



NEW HAMPSHIRE ESTATE PLANNING COUNCIL

How to “buy” college

Understanding the new FAFSA, Financial Aid and Planning for College

AGENDA

- Introduction / Surveys
- Upcoming changes to the Federal Aid formula - via FAFSA
- CAP Index - List Hero and competitive positioning
- Enrollment management

What does this word elicit in your mind?

FAIR

The Financial Anxiety of Middle-Income Households



Financial Confidence Level

The percentage of Americans who are confident they can...

Afford an emergency expense:



Make student debt payments:



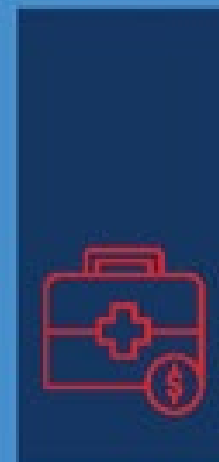
Pay for their child's college tuition:



Anxiety About Uncontrollable Events

Many people are somewhat or very worried about...

69%



Major Medical Expenses

67%



Major Recession

56%



Losing the Primary Earner

Debt Perceptions and Realities

- Fear of debt has impact on where students apply and where students enroll.
- Many students and families lack basic understanding of debt.
- A disconnect is growing between college officials and the public on how much debt is reasonable.

Inside Higher Ed presentation 6/8/17

People Who Advise your client

PEOPLE WHO ADVISE YOU

Your various advisors play a key role in the establishment of your estate plan. For example, your financial advisor and life insurance

Accountant/Tax Advisor

Financial Advisor

Life Insurance Agent

Family Law Attorney

COLLEGE ADVISOR

How often do you hear this?

“We’ll figure it out later”

For estate planning?

I hear it everyday for college planning...

How to fix it? Do the right things at the right time - NOW!



Please Put Us In Debt!

- *Make sure you have at least three financial liability colleges on your list in order to make sure you and your parents generate a lot of debt ... you must be in the bottom quartile of typically admitted students in order to qualify for this benefit.*

How many of you want this to happen?

How should families approach college planning?

Buy College Better

- College is a major capital purchase (likes houses and cars)
- Approach “buying college” like you buy a house
 - Know how much college you can afford
 - Know your best financing options
 - Know which college zip codes work for your situation

Integrated
approach to
selecting a
college

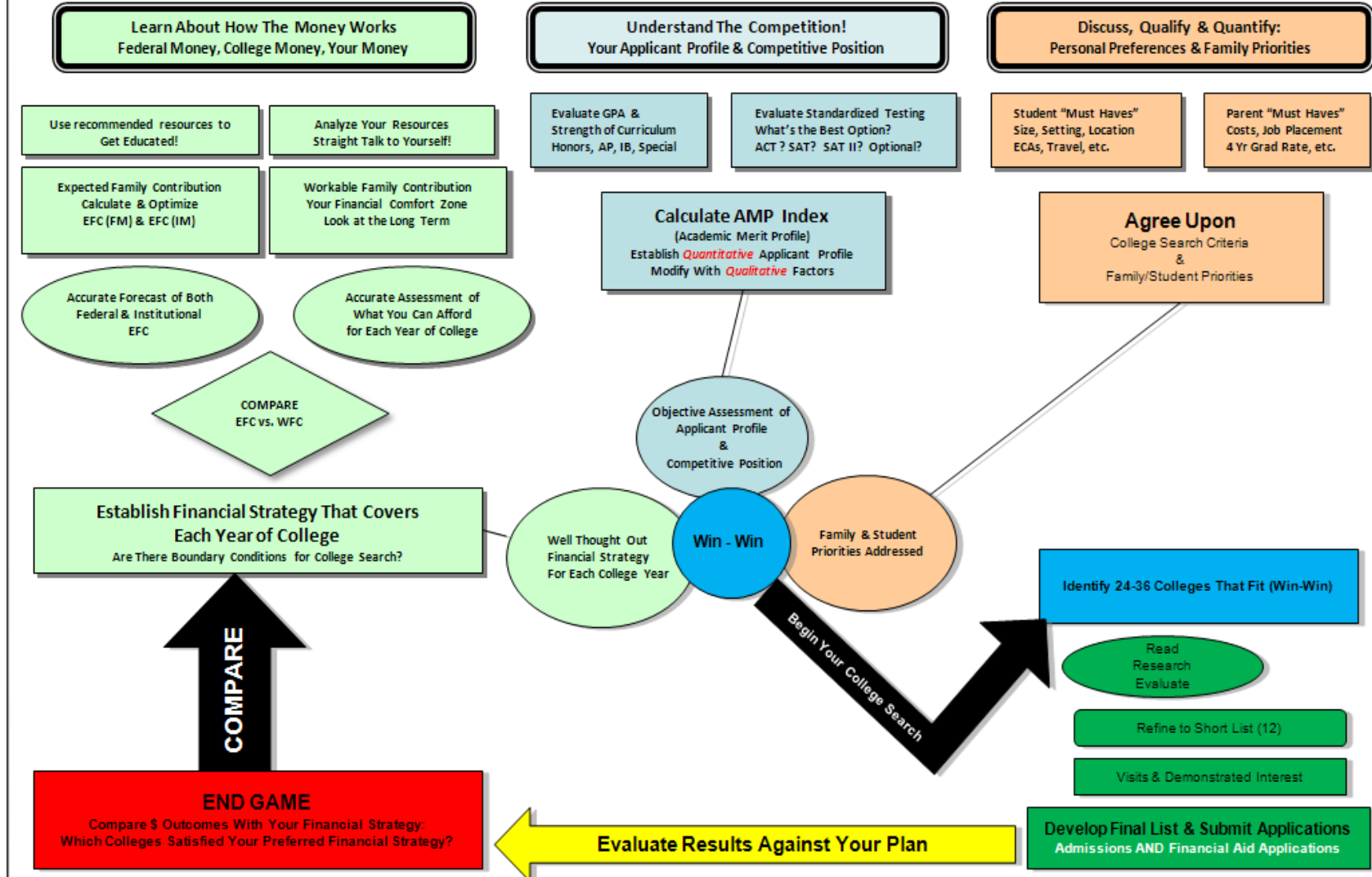
Right Fit

Right Price

Right Payment
Strategy

Strategies For College, Inc.

"The Game Plan"



Three Foundational Pillars



Academic Fit

- Develop college criteria and list
- Implement Milestones Plan
- Organize, communicate, and apply

Personal Fit

- Reduce stress
- Clarify direction
- Identify natural strengths and talents

Affordability

- Maintain current lifestyle
- Stay on track for retirement
- College cost analysis and appeal

Key Drivers of Admissions Decisions?

1. **Academic Fit** – strong academic qualifications increase the odds of a 4-year graduation
2. **Financial Need** – Colleges apply a **discounting** policy to attract enough of the right students (academically fit) – to generate sufficient tuition to run the college?

Why GPA doesn't matter



Dean J @ UVA
@UVaDeanJ

Following

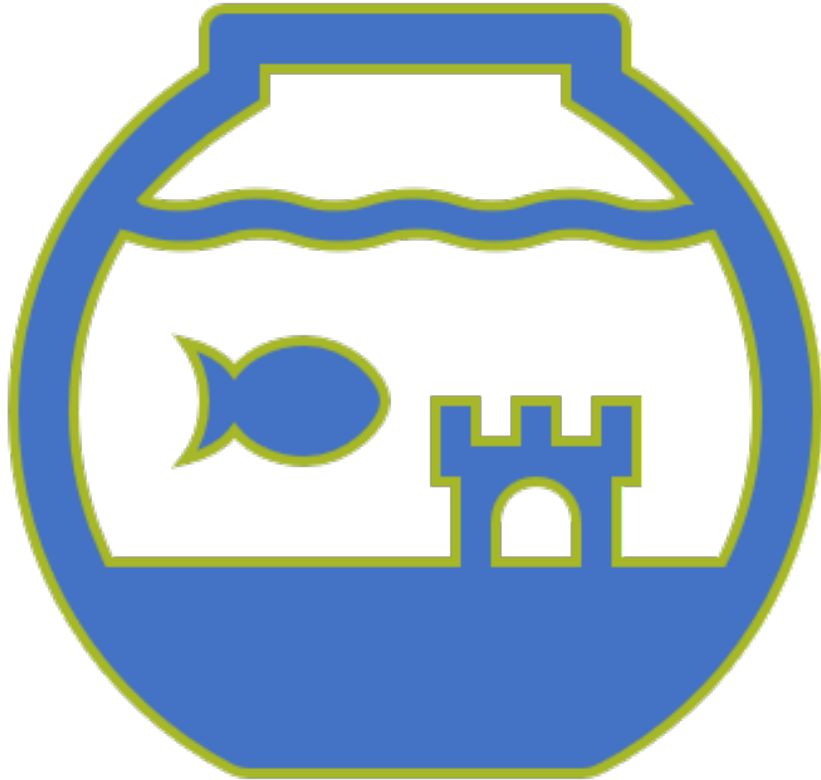
Back to reading files and back to reminding you that GPAs don't provide the detail admission officers need. The transcript shows us courses and grades. The GPA doesn't. What does 4.0 mean here? [#UVA](#) [#UVA23](#)

QUARTILES DISTRIBUTION

	Student position	GPA distribution
1 st quartile	53-1	4.28-5.05
2 nd quartile	107-54	3.85-4.27
3 rd quartile	161-108	3.38-3.84
4 th quartile	214-162	2.10-3.36

11:21 PM - 9 Feb 2019

College Planning Solutions



“Fish in the right part of the lake”

Apply to the schools that want you - not just the schools you want

Follow the Money

Know which schools will make the best 'net' offer

What colleges use to determine admission

PERCENTAGE OF COLLEGES ATTRIBUTING DIFFERENT LEVELS OF IMPORTANCE TO FACTORS IN ADMISSION DECISIONS: FIRST-TIME FRESHMEN, FALL 2023

	N	Considerable Importance	Moderate Importance	Limited Importance	No Importance
High school GPA in college prep courses	185	76.8	15.1	4.9	3.2
Total high school GPA (all courses)	185	74.1	18.9	5.4	1.6
Strength of high school curriculum	185	63.8	22.7	10.3	3.2
Positive character attributes	184	28.3	37.5	18.5	15.8
Essay or writing sample	185	18.9	37.3	26.5	17.3
Student's interest in attending	185	15.7	27.6	25.4	31.4
Counselor recommendation	185	11.9	40.0	27.6	20.5
Teacher recommendation	185	10.8	40.5	28.1	20.5
Extracurricular activities	185	6.5	44.3	30.8	18.4
High school class rank	183	5.5	22.4	43.2	29.0
Admission test scores (ACT, SAT)	185	4.9	25.4	38.9	30.8
Portfolio	185	4.9	10.8	24.3	60.0
Interview	185	4.3	8.6	32.4	54.6
Work	185	2.2	30.8	40.0	27.0
State graduation exam scores	185	1.6	6.5	18.4	73.5
Subject test scores (AP, IB)	185	1.1	22.2	25.9	50.8

Student Aid Index (SAI) FM and IM

<p><u>Parent Income</u> Max assessment = 47% \$9,343 + 47% of AAI over \$34,500 AFTER ALLOWANCES</p>	<p><u>Student Income</u> FM assessment: 50% after first \$9,410 IM assessment: \$1,850 min, then parent rate.</p>
<p><u>Parent Assets</u> Max Assessment: 5.65% (higher for SAI) AFTER ALLOWANCES</p>	<p><u>Student Assets</u> FM assessment: 20% IM assessment: 25%</p>

**Parent Contribution + Student Contribution =
Student Aid Index**

Which schools use CSS Profile – or Institutional Methodology?

2022-23 Participating Institutions and Programs

The following colleges, universities, and scholarship programs use CSS Profile and/or IDOC as part of their financial aid process for some or all of their financial aid applicants in the populations listed below. Please check schools' websites or contact the institution for more information.

CSS Code	Institution Name	Institution State	CSS Profile – Domestic Students	CSS Profile – International Students	CSS Profile – Noncustodial Parents	IDOC
Show All ▾	Show All ▾	Show All ▾	Show All ▾	Show All ▾	Show All ▾	Show All ▾
1001	Adrian College, MI		No	Yes	No	No
1003	Alabama A&M University	AL	No	No	No	Yes
5007	American University	DC	Yes	No	Yes	No
3003	Amherst College	MA	Yes	Yes	Yes	Yes
0193	Armenian Student Assoc of Amer	RI	Yes	Yes	No	No
3075	Babson College	MA	Yes	Yes	Yes	Yes
20	ard College					No

SAI Calculation Methods

- Financial aid is based on two eligibility calculations—the Federal Methodology (FM) and the Institutional Methodology (IM).
- The FM is used by the federal and state governments, as well as colleges, to award federal and state financial aid. It is regulated by the U.S. Congress and is administered by the U.S. Department of Education. The FM takes into consideration income, assets, expenses, family size, and other factors to help evaluate a family's financial strength (unlike the IM, it does not include the value of your home). The information used for FM analysis is collected on the Free Application for Federal Student Aid (FAFSA).
- The IM is used by many colleges and private scholarship programs to determine students' eligibility for their own private funds. These institutions or programs usually require students to complete the CSS/Financial Aid PROFILE[®] in addition to the FAFSA.

Federal Methodology (FM) - changes coming this year (2024 academic year)

- Ignores both home equity and equity in working family farms - **NEW: counts farms and business equity**
- Includes only the adjusted gross income reported on federal tax returns, plus various categories of untaxed income
- Ignores untaxed social security benefits for all family members
- Does not assume a minimum student contribution to education from summer earnings
- Ignores the non-custodial parent in cases of divorce and separation - **NEW: Custodial parent is now to be listed as the parent who contributes more \$\$ during the year**
- Ignores the assets of families whose income falls below \$60,000 and who file a simple tax return
- Ignores family-owned businesses with 101 or fewer employees - **NEW: Counts business equity**

Retirement Plan Contributions

- Aid formulas count employee retirement contributions as untaxed income. This pertains to deductible IRA and/or Keogh payments, as well as payments to tax-deferred pension and savings plans (paid directly or withheld from earnings) as reported on the W-2 form.
- The concept behind counting these contributions is that the money *could be used* for education costs or for other expenses during college years.
- Employer contributions to qualified retirement accounts are not considered untaxed income.

Parents' Assets

Both FM and IM

- Cash, savings and checking accounts
- Investments: trust funds, money market funds, mutual funds, CDs, stocks, bonds, and other securities, commodities, precious and strategic metals, installment and land sale contracts (such as mortgages owed to you),
- real estate other than the family home (including vacation property),
- a percentage of the value of businesses and investment farms
- parent-owned Qualified Education Benefits (Coverdell savings accounts, 529 college savings plans, and the refund value of 529 or state prepaid tuition plans for the student applicant and his or her brothers and sisters), *and also*
- **Qualified Education Benefits owned by the student.**

College Savings Vehicles (common)

- 529 Plan (when owned by parent or student is considered a “parent” asset)
- Coverdale ESA (considered a “parent” asset)
- Stock mutual funds
- Trusts (usually bad for need-based aid calculations)
- UTMA/UGMA – flexible, but assessed at 20-25% per year (“student” asset - gulp!)
- EE Savings Bonds
 - (interest is tax free if 2 parents earning <\$121K, then phased out)

How college planning affects tax planning

- First – Financial Aid is only interested in 4 years of your financial life (unlike the IRS)
- Second – financial aid formulas differ from IRS formulas
 - Tax accountants who do not understand the aid process can actually hurt a family's chances for financial aid
- Example: tax dividend for a small business saved \$18,000 in one year, but lost \$48,000 over four years

Help your clients!

- Don't let mistakes like a taxable transaction happen in the base year for aid determination, to your families and friends
- Make sure that a family understands the importance of having all of their financial advisors at the table during the college "talk"
- Help families determine tax, retirement planning, investing, elder care, and college funding as an integrated conversation and plan

New FAFSA Info

The FAFSA Simplification Act was included in the Consolidated Appropriations Act of 2021. The changes are now in effect for the 2024-2025 academic year.

The FAFSA form opens for use sometime in December of 2023 (no exact date yet).

New FAFSA Info – Helpful changes

- Questions – number is dropping from 108 to 36
- Selective Service and drug-related conviction questions removed
- Simplified Needs Test income rises to \$60,000 (those who do not have Schedules A-H or file Schedule C with net business income > \$100,000) – eliminates assets from consideration
- Child support is now considered an asset rather than untaxed income (lower assessment rate)
- *Persons outside the nuclear family (i.e. grandparents) can now fund 529 accounts and distribute funds without penalty against financial aid eligibility*

New FAFSA Info – Less-helpful changes

- No longer “discounting” multiple students in college at the same time
- For students with divorced/separated parents, the “Custodial” parent is now to be the one who provides more financial support during the year
- Loss of ability to not have family business, or family farms counted (previously discussed)

Enrollment Management & Financial Aid Leveraging

Ability to Pay: College's assessment of FAFSA and/or CSS Profile

		Can afford 75% – 100% COA A	Can afford 50% - 75% COA B	Can afford 25%-50% COA C	Can afford 10% - 25% of COA D
Student rank in admitted student pool	Top 25% 1	Green	Light Pink	Light Pink	Light Pink
	2 nd 25% 2	Green	Light Pink	Light Pink	Light Pink
	3 rd 25% 3	Yellow	Blue	Red	Red
	4 th 25% 4	Yellow	Blue	Red	Red

Enrollment Management & Financial Aid Leveraging

Family Ability to Pay

Student
“Attractiveness”

		Can afford 75% – 100% A	Can afford 50% - 75% COA B	Can afford 25%-50% COA C	Can afford 10% - 25% of COA D
Top 25% 1	Merit \$\$\$\$ (If available)	Grant \$\$\$\$	Grant \$\$\$\$	Grant \$\$\$\$	Grant \$\$\$\$
2nd 25% 2	Merit \$\$ (If available)	Grant \$\$	Grant \$\$	Grant \$\$	Grant \$\$
3rd 25% 3	Full Pay (Merit??)	Gapped -	Gapped +	Gapped +	Gapped +
4th 25% 4	Full Pay	Gapped -	Gapped +	Gapped +	Gapped +

Don't Believe Me? Here's Proof.

Let's talk about **affording Drew**. If you're in the **top 1/3 of our applicant pool**, you'll be eligible for **scholarships** from **\$10,000 to \$25,000** per year. If your family resources make paying for Drew a challenge, we offer **\$35 million** in need-based grants, loans and work-study opportunities, too. The reality is about 80 percent of **Drew** students attend with **need-based or academic financial assistance**.

Now let's talk about **return on investment**. **Ninety-four percent of Drew alumni graduated** within four years, while **93 percent are employed** within six months of graduating. They have lower debt than the national average and their **salaries** are in the **top 1/3** nationwide according to the US Department of Education.

F&M change in awards

A Change in Aid Philosophy

After a decade of awarding [financial aid](#) based solely on need, F&M recently began offering merit-based aid to students who applied via regular decision to join the Class of 2027. This pilot program has proven successful, and we anticipate expanding it to students who apply for spots in the Class of 2028 via early decision and regular decision. We remain fully committed to meeting the **full financial need of the best applicants**. But when we strategically balance our use of merit aid and need-based aid, we can better build an inclusive class of students that we know will thrive at F&M and go on to lead lives of success and meaning in the years following graduation.

Solutions



Affordability – your definition may be much different from the college's



Know your SAI (formerly EFC)



Search for schools where your student can be in the top half, if not top third of admits



Understand the system

Strategies For College



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