

# Understanding College Financial Aid and Paying for College

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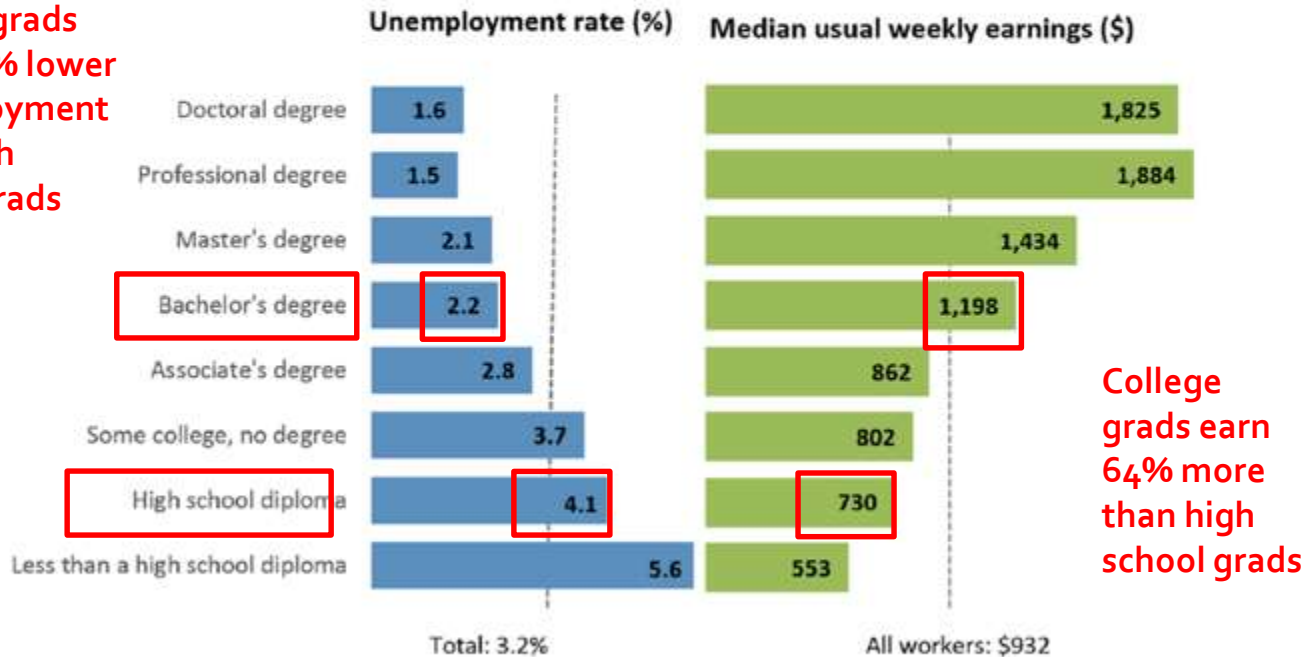
# College Costs, But it Pays

UNITED STATES DEPARTMENT OF LABOR

BUREAU OF LABOR STATISTICS

### Unemployment rates and earnings by educational attainment, 2018

College grads have 46% lower unemployment than high school grads



College grads earn 64% more than high school grads

Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.  
Source: U.S. Bureau of Labor Statistics, Current Population Survey.

# Agenda

## Assessing Where You Might Get Aid

	<b>Need-Based Aid (Grants)</b>	<b>Merit-Based Aid (Scholarships)</b>
<b>Assess Your Profile</b>	<b>Income and Assets</b>	<b>GPA, Test Scores, Rank</b>
<b>How You Compare to Other Applicants</b>	<b>EFC</b>	<b>Middle 50% at a Given College (25th - 75th %)</b>
<b>Assess How College Awards Aid</b>	<b>Percent of Need Met</b>	<b>Percent of Students Receiving Institutional Aid</b>

## Deciding What You Can Afford

- What is the true, total cost: Net price of a degree
- What resources do you have to pay the cost: Savings & Income
- How much will you have to borrow
- Is the amount of debt reasonable

# Net Price: Real Cost of College



Sticker (17-18)	\$31,044	\$65,818	\$69,440	\$71,790
Average Gift Aid	\$11,394	\$32,667	\$30,550	\$31,855
<b>Average Net Price, Aided Students</b>	<b>\$19,650</b>	<b>\$33,151</b>	<b>\$38,890</b>	<b>\$39,935</b>
Percent Aided	59%	98%	86%	43%
<b>Average Net Price, All Students</b>	<b>\$24,322*</b>	<b>\$33,804</b>	<b>\$43,167</b>	<b>\$58,092</b>

\* Excludes non-resident impact

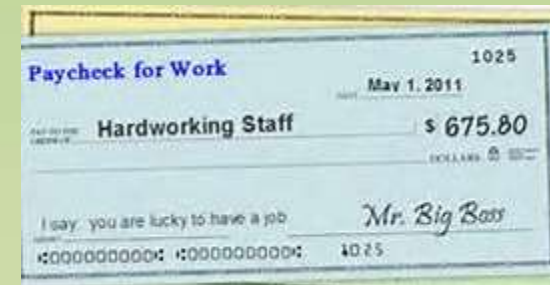
- It doesn't matter what colleges charge ...
- What matters is what you pay ...
- Your **Net Price** = College's COA minus your gift aid

# Types of Financial Aid

- Gift Aid (free money) – *reduces* cost
  - **Grants**: Need-based aid
  - **Scholarships**: Merit-based aid



- Self-help – *manages* cost
  - **Work/Study** – Earned as you go
  - **Loans** – Must be repaid with interest



# Interpreting Award Letter

FORM(S) OF ASSISTANCE	FALL 2013	SPRING 2014	SUMMER 2014	TOTAL AWARD
<i>ANTICIPATED ENROLLMENT</i>				
Tuition & Fees			\$32,375	\$1,600.00
Federal Pell Grant				\$300.00
██████████ State Grant			\$14,100	\$9,000.00
██████████ Supplemental Grant			\$700	\$3,500.00
Direct Subsidized Stafford Loan			\$2,590	\$2,000.00
Direct Unsubsidized Stafford Loan			\$49,765	\$4,000.00
██████████ College Grant				\$1,800.00
Federal Work Study				
<b>TOTALS</b>	<b>\$11,100.00</b>	<b>\$11,100.00</b>		<b>\$22,200.00</b>

Tuition & Fees	\$32,375	\$1,600.00
Room & Board	\$14,100	\$300.00
Books & Supplies	\$700	\$9,000.00
Transportation & Other	\$2,590	\$3,500.00
<b>Cost of Attendance</b>	<b>\$49,765</b>	<b>\$4,000.00</b>
less: Gift Aid	\$14,900	\$1,800.00
<b>Net Price</b>	<b>\$34,865</b>	

Semester Enrollment Status Definitions: 12 or more credits is Full-time; 9 - 11 credits is 3 / 4 Time (Q); 6 - 8 credits is Half-time; 1 - 5 credits is Less than 1 / 2 Time.

## What's missing?

- The list price
- Your real cost (net price)

Gift Aid	\$14,900
Loans	\$ 5,500
Work/Study	\$ 1,800

# Gift Aid



- **Need-based aid (grants)**
  - Family income & assets
  - Primary application: FAFSA <http://fafsa.gov>
  - FAFSA required for gift aid & loans at all US colleges
  - Supplemental application: CSS Profile  
<http://student.collegeboard.org/css-financial-aid-profile>
  - Profile required for college-funded gift aid at about 150 colleges
- **Merit-based aid (scholarships)**
  - Grades (GPA), test scores, class rank
  - Often awarded automatically with admission, sometimes requires additional application

# Need-Based Aid: Grants

- Need = COA – EFC = Potential eligibility, not aid
- COA = Cost Of Attendance:
  - Tuition & Fees
  - Room & Board
  - Books & Supplies
  - Transportation & Other
- EFC = “Expected Family Contribution”
- College aid policies vary, range from none to full need based on FAFSA or Profile EFC
- EFC estimator: <https://bigfuture.collegeboard.org/pay-for-college/paying-your-share/expected-family-contribution-calculator>
- Knowing your EFC helps, but it’s not enough
- Each college defines its idea of “need”



# EFC: Determines Need-aid Eligibility

Two EFC formulas – FAFSA & Profile – but same basic approach

	Parent(s)	Student
Income	Parent Contribution from Income (AGI + untaxed) <b>47% max</b>	Student Contribution from Income (AGI + untaxed) <b>50%</b>
Assets	Parent Contribution from Assets <b>5.64% max</b>	Student Contribution from Assets <b>20-25%</b>
	Parent Contribution	Student Contribution

$$PC + SC = EFC$$

# PC from Income

	<b>FAFSA</b>	<b>Profile</b>
<b>Add: Taxable Income</b>	AGI	AGI
<b>Add: Untaxed Income</b>	Retirement contributions, Child support received, VA benefits, Workers comp, Disability	FAFSA items plus: TANF, Untaxed social security, EIC, Business loss & depreciation, Flexible spending accounts
<b>Less: Exclusions</b>	Child support paid, Combat pay	Child Support Paid
<b>Less: Allowances</b>	Taxes paid, Minimal living costs	FAFSA items plus: Medical expenses, Tuition for pre-college siblings
<b>Equals: Available Income</b>	Assessed at <b>22-47%</b> , Highest rate at about \$35K	Assessed similar to FAFSA but highest rate at higher income

# PC from Assets

	<b>FAFSA</b>	<b>Profile</b>
<b>Assets Counted</b>	Cash & investments, Real estate <u>except</u> main home, Business if over 100 employees, Trusts, 529 plans	FAFSA items plus: Businesses less than 100 employees, Home equity (value less debt), Assets in siblings' names
<b>Less: Allowances</b>	Modest savings allowance	Similar to FAFSA, modest allowance
<b>Equals: Available Assets</b>	Assessed at 12% of income assessment rate; <u>maximum</u> is <b>5.64%</b>	Similar to FAFSA
<b>Assets <u>NOT</u> Counted</b>	Personal property, Qualified retirement savings, Life insurance	Same as FAFSA
<b>Notes</b>	Student-owned 529s count as <u>parent</u> asset	Student-owned 529s usually count as <u>parent</u> asset, Asset values may be imputed

# Student Contribution

	<b>FAFSA</b>	<b>Profile</b>
<b>Income</b>	All parent income items <u>plus</u> gifts and bills paid on student's behalf, after \$6,840 allowance assessed at <b>50%</b>	Same income items as FAFSA, assessed at parent(s)' marginal assessment rate
<b>Assets</b>	All parent asset items <u>except</u> student-owned 529s (which count as parent asset), assessed at <b>20%</b>	All parent asset items <u>except</u> student-owned 529s (which usually count as parent asset), assessed at <b>25%</b>
<b>Notes</b>		Most colleges have minimum "summer earnings expectation" of about \$2,200

# Special Cases

- Multiple siblings in college: PC “shared” among siblings
- Special circumstances: College financial aid office may adjust EFC in hardship cases such as loss of job, unusual medical expenses
- Divorced/separated parents:
  - FAFSA includes custodial parent only, plus that parent’s spouse if applicable
  - Profile looks at both biological/adoptive parents and each one’s spouse if applicable

# Finding Colleges that Meet Need

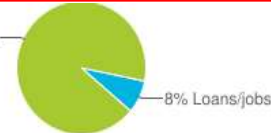
<https://bigfuture.collegeboard.org/college-search>

## Colby College

Waterville, ME

92% Scholarships/grants

**100%**  
% of need met



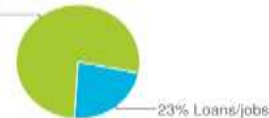
$100\% \times 92\% = 92\%$  of need met with gift aid

## Boston University

Boston, MA

78% Scholarships/grants

**91%**  
% of need met



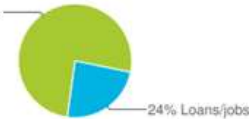
$91\% \times 78\% = 71\%$  of need met with gift aid

## New York University

New York, NY

76% Scholarships/grants

**65%**  
% of need met



$65\% \times 76\% = 49\%$  of need met with gift aid

## University of Connecticut

Storrs, CT

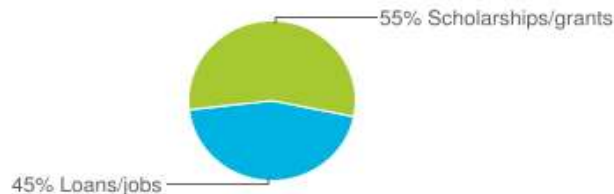
Cost of Attendance

How to Apply for Financial Aid

Financial Aid By the Numbers

Scholarships

### Financial Aid Distribution



Undergraduate aid typically awarded as shown

**58%**  
% of need met

**94%**  
% of freshmen with need who received financial aid

**\$15,617**

Average 1st year financial aid package

Financial aid can include grants, loans, scholarships and work-study jobs. Every student's financial aid package varies depending on individual circumstances.

$58\% \times 55\% = 32\%$  of need met with gift aid

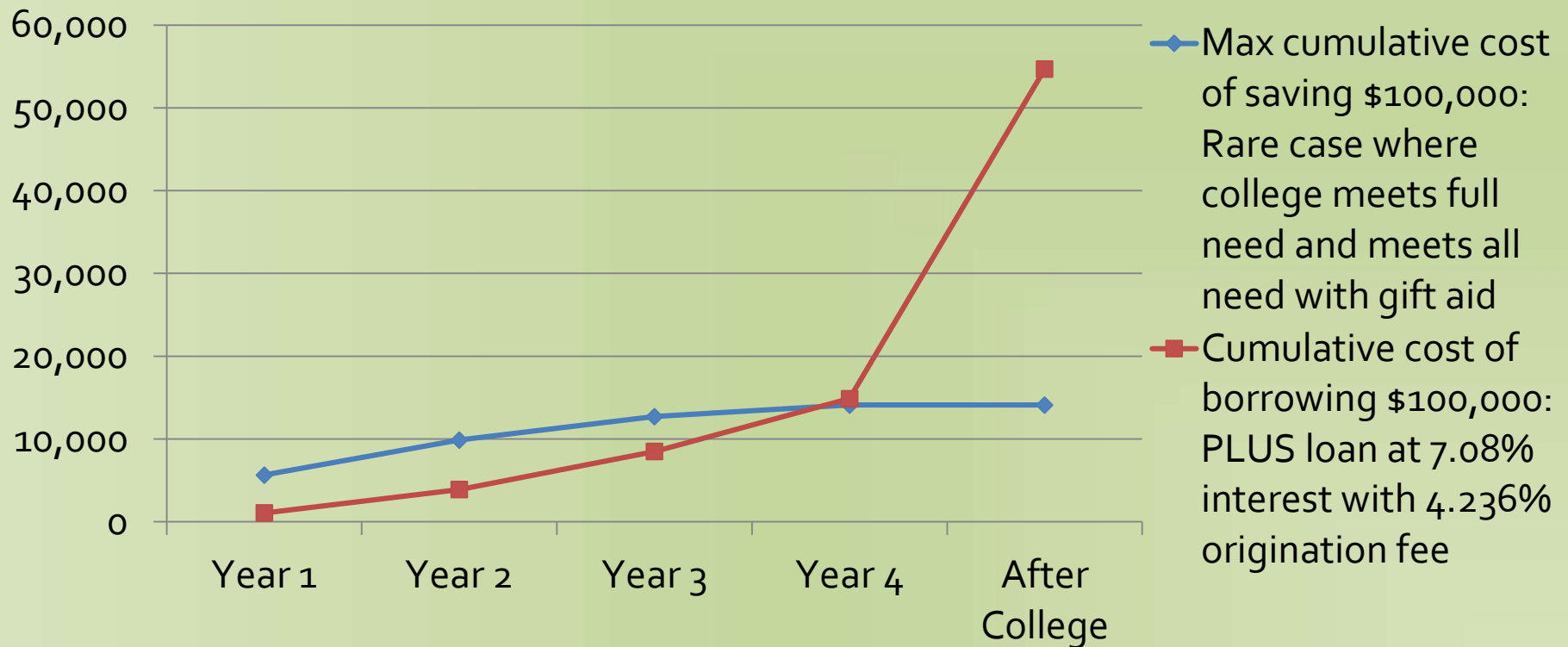
These are averages – they give an idea of where to look, but they don't tell your true cost

# Myth #1: The Debt Myth

- Many people assume that debt will be factored into the EFC calculation
- Unsecured debt – like credit card and education loans – is never counted
- Debt is only counted if it directly secures an assessable asset
- Home mortgage debt counts only if the college uses the Profile

# Myth #2: The Savings Myth

- Savings counted in EFC, so people think it doesn't pay to save
- Loans cost much more than saving





# FAFSA & Profile Dates

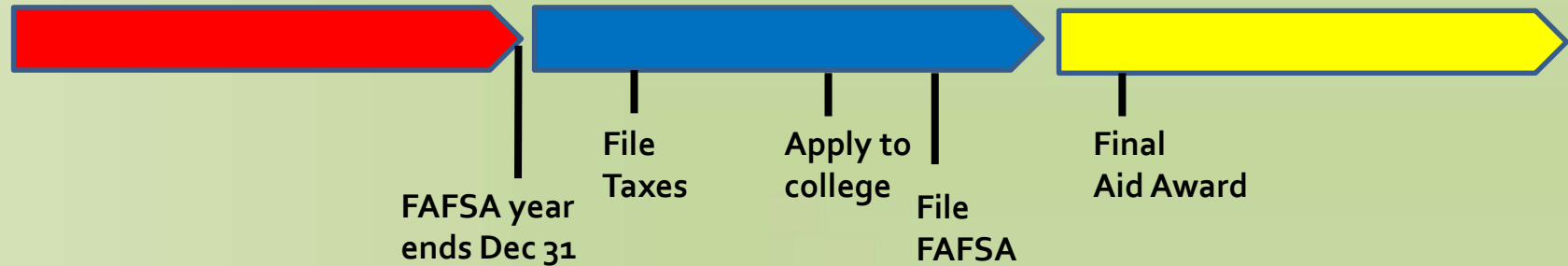
## New FAFSA & Profile Timing

Starting with high school class of 2017

**2 Years Before Enrollment**  
FAFSA Base Year

**1 Year Before Enrollment**  
Apply Year

**Enrollment Year**  
Start College in Fall



- Assets valued as of filing date

# 4-Year FAFSA Dates – Seniors

- For seniors who will graduate in June 2020 – college class of 2024
- Most people file taxes months before FAFSA, so importing tax data usually easy

Year in College	Base income year for FAFSA	Student's status during income year	Data from IRS becomes available	FAFSA becomes available	Asset value date for FAFSA
1st year of college begins fall 2020	2018	Spring grade 10 & Fall grade 11	Soon after filing, deadline Apr 15, 2019	October 1, 2019	Filing date, eg Oct 2019
2nd year of college begins fall 2021	2019	Spring grade 11 & Fall grade 12	Soon after filing, deadline Apr 15, 2020	October 1, 2020	Filing date, eg Oct 2020
3rd year of college begins fall 2022	2020	Spring grade 12 & Fall freshman year	Soon after filing, deadline Apr 15, 2021	October 1, 2021	Filing date, eg Oct 2021
4th year of college begins fall 2023	2021	Spring freshman year & Fall sophomore year	Soon after filing, deadline Apr 15, 2022	October 1, 2022	Filing date, eg Oct 2022

- Grandparent payments count as untaxed income, but not relevant after December of student's sophomore year of college (end of final FAFSA year)

# 4-Year FAFSA Dates – Juniors

- For juniors who will graduate in June 2021 – college class of 2025
- Most people file taxes months before FAFSA, so importing tax data usually easy

Year in College	Base income year for FAFSA	Student's status during income year	Data from IRS becomes available	FAFSA becomes available	Asset value date for FAFSA
1st year of college begins fall 2021	2019	Spring grade 10 & Fall grade 11	Soon after filing, deadline Apr 15, 2020	October 1, 2020	Filing date, eg Oct 2020
2nd year of college begins fall 2022	2020	Spring grade 11 & Fall grade 12	Soon after filing, deadline Apr 15, 2021	October 1, 2021	Filing date, eg Oct 2021
3rd year of college begins fall 2023	2021	Spring grade 12 & Fall freshman year	Soon after filing, deadline Apr 15, 2022	October 1, 2022	Filing date, eg Oct 2022
4th year of college begins fall 2024	2022	Spring freshman year & Fall sophomore year	Soon after filing, deadline Apr 15, 2023	October 1, 2023	Filing date, eg Oct 2023

- Grandparent payments count as untaxed income, but not relevant after December of student's sophomore year of college (end of final FAFSA year)

# 4-Year FAFSA Dates – Sophomores

- For sophomores who will graduate in June 2022 – college class of 2026
- Most people file taxes months before FAFSA, so importing tax data usually easy

Year in College	Base income year for FAFSA	Student's status during income year	Data from IRS becomes available	FAFSA becomes available	Asset value date for FAFSA
1st year of college begins fall 2022	2020	Spring grade 10 & Fall grade 11	Soon after filing, deadline Apr 15, 2021	October 1, 2021	Filing date, eg Oct 2021
2nd year of college begins fall 2023	2021	Spring grade 11 & Fall grade 12	Soon after filing, deadline Apr 15, 2022	October 1, 2022	Filing date, eg Oct 2022
3rd year of college begins fall 2024	2022	Spring grade 12 & Fall freshman year	Soon after filing, deadline Apr 15, 2023	October 1, 2023	Filing date, eg Oct 2023
4th year of college begins fall 2025	2023	Spring freshman year & Fall sophomore year	Soon after filing, deadline Apr 15, 2024	October 1, 2024	Filing date, eg Oct 2024

- Grandparent payments count as untaxed income, but not relevant after December of student's sophomore year of college (end of final FAFSA year)

# 4-Year FAFSA Dates – 9<sup>th</sup> Graders

- For 9<sup>th</sup> graders who will graduate in June 2023 – college class of 2027
- Most people file taxes months before FAFSA, so importing tax data usually easy

Year in College	Base income year for FAFSA	Student's status during income year	Data from IRS becomes available	FAFSA becomes available	Asset value date for FAFSA
1st year of college begins fall 2023	2021	Spring grade 10 & Fall grade 11	Soon after filing, deadline Apr 15, 2022	October 1, 2022	Filing date, eg Oct 2022
2nd year of college begins fall 2024	2022	Spring grade 11 & Fall grade 12	Soon after filing, deadline Apr 15, 2023	October 1, 2023	Filing date, eg Oct 2023
3rd year of college begins fall 2025	2023	Spring grade 12 & Fall freshman year	Soon after filing, deadline Apr 15, 2024	October 1, 2024	Filing date, eg Oct 2024
4th year of college begins fall 2026	2024	Spring freshman year & Fall sophomore year	Soon after filing, deadline Apr 15, 2025	October 1, 2025	Filing date, eg Oct 2025

- Grandparent payments count as untaxed income, but not relevant after December of student's sophomore year of college (end of final FAFSA year)

# When to File the FAFSA

- File early, but Oct 1 is not a deadline
- If applying ED, file with application deadline
- Check each college to verify deadlines
- Assets: consider filing when value is low
- You need to say on the FAFSA and Profile what colleges get the information
  - Another reason to make college list early
  - Easy to send to colleges later, but don't forget
  - Easy to revise FAFSA, harder with Profile

# The Business of College

Students focus on acceptance rate – the percentage of applicants who are admitted

Colleges focus on yield rate – the percentage of admitted students who enroll

College	Accept	Yield	Inst Aid %
Harvard	5%	82%	55%
Wesleyan	16%	38%	41%
Northeastern	19%	23%	72%
Boston Univ.	22%	25%	51%
U Conn	49%	22%	59%
Muhlenberg	62%	21%	88%
Ohio Wesleyan	69%	14%	100%
Susquehanna	72%	15%	99%

Colleges discount price with financial aid to compete for yield

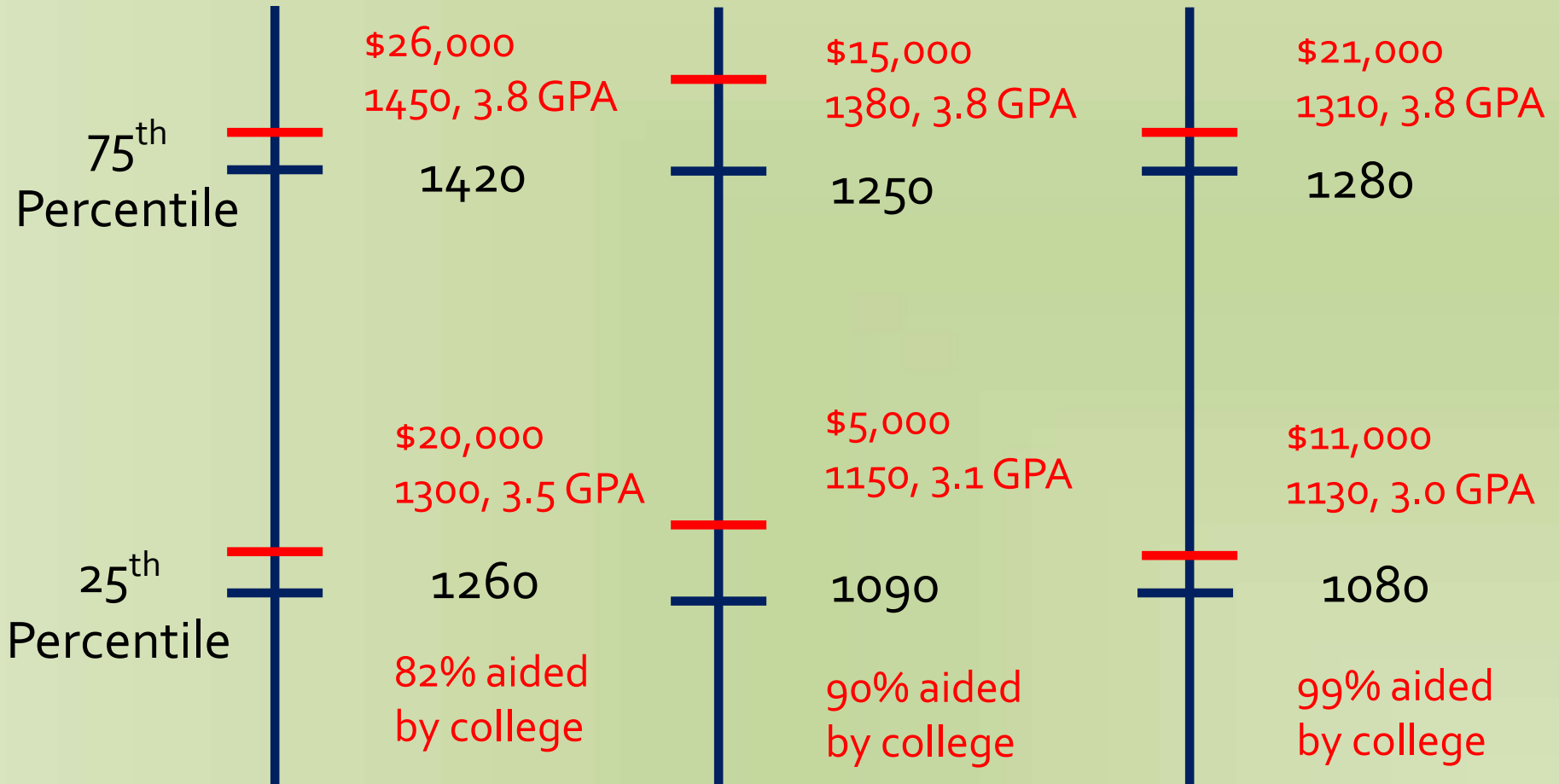
# Merit Aid: Scholarships

- Factors: HS GPA, class rank, test scores
- Most prevalent at private colleges, more publics awarding merit now too
- Highest awards go to strongest students relative to the school's other applicants
- Highest merit aid at your safety schools
- College aid policies vary, range from no merit to primarily merit
- Transfers often get less merit aid

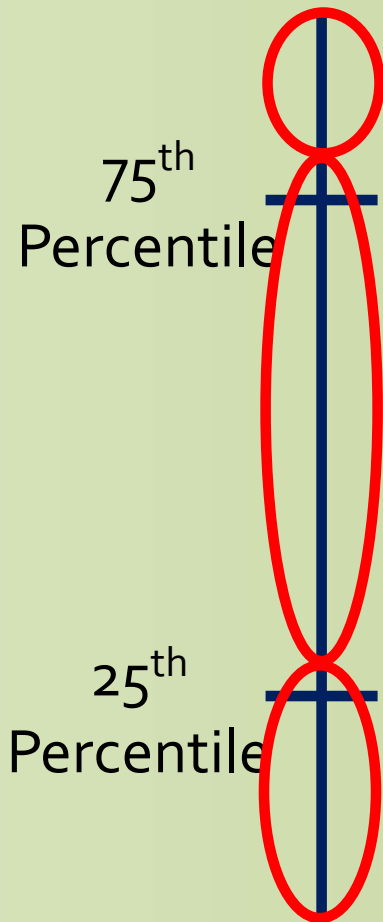


# Merit Aid Examples

Reading &  
Math  
Test Scores



# Merit Aid Generalizations



If a college uses merit aid the best chances for large awards are when you are above the college's 75<sup>th</sup> percentile

If a college uses merit aid the awards *may* phase out when you are around the college's 25<sup>th</sup> percentile

But colleges that compete for students *may* award merit aid to nearly everyone

# Which Colleges Award Merit Aid

<http://nces.ed.gov/collegenavigator/>

FINANCIAL AID Gettysburg

UNDERGRADUATE STUDENT FINANCIAL AID, 2017-2018

Full-time Beginning Undergraduate Students

- Beginning students are those who are entering postsecondary education for the first time.

TYPE OF AID	NUMBER RECEIVING AID	PERCENT RECEIVING AID	TOTAL AMOUNT OF AID RECEIVED	AVERAGE AMOUNT OF AID RECEIVED
Institutional grants or scholarships	591	82%	\$18,073,640	\$30,581

FINANCIAL AID Washington (MD)

UNDERGRADUATE STUDENT FINANCIAL AID, 2017-2018

Full-time Beginning Undergraduate Students

- Beginning students are those who are entering postsecondary education for the first time.

TYPE OF AID	NUMBER RECEIVING AID	PERCENT RECEIVING AID	TOTAL AMOUNT OF AID RECEIVED	AVERAGE AMOUNT OF AID RECEIVED
Institutional grants or scholarships	354	96%	\$9,757,542	\$27,564

If institutional grants & scholarships percent is

- Over 60-65% it's likely college uses merit aid
- Over 80% it's highly likely college uses merit aid

# Where Might You Get Merit Aid?

Find colleges where your SAT is near the higher end of the range – example 1150

US News has SAT info

School (State) (*Public)	Average first-year student retention rate	2015 graduation rate		% of classes under 20 ('15)	% of classes of 50 or more ('15)	SAT/ACT 25th-75th percentile ('15)	Freshmen in top 10% of HS class ('15)	Acceptance rate ('15)
		Predicted	Actual					
University of New Mexico*	79%	53%	47%	55%	10%	19-25	N/A	50%
Andrews University (MI)	79%	51%	54%	69%	3%	20-27	17% <sup>5</sup>	39%
Azusa Pacific University (CA)	85%	62%	68%	60%	2%	950-1180	25% <sup>4</sup>	81%
University of Maine*	← 78%	57%	55%	41%	17%	960-1210	← 19%	91%
West Virginia University*	77%	58%	57%	50%	14%	21-27	20% <sup>5</sup>	86%
Widener University (PA)	75%	50%	57%	59%	1%	930-1120	12% <sup>5</sup>	68%
Pace University (NY)	← 77%	57%	52%	49%	2%	940-1160 <sup>2</sup>	← 7%	84%
Robert Morris University (PA)†	81%	49%	58%	51%	3%	940-1150	18%	78%
Suffolk University (MA)†	← 75%	50%	56%	42%	0.2%	910-1120 <sup>2</sup>	← 1%	82%
University of Hartford (CT)†	74%	57%	60%	70%	1%	940-1160	N/A	64%
Bowling Green State University (OH)*	74%	50%	56%	41%	9%	20-25	12%	76%
University of Houston*	85%	57%	51%	28%	24%	1050-1250	30%	60%
Western Michigan University*	76%	51%	54%	38%	10%	19-25	13%	82%
Indiana U.-Purdue U.-Indianapolis*	72%	51%	45%	37%	11%	890-1120	15%	70%
Lesley University (MA)†	← 78% <sup>8</sup>	54%	54%	75%	0%	960-1170	← 15% <sup>5</sup>	69%
University of Alabama-Huntsville*	79%	67%	49%	45%	9%	24-30	31% <sup>5</sup>	81%
University of Colorado-Denver*	72%	58%	46%	36%	9%	20-25	31% <sup>4</sup>	67%
Montana State University*	76%	61%	52%	43%	14%	21-28	18%	83%
Old Dominion University (VA)*	← 81%	51%	53%	36%	10%	920-1140	← 8%	83%
Univ. of Missouri-Kansas City*	72%	64%	52%	55%	11%	21-28	32%	63%
Ashland University (OH)	74%	56%	57%	59%	0%	20-25	18%	74%
New Mexico State University*	74%	45%	42%	47%	11%	18-24	19%	65%
Shenandoah University (VA)†	77%	50%	54%	61%	2%	870-1123	15%	82%
Tennessee Technological Univ.†	74%	57%	53%	41%	11%	21-27	33%	68%
Univ. of Massachusetts-Boston*	79%	56%	42%	42%	6%	950-1160	N/A	69%
Univ. of Massachusetts-Dartmouth*†	← 76%	55%	46%	37%	11%	920-1130	← 13%	76%
Univ. of Missouri-St. Louis*	77%	57%	41%	51%	6%	21-27	29%	76%
U. of North Carolina-Greensboro*	76%	52%	56%	25%	24%	940-1110	13%	59%

# Summary: Need- or Merit Discounts

Type (Private)	Elite	Near-elite	Mid-market	Other
Endowment	Very strong	Strong	Weak	Minimal
Admit Policy	Need Blind	Need Aware	-	-
Aid Policy	Full Need	Full Need	Gap	Gap
Need Grants	Nearly Full	Nearly Full	Some	Minimal
Form	Profile	Profile	FAFSA, Both	FAFSA
Early Decision	Significant	Significant	Some	N/A
Selectivity	Extreme	High	Mid	Low
Merit Aid	Little/None	Little	Significant	Almost all
Examples	Stanford Amherst Bowdoin	Colby Bates Conn College	Gettysburg Washington Wheaton (MA)	Anna Maria Curry Defiance

About 80 - 100 colleges

About 2,000 colleges

# Find Your Cost – Net Price Calculators

NPCs tell your personalized Cost of Attendance (“sticker” price before financial aid), Gift Aid, and the Net Price

All colleges must have an NPC, but not all are reliable

Good & bad NPCs – more questions means more reliable

Find any NPC: <http://collegecost.ed.gov/netpricecenter.aspx>

**Remember:**

Cost of Attendance  
- Gift Aid  
= Net Price

Net Price is COA  
(Cost of Attendance)  
minus Gift Aid **G**

COA is:

- 1 Tuition & Fees
- 2 Room & Board
- 3 Books & Supplies
- 4 Transportation & Other

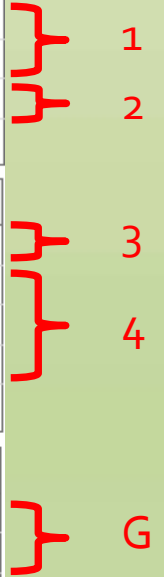
Direct Educational Expenses:	Fall	Spring	Your Total
Tuition	\$15,378	\$15,378	\$30,756
Fees	\$190	\$190	\$380
Housing & Meals (on campus)	\$6,139	\$6,139	\$12,278
<b>Total Paid to SNHU:</b>	<b>\$21,707</b>	<b>\$21,707</b>	<b>\$43,414</b>

Other Expenses:	Fall	Spring	Your Total
Books & Supplies	\$600	\$600	\$1,200
Transportation	\$275	\$275	\$550
Personal Expenses	\$2,586	\$2,586	\$5,172
Loan Fees	\$50	\$50	\$100
<b>Total Other Expenses:</b>	<b>\$3,511</b>	<b>\$3,511</b>	<b>\$7,022</b>

Grants and Scholarships:	Fall	Spring	Your Total
Quill Scholarship	\$7,000	\$7,000	\$14,000
Residential Scholarship	\$1,000	\$1,000	\$2,000
<b>Total Grants &amp; Scholarships:</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$16,000</b>

Results:	Fall	Spring	Your Total
Educational Expenses	\$21,707	\$21,707	\$43,414
Other Expenses	\$3,511	\$3,511	\$7,022
(less) Financial Aid	-\$8,000	-\$8,000	-\$16,000
<b>Your Estimated Net Price: ?</b>	<b>\$17,218</b>	<b>\$17,218</b>	<b>\$34,436</b>

Self-Help Aid	Fall	Spring	Your Total
Your Net Price	\$17,218	\$17,218	\$34,436
(less) Federal Subsidized Loan <sup>®</sup>	-\$1,750	-\$1,750	-\$3,500
(less) Federal Unsubsidized Loan <sup>®</sup>	-\$1,000	-\$1,000	-\$2,000
<b>Estimated Out-of-Pocket Cost:</b>	<b>\$14,468</b>	<b>\$14,468</b>	<b>\$28,936</b>



# Myth #3: The NPC Myth

- Many people think they can't use NPCs until their FAFSA or taxes are complete
- Not true – NPCs can be used anytime

## Freshmen / Sophomore

No test scores  
Guess using grades  
Estimate finances

## Junior / Senior

PSAT / SAT scores  
Recent grades  
Estimate finances



## Spring of Senior Year

### Award Letter

Final scores  
Almost all grades  
FAFSA / Profile

## Summer Before College

### Final Bill

Final scores  
Grades on transcript  
Verified FAFSA



# Net Price Profile – Shenandoah

Shenandoah COA: \$47K	A to A+ 1400+	A- to A 1300	B to B+ 1200	B- to B 1100	C ≤1000
EFC: 65K	Merit: \$14-20K Need: \$0K Net Price: \$33K	Merit: \$14K Need: \$0K Net Price: \$33K	Merit: \$11K Need: \$0K Net Price: \$36K	Merit: \$7.5K Need: \$0K Net Price: \$40K	Merit: \$3K Need: \$0K Net Price: \$44K
EFC: 40K	Merit: \$13-20K Need: \$0K Net Price: \$33K	Merit: \$14K Need: \$0K Net Price: \$33K	Merit: \$10K Need: \$0K Net Price: \$36K	Merit: \$7.5K Need: \$0K Net Price: \$40K	Merit: \$3K Need: \$0.5K Net Price: \$44K
EFC: 25K	Merit: \$14-20K Need: \$0K Net Price: \$33K	Merit: \$14K Need: \$0K Net Price: \$33K	Merit: \$11K Need: \$0K Net Price: \$36K	Merit: \$7.5K Need: \$0.2K Net Price: \$39K	Merit: \$3K Need: \$4.3K Net Price: \$40K
EFC: 15K	Merit: \$14-20K Need: \$2.4K Net Price: \$31K	Merit: \$14K Need: \$2.0K Net Price: \$31K	Merit: \$11K Need: \$5.0K Net Price: \$31K	Merit: \$7.5K Need: \$4.7K Net Price: \$35K	Merit: \$3K Need: \$7.6K Net Price: \$36K
EFC: 7.5K	Merit: \$14-20K Need: \$6.2K Net Price: \$27K	Merit: \$14K Need: \$4.6K Net Price: \$28K	Merit: \$11K Need: \$7.6K Net Price: \$28K	Merit: \$7.5K Need: \$7.5K Net Price: \$32K	Merit: \$3K Need: \$10.9K Net Price: \$33K
EFC: 2.5K	Merit: \$14-20K Need: \$8.7K Net Price: \$24K	Merit: \$14K Need: \$6.9K Net Price: \$26K	Merit: \$11K Need: \$9.9K Net Price: \$26K	Merit: \$7.5K Need: \$9.4K Net Price: \$30K	Merit: \$3K Need: \$12.6K Net Price: \$31K

Hampden-Sydney    Need policy: Moderate    Merit policy: Extensive    Mid 50% SAT: 880 - 1120    Admission probability profile: Strong, Possible, Unlikely    Grid estimates: Merit aid, Need aid, Net price

# Compare Net Price Side-by-Side

Don't exclude the student's favorites, just make sure to include some affordable choices

Make sure the academic and social environment is a good fit

This example shows a student with a need-profile resulting in EFC of 15K and merit-profile based on B- to B grades and 1100 SAT (reading & math)

Roger Williams	Shenandoah	West Virginia U	Wheaton (MA)	Bowdoin	U Conn Stamford (at home)
COA: \$54K Merit: \$10K Need: \$3.4K Net Price: \$41K	COA: \$47K Merit: \$7.5K Need: \$4.7K Net Price: \$35K	COA: \$42K Merit: \$7K Need: \$4K Net Price: \$31K	COA: \$62K Merit: \$12.5K Need: \$30.5K Net Price: \$23K	COA: \$71K Merit: \$0K Need: \$53K Net Price: \$18K	COA: \$16K Merit: \$0K Need: \$0K Net Price: \$16K

Admission probability profile

Strong	Possible	Unlikely
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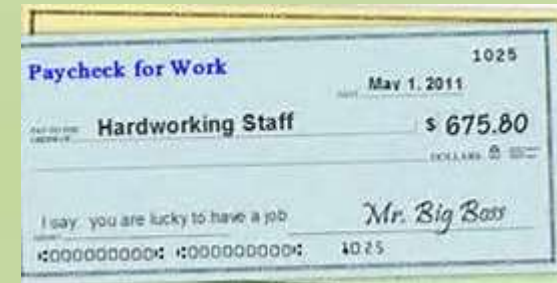
# Paying the Net Price

- Net Price paid from income earned over time

- Prior income
  - Savings



- Current income
  - Summer job, **work/study**, parent income



- Future income
  - Student / parent **loans**



# Is the Net Price Affordable?

- First year net price is \$34,865
- Cost of degree will be four years
- Questions to ask:
  - How much will costs increase?
  - Is aid automatically renewable? What terms?
- We'll assume:
  - Costs increase 2% per year
  - Aid is renewable & constant for 4 years
  - Savings: \$2,000 for student & \$25,000 for parents

# Paying the Total Cost of a Degree

Cost of a Four-Year College Degree		Year 1	Year 2	Year 3	Year 4	Total
College Cost Analysis Model - © ScholarFITS LLC						
Total to be paid		34,865	35,795	36,743	37,710	145,112
Prior Income	Paid from student savings	2,000	0	0	0	2,000
	Paid from parent or student 529 plan	19,065	5,935	0	0	25,000
	Paid from other parent savings					0
Current Income	Student Work/Study award	1,800	1,800	1,800	1,800	7,200
	Paid from other student income	2,000	2,000	2,000	2,000	8,000
	Paid from parent income, payment plans	4,500	4,500	4,500	4,500	18,000
Future Income	Federal Student Loans	5,500	6,500	7,500	7,500	27,000
	Parent PLUS or Private Student Loans	0	15,060	20,943	21,910	57,913
	Parent home equity or other loan					0
	Remaining amount to be paid (should be zero)	0	0	0	0	0

In this example student debt is \$27,000 and parent debt is \$58,000

# What Will Federal Loans Cost?

- Student loans: 4.53% interest rate\*
- Parent loans: 7.08% interest rate\*
- 10 year repayment term

	Monthly payment	Annual payment
Per \$1,000 of debt	\$10.38 (student)	\$125 (student)
Per \$1,000 of debt	\$11.65 (parent)	\$140 (parent)
Student: \$27,000	\$280	\$3,363
Parent: \$58,000	\$676	\$8,110

\* Rates for 2019-20

# What Debt Is Reasonable?

- Rule of thumb:

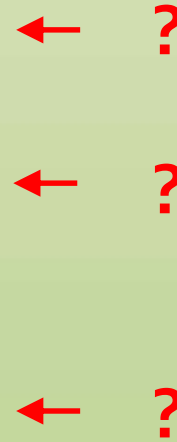
Payments for education debt shouldn't exceed about 10% (preferable) to 15% of gross income

	Student	Parent(s)
Amount of debt	\$27,000	\$58,000
Annual payment	\$3,363	\$8,110
Income/year: 15%	\$22,420 per year	\$54,067 per year
Income/year: 10%	\$33,630 per year	\$81,100 per year

Parents also need to consider other obligations, retirement, college for other children

# Family Chooses Zone of Affordability

Cost of a Four-Year College Degree - Avery	Total
College Cost Analysis Model - © ScholarFITS LLC	
Brown	217,049
George Washington	201,796
Bates	198,509
Northeastern	198,404
Ithaca	176,504
Muhlenberg	171,827
U Vermont	160,072
U Mass, Lowell	142,130
College of Wooster	139,516
Juniata	136,590
Beloit	121,761
U Maine, Orono	62,484



Choose a price point that's affordable.

Any colleges with a cost of degree below that price point make up the Zone of Affordability

Factors in affordability include:

- Savings available
- Amount paid from earnings during college
- Debt service after college
- Other commitments such as existing debt, family obligations
- College expenses for additional children
- Retirement



# Outside (Private) Scholarships

- Most gift aid funded by colleges
- Definitely apply for outside scholarships, but realize they're usually icing at best
- Colleges sometimes displace aid
- Scholarship websites: usually lead generation, sometimes scams
- Ideas (often lead generation but legitimate):
  - [www.fastweb.com](http://www.fastweb.com), [www.chegg.com](http://www.chegg.com), Naviance, <https://bigfuture.collegeboard.org/scholarship-search>, <https://www.petersons.com/college-search/scholarship-search.aspx>

# How Does Everyone Else Pay?

- Students can pay for degree costing \$43k alone
- Either: Family finds a college with lower net price,
- OR More resources (savings, income, added debt) means higher net price is possible

To pay more than \$43k you **MUST** have a combination of:

More gift aid (ie lower net price)

OR

More savings (parent or student)  
 More from parent income  
 More loans (usually parent)



	Student	Parent(s)
Prior Income (Savings)	➔ \$	➔ \$
Current Income (During)	\$16,000	➔ \$
Future Income (Loans)	\$27,000	➔ \$

# Perspective

- Stages of grief
  - Denial, Anger, Bargaining, Depression, Acceptance
- College is important, but it's not the goal
- What counts: what you've done, not where you went
- Reliability, common sense, positive attitude trump alma mater

Howard Schultz  
Bob Iger  
Michele Buck

Starbucks  
Disney  
Hershey



College	Median Earnings (Payscale.com)		Average Net Price, all students
	Early career	Mid career	
Colby	59,200	103,300	47,030
American	55,700	102,900	44,890
Clark	52,600	101,400	32,494

**Mid career pay difference:  
\$1,900**

**4-year net price difference:  
\$58,147**

# Finding Financial Safeties

- Use numbers: Admit, yield, percent aided & need-met rates, then match student profile to college aid policy
  - Does student have need; Admissibility to strong-need school
  - Is merit aid likely; Is student near top of applicant pool
- “Seed” your list, don’t filter for size or location
  - Public in-state: UConn, Eastern, Southern
  - Out of state public flagship
  - Out of state secondary public: Keene State
  - Highly selective private – probable full need
  - Competitive but less selective private – healthy need and maybe some merit
  - Safe private – merit choice, Colleges That Change Lives are good candidates ([www.ctcl.org](http://www.ctcl.org))
  - Commuter school: UConn Stamford, SUNY Purchase

# Federal Tax Considerations

- IRS Publication 970
- <https://www.irs.gov/uac/Tax-Benefits-for-Education:-Information-Center>
- Generally no double-dipping
- Qualified expenses vary by program: T&F, some also include B&S and/or R&B
- Tax credits: AOTC, LLC
- Deductions: Student loan interest, T&F
- 529 plans, Coverdells, savings bond interest
- Penalty-free IRA withdrawals for QHEE (Qualified Higher Education Expenses)
- Phase-out thresholds vary by program
- Gift aid in excess of T&F + B&S is taxable income

# Connecticut Benefits

## CT 529 Plan

- New money (ie not transfers from another 529 plan) added to CHET 529 by CT residents qualifies for state tax deduction
  - Max \$10,000 deduction if married filing jointly
  - \$300 at 3% bracket
  - \$600 at 6% bracket

<https://www.aboutchet.com/>

## CT Education Loans

- CHESLA loans have lower rate & origination fee than PLUS, but require some underwriting
- Available to any student attending a CT college, or a CT resident attending college anywhere in US

As of Jan 2019	CHESLA	PLUS
Interest Rate	4.950%	7.000%
Origination Fee	3.000%	4.264%
Credit Check	Yes	Yes
Underwriting	Yes	No

<https://www.chesla.org/loan-basics>

# Links to Resources



Student ↔ College  
Academic, Social, Financial Fit

- Home
- About
- Services for Families
- Services for Schools & Organizations
- Resources**
- Contact

Net Price Calculators

Financial Aid – What You Need to Know

Yes, you can pay for college



Success story

ROAD TO SUCCESS  
NEXT EXIT



Financial Aid

## Financial Fit

Financial fit means understanding the total cost of a degree, knowing how you'll pay for it, and keeping the cost and loan payments in line with your earnings after graduation.



[www.ScholarFits.com](http://www.ScholarFits.com)

# Questions

