Understanding College Financial Aid and Paying for College

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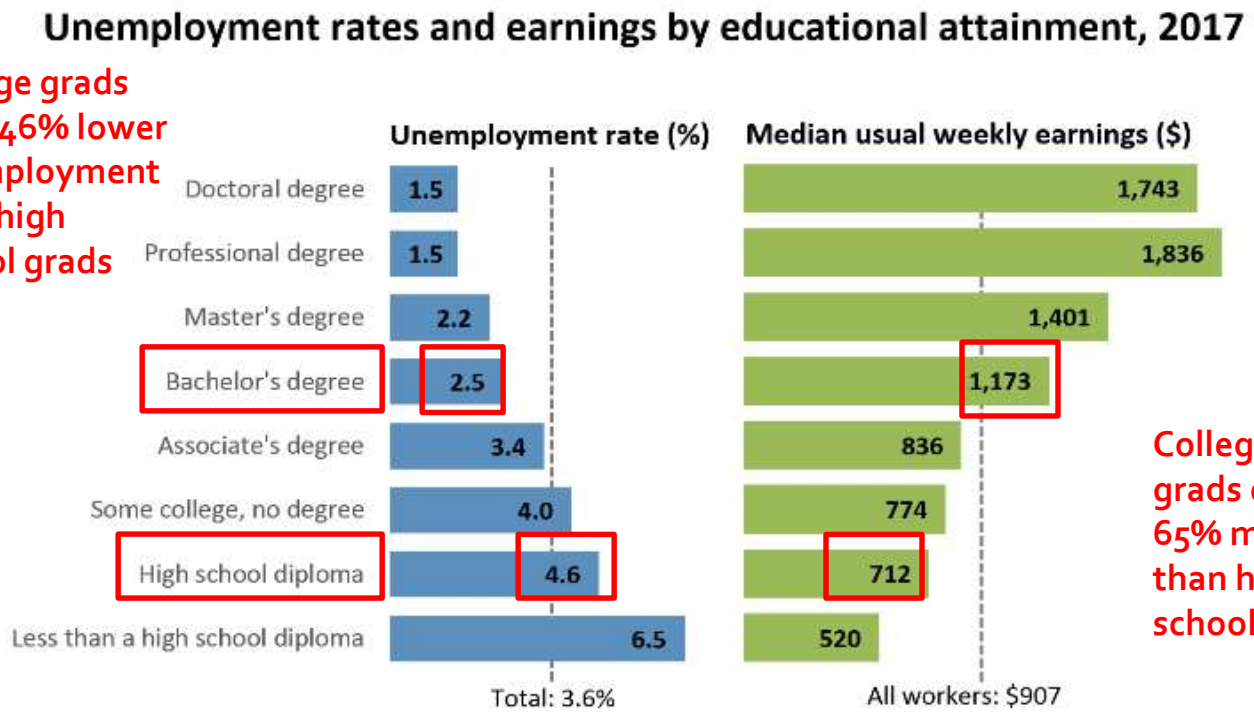
College Costs, But it Pays

UNITED STATES DEPARTMENT OF LABOR

BUREAU OF LABOR STATISTICS

College grads have 46% lower unemployment than high school grads



College grads earn 65% more than high school grads

Agenda

Assessing Where You Might Get Aid

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

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

	UCONN	Wheaton College	Connecticut College	NYU
Sticker (16-17)	$30,002	$63,512	$67,000	$69,710
Average Gift Aid	$11,303	$31,698	$39,603	$33,4547
Average Net Price, Aided Students	**$18,699**	**$31,814**	**$27,397**	**$36,256**
Percent Aided	61%	98%	58%	43%
Average Net Price, All Students	**$23,107***	**$32,448**	**$44,030**	**$55,325**

*** Excludes non-resident impact**

- **It doesn't matter what colleges charge …**
- **What matters is what <u>you</u> pay …**
- **Your Net Price = College's COA minus <u>your</u> 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
ANTICIPATED ENROLLMENT					
Federal Pell Grant	G				$1,600.00
[redacted] State Grant	G				$300.00
[redacted] Supplemental Grant	G				$9,000.00
Direct Subsidized Stafford Loan	L				$3,500.00
Direct Unsubsidized Stafford Loan	L				$2,000.00
[redacted] College Grant	G				$4,000.00
Federal Work Study	W				$1,800.00
TOTALS		$11,100.00	$11,100.00		$22,200.00

Tuition & Fees	$32,375
Room & Board	$14,100
Books & Supplies	$700
Transportation & Other	$2,590
Cost of Attendance	**$49,765**
less: Gift Aid	$14,900
Net Price	**$34,865**

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, <u>not</u> 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) 47% max	Student Contribution from Income (AGI + untaxed) 50%
Assets	Parent Contribution from Assets 5.64% max	Student Contribution from Assets 20-25%
	Parent Contribution	Student Contribution

PC + SC = EFC

PC from Income

	FAFSA	Profile
Add: **Taxable Income**	AGI	AGI
Add: **Untaxed Income**	Retirement contributions, Child support received, VA benefits, Workers comp, Disability	FAFSA items plus: TANF, Untaxed social security, EIC, Business loss & depreciation, Flexible spending accounts
Less: **Exclusions**	Child support paid, Combat pay	Child Support Paid
Less: **Allowances**	Taxes paid, Minimal living costs	FAFSA items plus: Medical expenses, Tuition for pre-college siblings
Equals: **Available Income**	Assessed at 22-47%, Highest rate at about $34K	Assessed similar to FAFSA but highest rate at higher income

PC from Assets

	FAFSA	Profile
Assets Counted	Cash & investments, Real estate except 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
Less: Allowances	Modest savings allowance	Similar to FAFSA, modest allowance
Equals: Available Assets	Assessed at 12% of income assessment rate; maximum is 5.64%	Similar to FAFSA
Assets NOT Counted	Personal property, Qualified retirement savings, Life insurance	Same as FAFSA
Notes	Student-owned 529s count as parent asset	Student-owned 529s usually count as parent asset, Asset values may be imputed

Student Contribution

	FAFSA	Profile
Income	All parent income items plus gifts and bills paid on student's behalf, after $6,660 allowance assessed at 50%	Same income items as FAFSA, assessed at parent(s)' marginal assessment rate
Assets	All parent asset items except student-owned 529s (which count as parent asset), assessed at 20%	All parent asset items except student-owned 529s (which usually count as parent asset), assessed at 25%
Notes		Most colleges have minimum "summer earnings expectation" of about $2,000

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

100%
% of need met

Boston University

Boston, MA

92%
% of need met

New York University

New York, NY

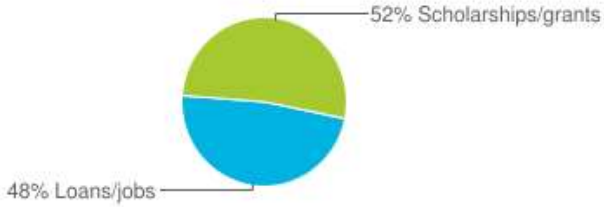
56%
% of need met

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

59%
% of need met

98%
% of freshmen with need who received financial aid

$14,722
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.

100% x 90% = 90% of need met with gift aid

92% x 75% = 69% of need met with gift aid

56% x 75% = 42% of need met with gift aid

59% x 52% = 31% of need met with gift aid

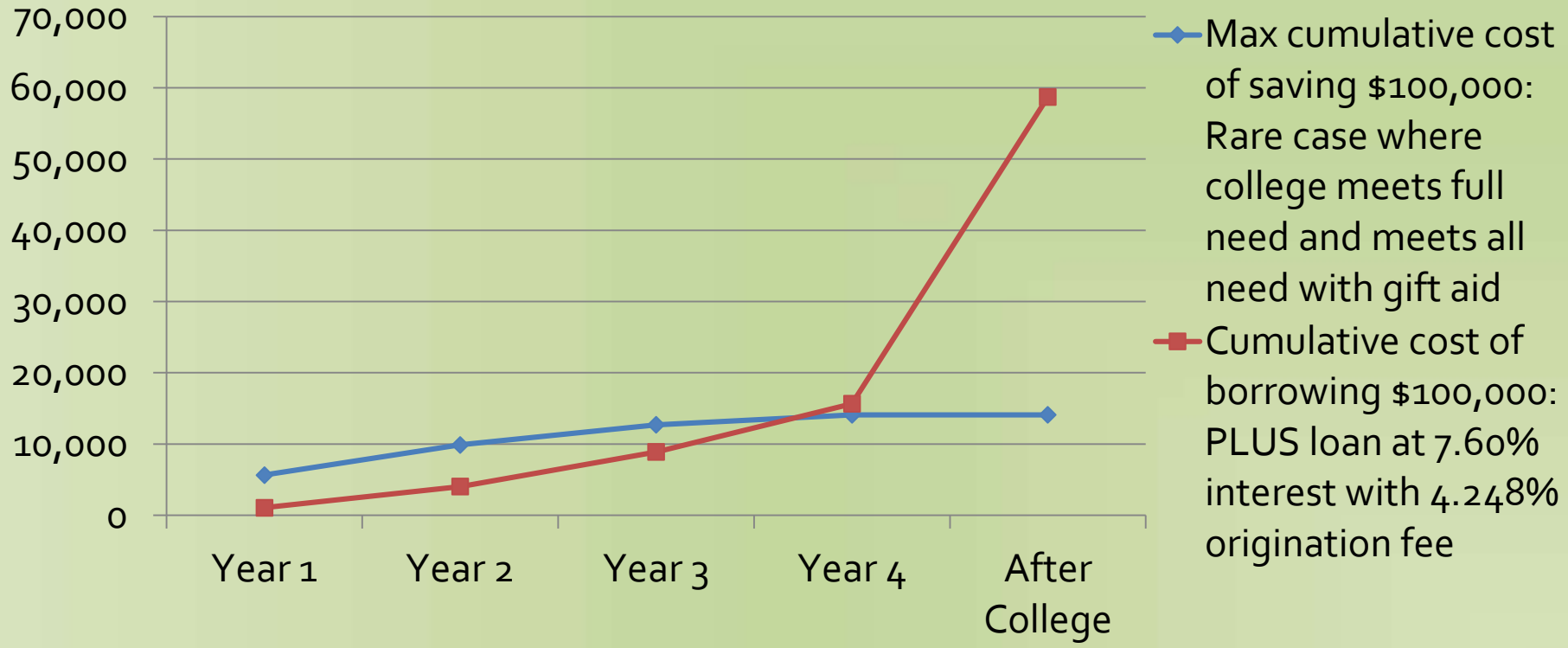
These are averages – they give an idea of where to look, but they don't tell <u>your</u> true cost

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 <u>never</u> 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



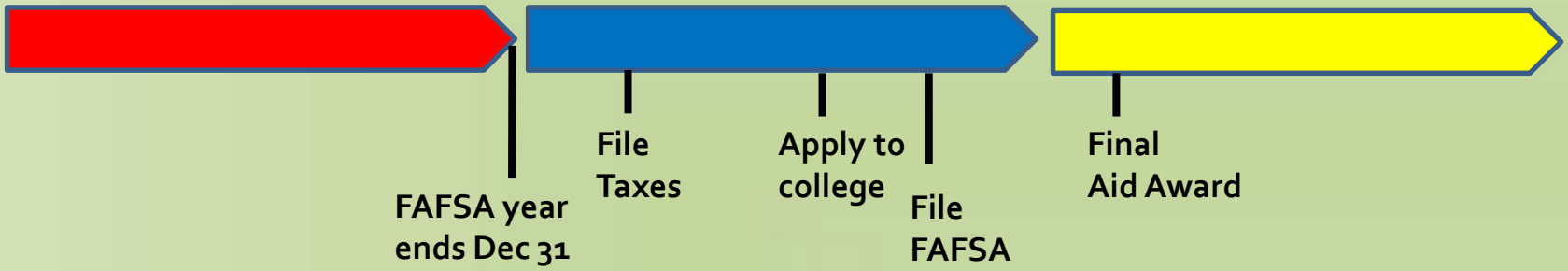
FAFSA & Profile Dates

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
- If income goes down after base year for FAFSA/Profile consider appealing aid award

4-Year FAFSA Dates – Juniors

- For juniors 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 – Sophomores

- For sophomores 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 – 9th Graders

- For 9th graders 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)

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%	83%	55%
Wesleyan	16%	38%	40%
Boston Univ.	25%	23%	47%
Northeastern	27%	21%	70%
Muhlenberg	48%	25%	86%
U Conn	49%	22%	61%
Susquehanna	68%	15%	98%
Ohio Wesleyan	71%	15%	100%

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 <u>relative to</u> 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

Gettysburg

46% admit, 25% yield

Max $25,000
1470, 3.9 GPA

75th Percentile

1410

Min $10,000
1300, 3.6 GPA

25th Percentile

1270

78% of students receive college funded aid

Washington (MD)

48% admit, 14% yield

Max $23,000 +
1320, 4.0 GPA

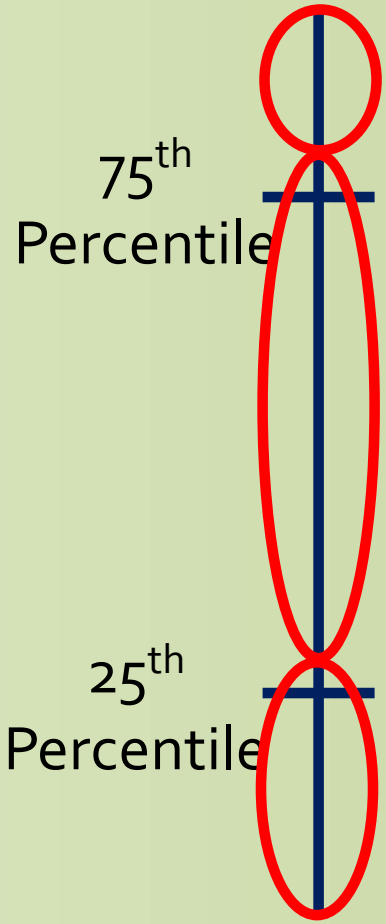
1300

Min $13,000
1000, 3.0 GPA

1090

94% of students receive college funded aid

Merit Aid Generalizations



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

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

<u>But</u> colleges that compete for students *may* award merit aid to nearly everyone

Which Colleges Award Merit Aid

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

FINANCIAL AID

UNDERGRADUATE STUDENT FINANCIAL AID, 2016-2017

Gettysburg

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	540	78%	$15,384,428	$28,490

FINANCIAL AID

UNDERGRADUATE STUDENT FINANCIAL AID, 2016-2017

Washington (MD)

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	386	94%	$9,661,736	$25,030

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: Predicted	2015 graduation rate: Actual	% 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)
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%[5]	39%
Azusa Pacific University (CA)	85%	62%	68%	60%	2%	950-1180	25%[4]	81%
University of Maine*	78%	57%	55%	41%	17%	960-1210	19%	91%
West Virginia University*	77%	58%	57%	50%	14%	21-27	20%[5]	86%
Widener University (PA)	75%	50%	57%	59%	1%	930-1120	12%[5]	68%
Pace University (NY)	77%	57%	52%	49%	2%	940-1160[2]	17%[3]	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[2]	11%[5]	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%[8]	54%	54%	75%	0%	960-1170	15%[5]	69%
University of Alabama–Huntsville*	79%	67%	49%	45%	9%	24-30	31%[5]	81%
University of Colorado–Denver*	72%	58%	46%	36%	9%	20-25	31%[4]	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	Yale Amherst Bowdoin	Trinity (CT) Johns Hopkins Northeastern	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

Southern New Hampshire University

Your 2017-2018 College Cost Results

Direct Educational Expenses:	Fall	Spring	Your Total	
Tuition	$15,378	$15,378	**$30,756**	1
Fees	$190	$190	**$380**	
Housing & Meals (on campus)	$6,139	$6,139	**$12,278**	2
Total Paid to SNHU:	**$21,707**	**$21,707**	**$43,414**	

Other Expenses:	Fall	Spring	Your Total	
Books & Supplies	$600	$600	**$1,200**	3
Transportation	$275	$275	**$550**	4
Personal Expenses	$2,586	$2,586	**$5,172**	
Loan Fees	$50	$50	**$100**	
Total Other Expenses:	**$3,511**	**$3,511**	**$7,022**	

Grants and Scholarships:	Fall	Spring	Your Total	
Quill Scholarship	$7,000	$7,000	**$14,000**	G
Residential Scholarship	$1,000	$1,000	**$2,000**	
Total Grants & Scholarships:	**$8,000**	**$8,000**	**$16,000**	

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**
Your Estimated Net Price: ?	**$17,218**	**$17,218**	**$34,436**

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

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

Spring of Senior Year
Award Letter
Final scores
Almost all grades
FAFSA / Profile

Junior / Senior
PSAT / SAT scores
Recent grades
Estimate finances

Summer Before College
Final Bill
Final scores
Grades on transcript
Verified FAFSA

Net Price Profile – Shenandoah

Shenandoah COA: $45K	A to A+ 1400+	A- to A 1300	B to B+ 1200	B- to B 1100	C <=1000
EFC: 65K	Merit: $13-20K Need: $0K Net Price: $32K	Merit: $13K Need: $0K Net Price: $32K	Merit: $10K Need: $0K Net Price: $35K	Merit: $10K Need: $0K Net Price: $35K	Merit: $5K Need: $0K Net Price: $40K
EFC: 40K	Merit: $13-20K Need: $0K Net Price: $32K	Merit: $13K Need: $0K Net Price: $32K	Merit: $10K Need: $0K Net Price: $35K	Merit: $10K Need: $0K Net Price: $35K	Merit: $5K Need: $0K Net Price: $40K
EFC: 25K	Merit: $13-20K Need: $0K Net Price: $32K	Merit: $13K Need: $0K Net Price: $32K	Merit: $10K Need: $0K Net Price: $35K	Merit: $10K Need: $0K Net Price: $35K	Merit: $5K Need: $2.6K Net Price: $38K
EFC: 15K	Merit: $13-20K Need: $2.3K Net Price: $30K	Merit: $13K Need: $2.3K Net Price: $30K	Merit: $10K Need: $3.5K Net Price: $32K	Merit: $10K Need: $3.5K Net Price: $32K	Merit: $5K Need: $6.4K Net Price: $34K
EFC: 7.5K	Merit: $13-20K Need: $5.7K Net Price: $27K	Merit: $13K Need: $5.7K Net Price: $27K	Merit: $10K Need: $6.5K Net Price: $29K	Merit: $10K Need: $6.5K Net Price: $29K	Merit: $5K Need: $9K Net Price: $31K
EFC: 2.5K	Merit: $13-20K Need: $8.6K Net Price: $24K	Merit: $13K Need: $8.6K Net Price: $24K	Merit: $10K Need: $9.1K Net Price: $26K	Merit: $10K Need: $9.1K Net Price: $26K	Merit: $5K Need: $11.1K Net Price: $29K

Shenandoah	Need policy	Merit policy	Mid 50% SAT	Admission probability profile			Grid estimates:
	Moderate	Extensive	880 - 1120	Strong	Possible	Unlikely	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: $52K Merit: $8.5K Need: $1.6K Net Price: $42K	COA: $45K Merit: $10K Need: $3.5K Net Price: $32K	COA: $36K Merit: $6K Need: $0K Net Price: $30K	COA: $66K Merit: $12.5K Need: $30.5K Net Price: $23K	COA: $68K Merit: $0K Need: $51K Net Price: $17K	COA: $15K Merit: $0K Need: $0K Net Price: $15K

Admission probability profile

Strong	Possible	Unlikely

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?
- 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 College Cost Analysis Model - © ScholarFITS LLC	Year 1	Year 2	Year 3	Year 4	Total
	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: 5.05% interest rate*
- Parent loans: 7.60% interest rate*
- 10 year repayment term

	Monthly payment	Annual payment
Per $1,000 of debt	$10.63 (student)	$128 (student)
Per $1,000 of debt	$11.92 (parent)	$143 (parent)
Student: $27,000	$287	$3,444
Parent: $58,000	$691	$8,296

* Rates for 2018-19

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	$3,444	$8,296
Income/year: 15%	$22,960 per year	$55,306 per year
Income/year: 10%	$34,440 per year	$82,960 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

← ?

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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

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 <u>MUST</u> 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	↗ $

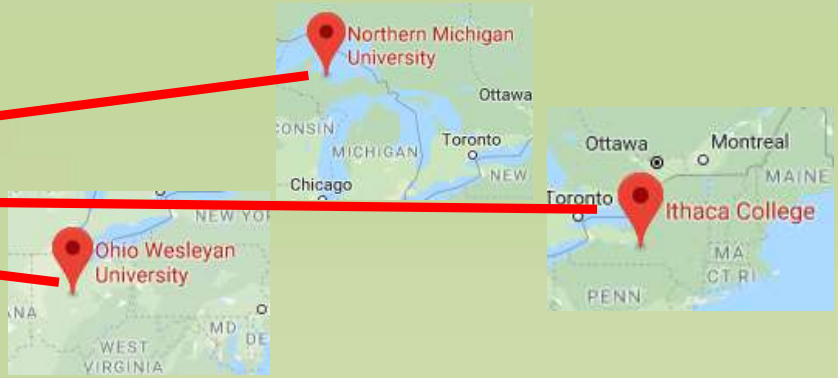
Outside (Private) Scholarships

- 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, www.chegg.com, Naviance, https://bigfuture.collegeboard.org/scholarship-search, https://www.petersons.com/college-search/scholarship-search.aspx

Perspective

- 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
- Stages of grief
  - Denial, Anger, Bargaining, Depression, Acceptance

Howard Schultz	Starbucks
Bob Iger	Disney
John Milligan	Gilead Sciences



Median Earnings (Payscale.com)			Average Net Price,
College	Early career	Mid career	all students
Syracuse	53,900	102,900	41,825
Northeastern	58,300	103,300	40,167
Ithaca	48,700	103,500	36,949
Ohio Wesleyan	47,800	102,800	27,967

Mid career pay difference: $700

4 year net price difference: $55,432

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)
  - 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

www.ScholarFits.com

Questions

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