. An example of such a restricted trust is one set up by court order for the victim of a car accident.

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### \_\_\_\_ **Interest Earned from Trust Funds**

If a student, spouse, or parent receives only the interest from the trust, any interest received in the base year must be reported as income. The student, spouse, or parent who will receive only the trust principal must report the present value of his or her right to the trust principal as an asset.

If the student, spouse, or parent receives both the interest and the principal from the trust, the student should report the present value of both interest and principal. If the trust is set up so that the interest accumulates within the trust until the trust ends, the beneficiary should report as an asset the present value of the funds (both interest and principal) that he or she is expected to receive when the trust ends.

### \_\_\_\_ **Part Ownership of Assets**

If the parent or student has only part ownership of an asset, the student should report only the owned part. Generally the value of an asset and debts against it should be divided equally by the number of people who share ownership, unless the share of the asset is determined by the amount invested or the terms of the arrangement specify some other means of division.

### \_\_\_\_ **Investment Farm**

When reporting the net worth (current market value of an investment farm minus debt owed) of your farm, the student should include the value of the land, buildings, machinery, equipment, livestock, and inventories. The farm debt reported should include the unpaid mortgage and related debts, as well as any loan for which farm assets were used as collateral. The student should not report a family farm as an asset. Neither is a family farm, if the farm is the principal place of residence, and the family claims the farm on Schedule F of the tax return, say that they "materially participated in the farm's operation." In certain instances, however, even if the family farm is incorporated and the family files a corporate return instead of the IRS Schedule F, the value and debt of the farm are not reported on the FAFSA. In such cases, the applicant must show evidence that family members own all shares of stock in the corporation and that those family members also reside on the farm.

### **Assets not Reported**

Pensions and whole life insurance are not counted as assets for application purposes. Of course, when the income from a pension is distributed to the beneficiary, either as a lump sum or in incremental distribution, the income must be reported. The cash value or built-up equity of a life insurance policy (often referred to as a whole-life policy).

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