



PERSONAL FINANCE

Getting divorced? Don't forget to talk about how you will pay for your kids' college

- Some states require parents to address how they will pay for college in divorce decrees.
- Regardless of your home state's rules, experts say that divorcing parents should work out an agreement about college for their children.
- Divorce and remarrying can have an impact on financial aid eligibility, and some schools will require financial information from both parents.

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Divorce throws a wrench in many long-term plans, from savings to retirement and beyond. If you're divorcing and have children, even if they are young, you should also consider the impact the end of your marriage will have on their college plans.

Some states require divorcing couples to address how they will pay for their children's college education in their divorce papers. The clause does not require that one or both parents pay for college, but that they come to an agreement about what contributions they will make to higher education for their offspring.

Spell it all out

There are two courses of action, if you live in a state that has such a clause, said **Lili Vasileff, author of "Money & Divorce: The Essential Roadmap to**

Mastering Financial Decisions." You can reach an agreement with your former spouse, or you can leave the decision to the court.

"You either decide on it now or you kick the can down the road," **Vasileff said.** If you have very young children, it can be difficult to plan for something that will happen nearly two decades in the future.

Either way, you should make sure that your agreement includes clear language about your intentions, **Vasileff said.**

"Try to avoid taking the other party back to court," **said Vasileff.** "If you can't commit to a financial contribution in the future, put that. It becomes a legal order."

If you are ready to put an agreement on contributions in writing, make sure that you define where the money will come from (especially if you've set up plans, such as a 529) and what it will cover.

Acceptable expenses should be listed, including tuition, room and board, meal plans, cell phones, laptops and books.

Address 'what ifs'

Your agreement should also address "what ifs," said **Vasileff.**

Those include the child taking a gap year, studying abroad or not even attending college. What happens to the college money in such cases should be clear.

Another thing to consider is the age at which your home state says that child support obligations end. In many states, that age is 18 or 21, usually before a student would graduate from a four-year institution.

Thus, it makes sense for parents to include in their agreement that they will both continue support through graduation, said Curt Arnel, an attorney who specializes in divorce and family law and practices in New York.

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-Lili Vasileff, author of "Money & Divorce: The Essential Roadmap to Mastering Financial Decisions."

In most states, parents will look at the cost of state universities to establish cost guidelines, Arnel said. They can also include in the agreement that neither parent has a financial obligation until the child exhausts loans, scholarships and any college savings.

Even if you live in a state that doesn't require this kind of planning in the event of divorce, you should not forget to have the conversation while negotiating the end of the marriage, said Lina Guillen, an attorney and editor of nolo.com.

The last thing you want to happen is to end up years down the road asking the other parent for support and not having any recourse.

"It's essential to think about it and have it on the list of things to discuss," said Guillen. "Especially these days, it's more and more popular for kids to go to college."

Divorce impacts aid eligibility

Another part of college planning affected by divorce is financial aid eligibility. If your children are already in college or are within two years of attending, you'll want to make sure you understand at least the basics of how aid is calculated. Here are some things to consider.

1. Who is the custodial parent?

On the Free Application for Federal Student Aid, or FAFSA, the paperwork that must be filed to get federal aid, only one parent's information is required, said Mark Kantrowitz, financial aid expert and publisher of SavingForCollege.com. That parent is called the custodial parent, he said, and should not be confused with the parent who actually has legal custody.

The custodial parent is whom the child lived with the most over the last year, or whichever parent provides more support. If you are separating, divorcing or divorced, it is in your best interest to know ahead of time who will be considered the custodial parent — their income will be the one used to determine financial aid eligibility.

"All it takes is one day's difference," said Kantrowitz. "You have control over which parent is going to be the custodial parent."

The College Scholarship Service or CSS Profile, used by some schools to determine financial aid and scholarships, requires information from both parents, said Kantrowitz.

2. Who owns the 529?

Once you've determined who is the custodial parent, another thing to consider is who owns any 529 college savings plans, Kantrowitz said. If a plan is owned by anyone other than the custodial parent or the child, it is counted differently and can reduce financial aid eligibility by as much as half, said Kantrowitz.

"It's best to make sure you have all your ducks lined up in a row," he said.

3. College administrators have the power.

Remember that you cannot game the system, and if you switch which person is listed as the custodial and noncustodial parent, a college is within its rights to ask for your divorce decree. Financial aid administrators have many tricks to figure out if parents are lying, Kantrowitz said.

"There's no appeal beyond the financial aid administrator," said Kantrowitz.

Getting remarried

If you are considering marrying again and your children are near college, in college, or both parties have children from previous relationships, it's a good idea

to look over how your marriage could change financial aid eligibility for your kids.

In the eyes of most states, the income of a new spouse would generally not factor in to child support. However, financial aid does not follow the same rules. If you remarry, your income may be counted against your new spouse's children's aid, or vice versa. A prenuptial agreement will not help you, Kantrowitz said.

Guidelines for federal student aid "has rules irrespective of a prenuptial agreement," Kantrowitz said. "That's an agreement between two individuals that is not binding on a third party like the federal government."

Keep focus on the kids

"Children whose parents are divorced or separated are less likely to go to college and less likely to graduate — tension is part of that," said Kantrowitz.

The percentage of college students with parents who are married has generally declined in the last few decades, according to data from the National Postsecondary Student Aid Study. An increasing number of parents are single, divorced, separated, widowed or unmarried but living together.

For many parents, the rules of financial aid is a black box, Kantrowitz said. They don't take the time to learn about it and are surprised when it does not go their way. A little planning can go a long way.

"Even if you hate each other, both of you love your kids, so at least try to cooperate in regards to that so that your child isn't hurt in the process," said Kantrowitz.



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