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Welcome to part 2. This is a short video, where we'll explore a lot of useful terminology, take a closer look at the FAFSA form and what goes into calculating an Expected Family Contribution (EFC).

Ok, first the timeline...what you're looking at here. This is what your high school student's junior and senior year is going to look like in terms of College Planning Crunch Time.

The folks that are planning to wing it unfortunately won't even really be thinking about what we are talking about now, until step #6, by then there really isn't a lot of planning to be done for ideal outcomes, you just scramble to find the money wherever you can, like I did and so many students and families do today. If you are in that situation now with your H.S. senior, hang in there, don't give up hope, and just do your best in applying what you are learning about now.

You'll notice in step #4, appealing a school's financial aid offer. This might seem backwards, but you actually can begin the appeal process by thinking about it in step #2. For example, you apply to schools that your student has no desire to go to. An award letter from that school can be used to get the target school to consider competing for your student. This tactic can result in extra money from your ideal school, you just have to know about it and how to do it. If you can provide your target school with documentation from the backup school and a phone call from you, then your target school, might reconsider and offer you more aid. Particularly if your student really fits the academic profile of who they are trying to enroll. This gets to a concept beyond the scope of this course, but having a list of schools that might compete with each other for your student is a potent strategy for effectively bargaining for more aid from your target school. The humble school list is very important.

You'll notice that filling out the FAFSA and financial aid #3, is October 1<sup>st</sup>. earlier than in previous years. (Beginning in 2016) College financial aid officers recommend that the FAFSA be completed as soon as possible after Oct. 1<sup>st</sup>. By November 1<sup>st</sup> if possible. Financial aid that comes from the university itself is on a first come first serve basis. Regardless of how much or little aid you think you will qualify for, still complete the FAFSA. You have to complete the FAFSA to be considered for aid, particularly from the school. I saw an example of a family that had an Adjusted Gross Income (AGI) of \$175,000 per year, with two kids in college at the same time and qualified for \$15,000 per year in aid from the school they applied to. They would not have gotten this aid had they not filed the FAFSA. Also, some loans such as the PLUS loan (Parent Loan for Undergraduate Students) won't be available if you don't fill out the FAFSA. If you don't want to complete the FAFSA, but would rather have someone do it for you, that is fine too – outsource it. Just get it checked off your list.

The FAFSA deadline set by the federal government is June 30, 2019, for the 2018-2019 school year, but colleges can set their own FAFSA deadlines that are earlier than the federal deadline. States also can set their own deadlines for students applying for state aid.

Since the Department of Education offers the FAFSA, it also sets a deadline for it. But this deadline is a long one — you'll have access to the FAFSA for over a year and a half.

The FAFSA for the 2018-2019 school year, for instance, became available on Oct. 1, 2017. It will remain open until June 30, 2019. Plus, you can make corrections or updates until midnight on Sept. 14, 2019. Most students file the FAFSA much closer to the date it opens than the date it closes. The main reason to file the FAFSA later in the school year would be if you had a major change in your financial circumstances.

“Students should file the FAFSA as soon as possible on or after Oct. 1,” said Kantrowitz. “Students who file the FAFSA within the first three months (October, November, and December) tend to receive more than twice as much grant funding, on average, as students who file the FAFSA later.”

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This is a good basic terminology slide on the distinction between merit-based and need based aid. Merit based aid is dealing with scholarships that are awarded to top performing students, based on their grades and their SAT or ACT scores.

Need-based aid refers to having Financial Need. A family that has been deemed needy of financial help. The way this financial need is determined is with the information you provide on the FAFSA form, and/or the CSS profile form. We'll look more closely at these forms in a little bit. And as a parent of a student, you will become VERY familiar with these forms as you move through the college application and the financial aid process.

The next slide will show you how these two forms of aid determine what type of family you might be. Then based on that, you will have better insight into what schools should go on your college list.

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I'll ask: What kind of family are you?

#1 is your \*family\* high or low financial need? AND

#2, is your \*student\* high or low academic merit?

In other words, what kind of family are you from a financial aid perspective?

**It's an important step to rule yourself either in or out of need based aid early and then focus on what you can influence.**

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Depending on what type of family you are, here the key areas to focus on to help you cut the cost of college.

For example, on the top half, we have the high merit, good grades, good test scores student and on the lower half, the low merit, low to average grades, low to average test scores student.

And then the need, either high or low for both.

On the top right, #3, high merit/high need. This would be a family with a very talented student with high test scores and high grades, \*and\* the family has high financial need as defined by either the FAFSA or CSS profile. Do you see the bullet point "100% of need met"? There are schools out there that will make sure that if your student is good enough to get in, the college will make sure that not having a lot of money won't be a barrier. So even though the tuition might be through the roof, the high merit/high need student should absolutely still apply to that elite school, because if accepted, he or she might pay only a small, small fraction of the sticker price. Or maybe even get a free ride.

On the other side, #1, high merit, low need, these are families with talented students also, but the family will not qualify for much if any need based aid. This would be a high income family according to FAFSA and CSS profile. What can that family do? Private scholarships are always a smart idea, but also applying to schools that will award merit aid. The ivy league schools will not give you much if any merit aid, so knowing that, you might decide instead to focus on other elite schools out there that absolutely will award your student scholarships for high scores and grades, you just have to find them and put them on your list.

Tax aid refers to using the current income tax system to find ways to help benefit the family from an income tax perspective and perhaps create additional cash flow to help pay for school.

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Let's say you just attended your child's college night at the high school, and you concluded that you make too much money to qualify for aid. Maybe you are correct, but maybe not. This formula is the way to actually make that determination.

From now on, this is the key formula to keep in mind. All future considerations about college costs should be first run through this formula:  $\text{Cost of Attendance (COA)} - \text{Expected Family Contribution (EFC)} = \text{Need for financial aid at THAT PARTICULAR SCHOOL}$ . You have to do this formula for EACH SCHOOL you are applying to because each school's Cost of Attendance is different.

Expected Family Contribution (EFC), as the term suggests, is the minimum amount that the Department of Education thinks you can pay. Whether you agree or disagree, this is your family's obligation. It's kind of like a deductible. What you have to pay before aid kicks in. But don't just go by this, you have to create your own budget of what you can afford, not rely on them to tell you.

And some schools might only meet 50% of need. If you are a need based family you'll want to find colleges that fund 100% of need or as close to it as possible. That is why you have to know what kind of family you are in terms of need.

Remember when I said that the sticker price is irrelevant to the savvy college shopper and that you shouldn't reject or consider a college just based on its sticker price? Here's why.

Let's look at two schools. One that cost \$50,000 say Lipscomb University here in Nashville. And one that cost \$20,000, let's say the University of Tennessee in Martin. The same family is applying to both, so the Expected Family Contribution (EFC) is the same, \$20,000. As you can see on the slide, the financial aid need at Lipscomb ends up being \$30,000, and the need for UT is \$0. Again, think of the EFC as the deductible, the amount of money the family is expected to pay before financial aid is applied.

So the family will be expected to pay \$30,000 for both schools, but will qualify for aid only at Lipscomb. A word of caution, just because you qualify for aid, doesn't mean you be awarded all of it.

"Luckily", with a family with more than one student in college the EFC is cut in half which would increase the financial aid need amount.

I just wanted to introduce you to the concept that it's not the sticker price you pay for a school, but rather the net cost after financial aid.

Also, all colleges and university have to give you the ability to calculate their specific net price and there will be a Net Price Calculator on the college's website. Collegedata.com and collegeboard have great tools that allow you to save time by looking at multiple schools and automatically factoring in your EFC, which is really a time-saver. Also, to help illustrate, here is Lipscomb's Net Price Calculator, and here is UT's.

One of the very first things you want to do after taking this mini-class is to get an estimate of your family's EFC so that you can use it with the net price calculators for the school or schools you are looking at. You don't need to wait until filling out the FAFSA to get your family's EFC. When you fill out the FAFSA you include the schools on your list. The financial aid offices of the schools on your list will receive the FAFSA results automatically.

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At this point, let's take a few slides to look at the FAFSA in greater detail b/c this is the form that all schools accept to determine your financial need at their school, so it is critical to understand it and what can impact it in a beneficial way.

FAFSA stands for Free Application for Federal Student Aid. And is sometimes called the Federal Formula. I would encourage you to take a few minutes and explore [fafsa.ed.gov](https://fafsa.ed.gov). As I mentioned earlier, you are now able to fill out the form on October 1<sup>st</sup>.

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An example on this slide, we have a student in H.S. the class of 2020. He or she will be filling the FAFSA form out as fast as possible after Oct 1<sup>st</sup>, preferably by Nov. 1<sup>st</sup> of his or her senior year. Remember, money that comes from the school itself, which more than 80%, is awarded on a first come first serve basis, so don't wait to fill this form out.

Also, the tax year used would be two years prior to the enrollment year. For example, for a student entering college in 2020, the 2018 income tax return figures would be used. You disclose the value of the assets you own like investments, on the day you file the FAFSA and other forms, but the income is from the tax return two years prior. This is where most families try to look as poor as possible by FAFSA standards. Their freshman year, the base year. Students are required to fill out the form each year their student attends school.

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This slide shows which of your family's assets are assessable and which are not. Think of assessable as a code word for counting against you for FAFSA EFC purposes. Obviously, some accounts are great for your family's long term financial future, not necessarily good for qualifying for financial aid, like having a big emergency fund or investment account.

The assets on the left would be assessable, the assets on the right aren't assessable. The point of this slide is not to have you try to take everything on the left and squish it into things on the right to reduce the assets on the left and therefore reduce your EFC. Yes, I would say if you qualify to make a ROTH contribution and you haven't done so this year, then consider making one for you and your spouse, perhaps even make one for last year too if possible. That would reduce the cash on the left and have it go into an asset on the right that doesn't factor into the FAFSA formula in a negative way, for example, a ROTH. But I would suggest that anyway as a good thing to consider regardless. With ROTH IRAs, you can always get back what you contribute any time for any reason without taxes or penalties. Each family situation is different, so the recommended strategies and rationale for considering those strategies will be unique for the family. Be cautious when you read about or hear about a "sure fire" technique for lowering your EFC.

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OK, congratulations, you are now up to college planning 201. You are moving up the ladder of college planning practical knowledge.

I've eaten all of the Girl Scout cookies, so I will just see you over in Part 3 where we will explore the concept of need versus merit aid take a look at some specific examples.

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