CATALYST
WEALTH PLANNING

Reduce the Cost of College

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Agenda

- Rising Cost of College
- Is It Still Worth It
- Overview of Financial Aid
- Expected Family Contribution
- College Selection
- Campus Visit
- Award Evaluation and Appeal
- Conclusion

Important Disclosures

This presentation is for educational purposes only. For personal advice, contact me directly or seek the counsel of a qualified and trusted advisor.

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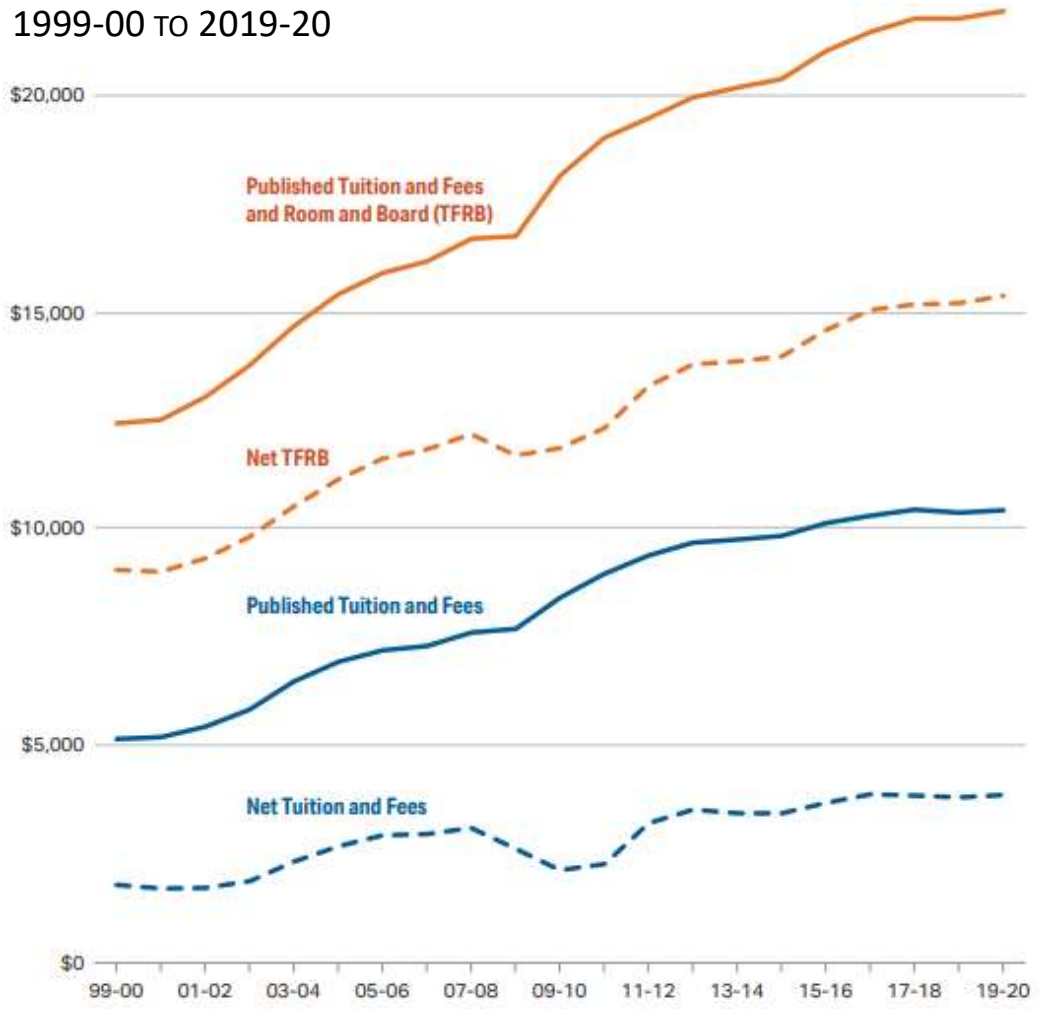
Rising Costs

Rising Cost of College

Average Published and Net Prices in 2019 Dollars, Full-Time In-State Undergraduate Students at Public Four-Year Institutions, 1999-00 to 2019-20

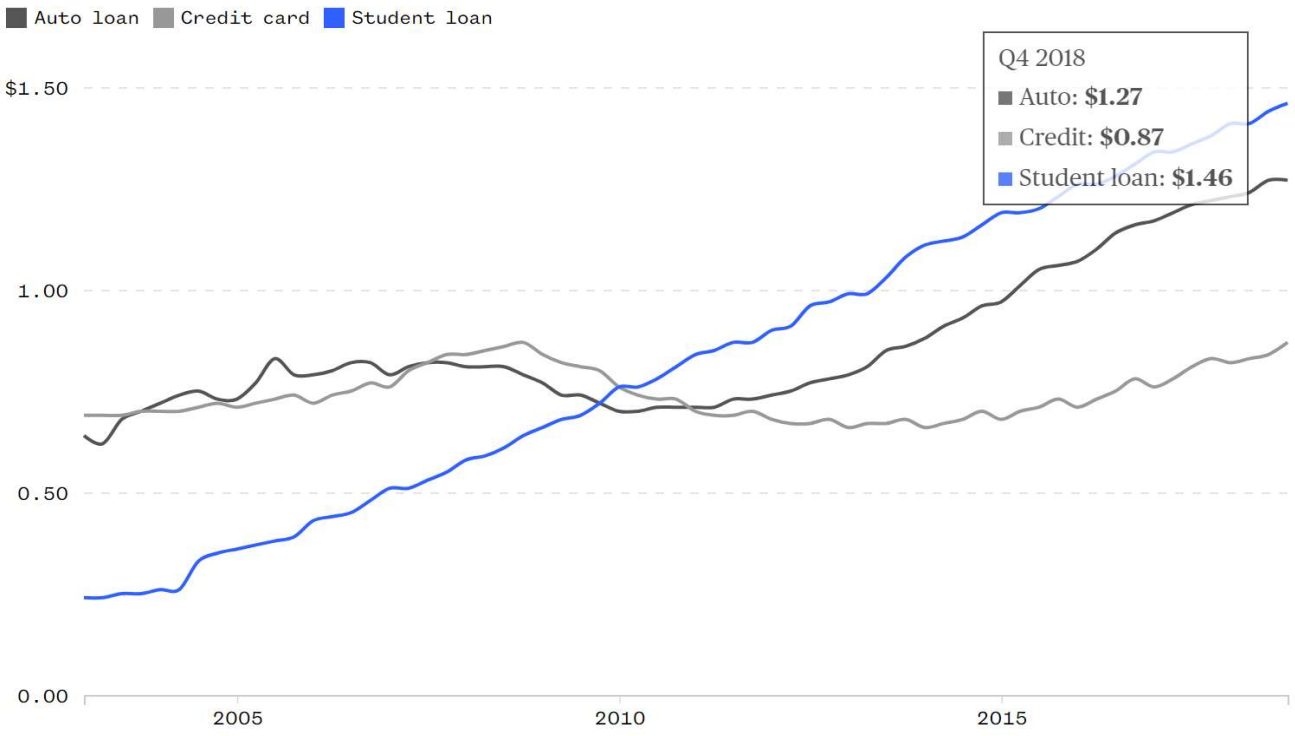


Source: College Board, Annual Survey of Colleges; Trends in Student Aid 2019; NCERS, IPEDS Fall Enrollment and Student Financial Aid data.

Rise of Student Loans

Student loan debt totals have skyrocketed in the last decade.

Total outstanding debt, in trillions



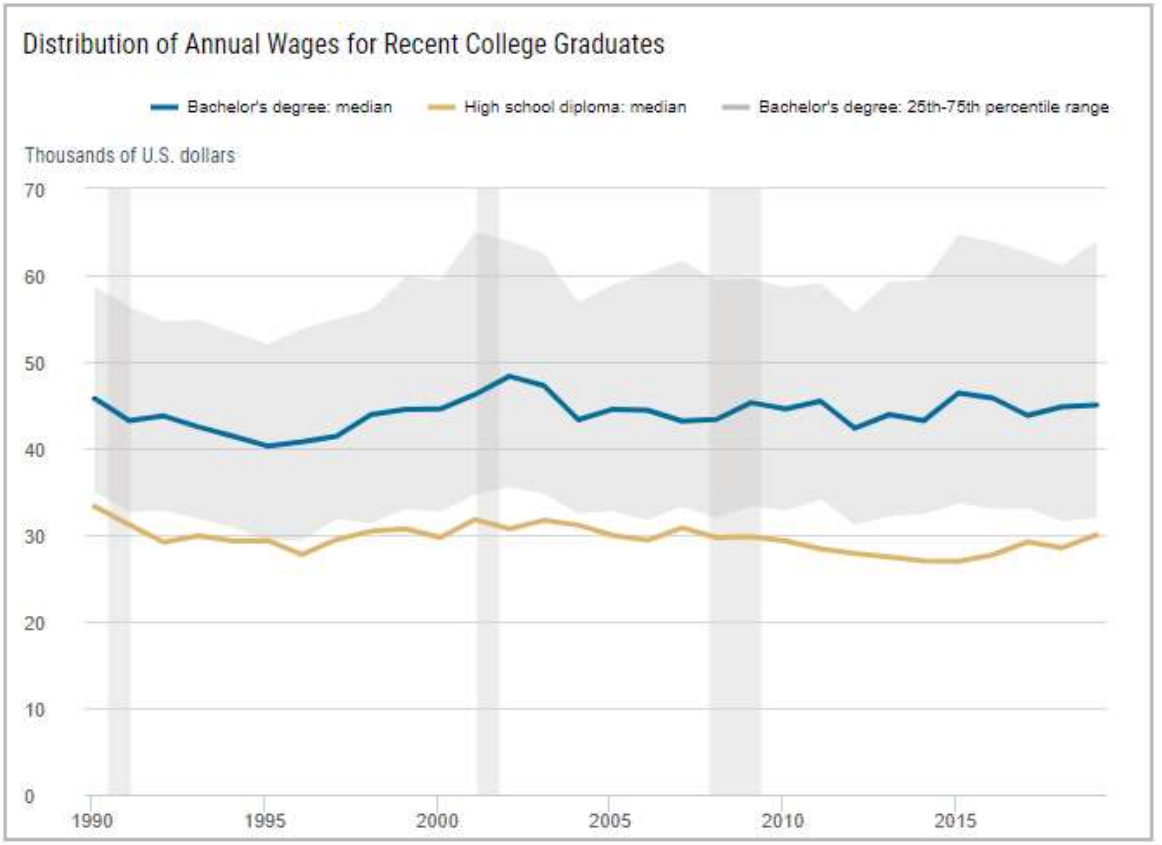
Source: New York Fed Consumer Credit Panel, Equifax

Chart: Nigel Chiwaya / NBC News

https://www.nbcnews.com › us-news › student-loan-statistics-2019-n997836

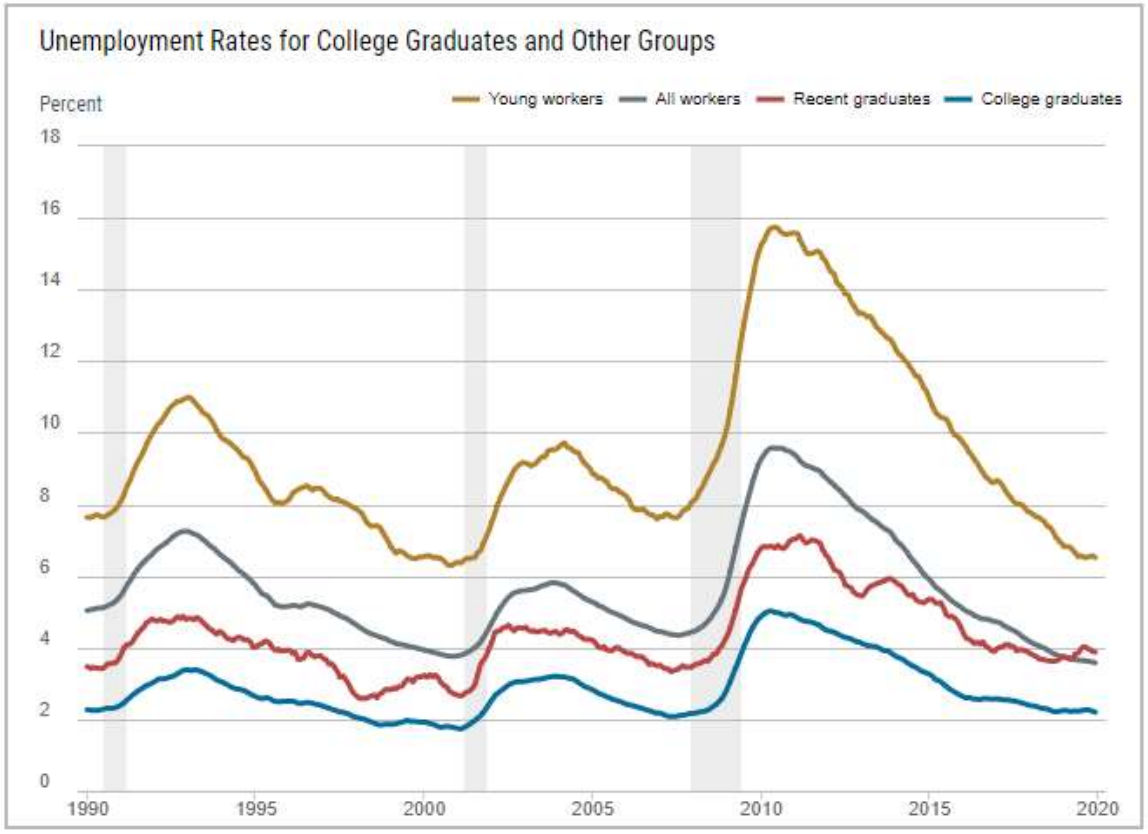
Is It Still Worth It?

Wages



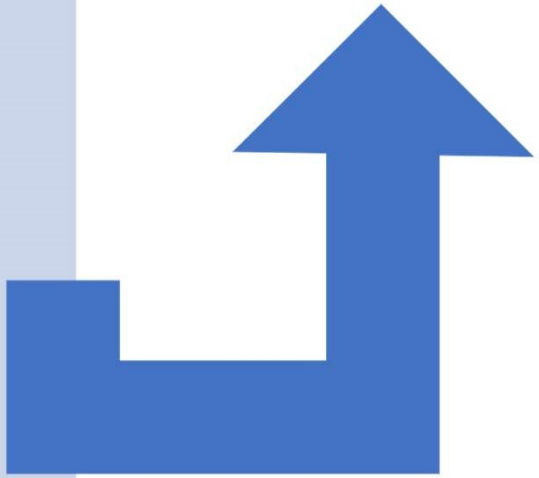
Sources: U.S. Census Bureau and U.S. Bureau of Labor Statistics, Current Population Survey, March Supplement (IPUMS); U.S. Bureau of Labor Statistics, Consumer Price Index.

Unemployment



Source: U.S. Census Bureau and U.S. Bureau of Labor Statistics, Current Population Survey (IPUMS).

IS IT STILL WORTH IT?



Cost-Benefit Analysis
Certainty of Major
Likelihood to Finish
Durability of Value

Overview of Financial Aid

Three Sources of Financial Aid

1. Federal Government – passed to the student through the college or university
    - Grants
    - Work Study
    - Loans
2. College or University (provides the most money)
    - Given to students from their endowment funds in the source of grants, tuition discounts and scholarships
    - Need based and merit based
3. Private Sources (provides the least)
    - Local, regional and national businesses and organizations

Financial Aid Myth

- Financial aid is available to everyone
- It does not go to the neediest, ***it goes to the families that understand how the process works***
- This knowledge can save you and your student thousands, even tens of thousands of dollars over the course of their college career

Financial Aid Awards

- Comes in the form of a letter to the student
- Needs Based Gift Aid – does not have to be paid back
- Merit Based Gift Aid – does not have to be paid back
  - Academics
  - Special Talent
  - Unique Traits
  - Musical or Athletic Skills
- Work Study – earned through work study program
- Scholarship – does not have to be paid back
- Loan – has to be paid back
  - Subsidized Loan - interest does not accrue before payments begin
  - Unsubsidized Loan - interest is accrued throughout loan period

Student Loans

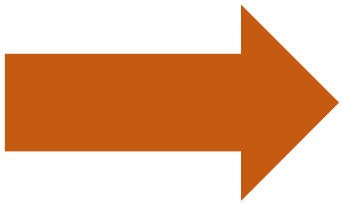
- 1965 Federal Family Education Loan (FEEL) program – student loan guarantee program by the federal government
- 1992 Congress creates a direct lending program
- 2008/2009 Financial crises - less private lending, more federal government direct lending
- 2010 FEEL program eliminated
- 1 in 20 adults has a direct student loan - 44.7 million Americans[1]
- Student loan debt is now estimated to be over $1.5 trillion dollars[1]

[1] https://www.nbcnews.com › us-news › student-loan-statistics-2019-n997836

Cost of College

- Higher price of education is a simple matter of supply and demand
  - Student loans are more readily available
  - Employers are requiring college degrees, even for entry-level jobs
- Average cost of attendance for in-state public school is $26,590[1] and rising 5% - 8% annually

Example: $100,000 in student loans at 6% interest, 10-year term:



$1100 per month
$33,200 in interest

[1]collegedata.com

The Financial Aid Process

How It Works

Financial Aid Basics

- Cost of Attendance (COA)
  - Tuition and fees
  - Room and board
  - Books and supplies
  - Transportation
  - Personal allowances and misc.
- Expected Family Contribution (EFC)
  - The minimum amount the government and school believes you and your family can afford to pay on annual basis
  - Based on income and assets
- Need = COA - EFC

Financial Aid Applications

- Federal Methodology – Free Application for Federal Student Aid (FAFSA)
  - Generally used by public colleges and universities
- Institutional Methodology – CSS/Profile
  - Generally used by private institutions

EFC Rough Estimate

Public Institutions

FAFSA

- 25% Parent's AGI & Pre-Tax Contributions to Retirement Accounts
- 6% Parent's Assets +
- 50% Student's Income over $6570 +
- 25% Student's Assets +

- Assets not included:
  - Equity in primary residence
  - Retirement account balances
  - Cash value of life insurance

Private Institutions

CSS/Profile

- 25% Parent's AGI & Pre-Tax Contributions to Retirement Accounts
- 6% Parent's Assets +
- 50% Student's Income +
- 25% Student's Assets +

- Assets Include:
  - Equity in primary residence
  - Assets parents hold in name of siblings

Tips

1. The generally accepted practice for reporting your home value is to use the Federal Housing Index Value which is typically lower than fair market value.

2. If the equity in your home will inflate your EFC, send your student to a state school which uses the FAFSA and does not look at home equity in the aid calculation.

3. Most business owners do not have to include business assets on the FAFSA. Read the fine print to see if you qualify.

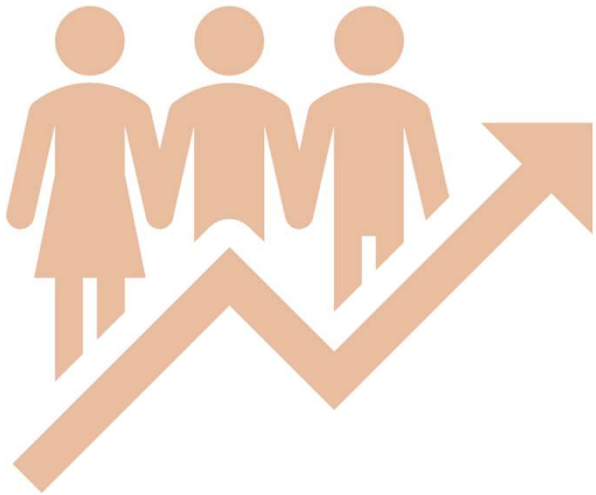
Position Your Student

Save Time and Cut Costs

1. Advanced Placement Tests (AP)
2. College Level Examination Program (CLEP)
3. Dual Credit
4. Field of Study
5. Career Counseling

Academics and Test Scores

- Academics
  - GPA
  - Class placement
- ACT / SAT Scores
  - Review classes
  - Begin taking early in Junior year
  - Take repeatedly



Resume Building

- Community Service
- Employment
- Sports
- Clubs (leadership roles)
- Career Planning (paid and unpaid internships, summer camps, volunteering)
- Personal Connections (letters of recommendation)
- Extracurricular Activities (hobbies)

College Selection

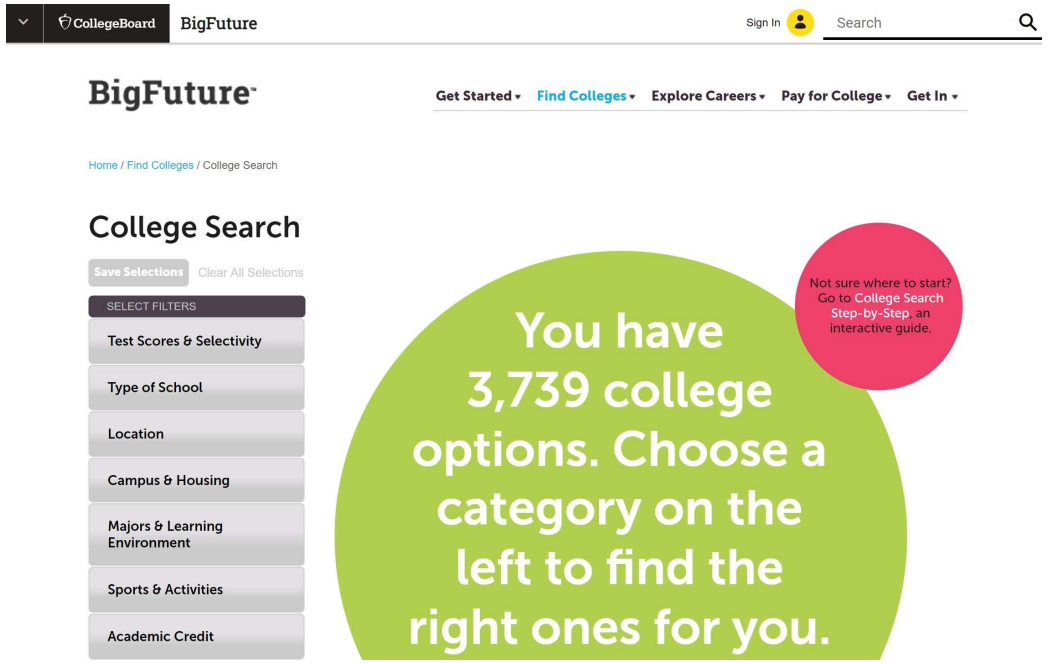
College Selection

- Apply to a minimum of 6 but no more than 10 schools
  - 1 “guarantee” school
  - 2 “reach” schools
  - 3 “preferred” schools
- Also consider attending a junior college for two years – only the last school you attend shows up on your degree

TIP: A student’s major is one of the most important factors in determining their earnings trajectory after college. CollegeBoard.org provides typical first year salary for many majors.

College Selection: Research

1



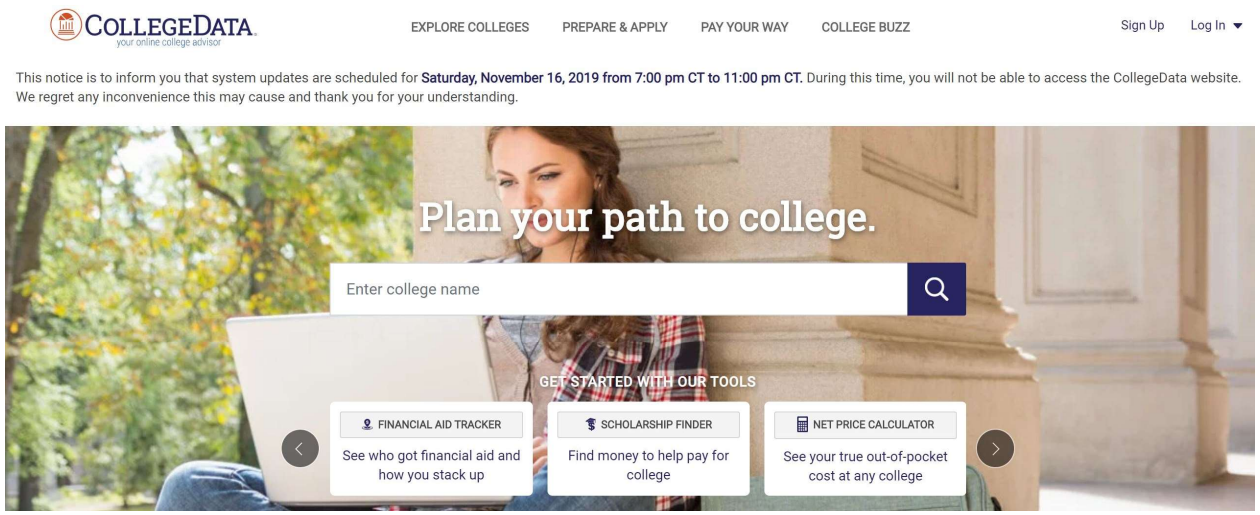
Start your college selection on websites like CollegeBoard.org using a variety of filters. Filter down to 20-30 schools.

collegeboard.org

College Selection: Research

2

Narrow your list down to 15-20 schools using data from websites like CollegeData.com to *estimate* your expected award package and total cost of attendance.



Cost of Attendance
% of Need Met
Avg Need Based Aid
Avg Merit Based Aid
Average Incoming Test Score

collegedata.com

CollegeData.com for Freshmen

Expected Merit Based Gift Aid for students that qualify as better than "Average" for that school

School	COA	% Need Met	% Gift Aid (calculated)	Avg Need Based Gift	Avg Merit Based Gift	Avg Test Score
University of Illinois - Champagne	$31,216	68%	70%	$14,957	$5,670	28
University of Illinois - Chicago	$24,474	59%	96%	$13,835	$5,993	24
Southern Illinois - Carbondale	$29,367	56%	52%	$8,521	$8,371	24
Northeastern	$31,835	34%	80%	$8,713	$2,081	19
DePaul University	$57,678	72%	60%	$25,014	$16,127	25
Illinois Institute of Technology	$65,386	86%	65%	$36,584	$26,980	28

Calculate % Gift Aid

3

% Gift Aid for U of I:

1. COA x % Need Met = $21,227 << divide the average need based gift by this number to calculate the % Gift Aid
2. 14,957/21227 = 70% << % Gift Aid

Data from collegedata.com

Example 1: EFC $15,000

Calculate Expected Total Gift Per Year

School	Cost of Attendance[1]	Expected Need Based Gift	Average Merit Based Gift[1]	Expected Total Gift	Expected Cost per Year	Payback Period (Years)
University of Illinois - Champagne	$31,216	$7,770	$5,670	$13,440	$17,776	
University of Illinois - Chicago	$24,474	$5,356	$5,993	$11,349	$13,125	
Southern Illinois - Carbondale	$29,367	$4,169	$8,371	$12,540	$16,827	
Northeastern	$31,835	$4,608	$2,081	$6,689	$25,146	
DePaul University	$57,678	$18,509	$16,127	$34,636	$23,042	
Illinois Institute of Technology	$65,386	$28,191	$26,980	$55,171	$10,215	

4

Calculate Expected Gift Aid, Expected Total Aid and Expected Cost per Year
U of I assuming EFC $15,000:
Need = 31,216 – 15,000 = 16,216
68% of 16,216: $11,426 << Expected Need Met
70% of 11,426: $7,770 << Expected Need Based Gift Aid
$7,770 + $5,670 = $13,440 << Expected Total Gift (does not have to be paid back)
$33,216 - $13,440 = $17,776 << Expected Cost per Year

[1]collegedata.com

Example 2: EFC $35,000

Calculate Expected Total Gift Per Year

School	Cost of Attendance [1]	Expected Need Based Gift	Expected Merit Based Gift	Expected Total Gift	Expected Cost per Year	Payback Period (Years)
University of Illinois - Champagne	$31,216	0	$5,670	$5,670	$25,546	
University of Illinois - Chicago	$24,474	0	$5,993	$5,993	$18,481	
Southern Illinois - Carbondale	$29,367	0	$8,371	$8,371	$20,996	
Northeastern	$31,835	0	$2,081	$2,081	$29,754	
DePaul University	$57,678	$9,835	$16,127	$25,962	$31,716	
Illinois Institute of Technology	$65,386	$17,001	$26,980	$43,981	$21,405	

[1]collegedata.com

Cost – Benefit Analysis

Identify the average salary after completion for field of study

- https://bigfuture.collegeboard.org/majors-careers
- https://cew.georgetown.edu/cew-reports/valueofcollegemajors/

Payback Period (Years) = $\frac{\text{Expected Cost per Year X No. of Years}}{\text{Salary After Completion}}$

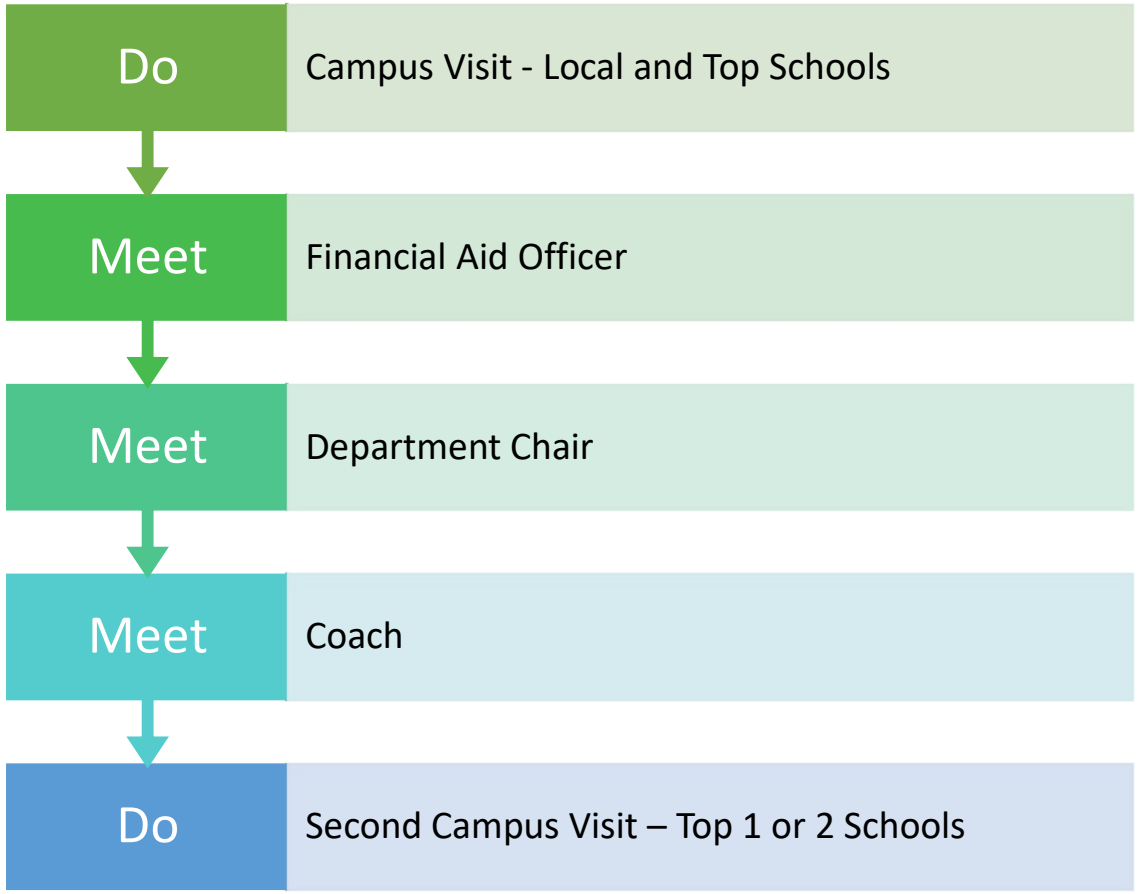
Cost – Benefit Analysis

https://www.theloanmajor.com/

- *College search calculator – estimates student's total loan debt before ever applying to a college*
- *College selection calculator – compares financial aid packages to estimate which college will leave the student with the most and least debt.*

Campus Visit

Campus Visit



Post Campus Visit Tips

- Take Photos and record impressions
- Thank you cards with your photo doing the sport/hobby you love
  - Fran McKay
  - Future Engineer Student at MIT 2021-2025

Financial Aid Award

Financial Aid Application

Submit a financial aid application NO MATTER WHAT

Have your application ready to go, mistake free, so you are just waiting to submit it on October 1

Divorcees: if you have joint custody, use the data from the parent that will be most advantageous

Evaluating Award Offers

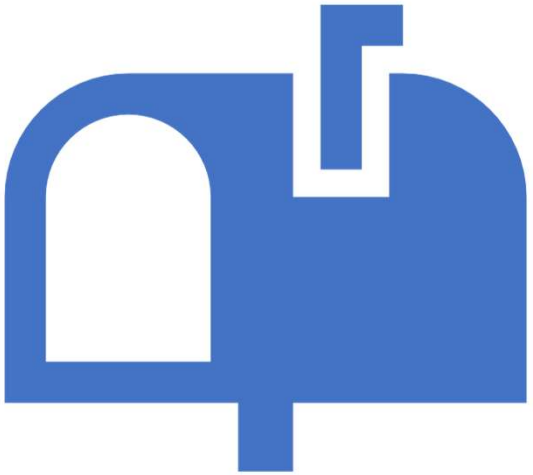
COMPARE YOUR STUDENT'S AWARD OFFER WITH THE EXPECTED FINANCIAL AID AWARD

IF YOUR STUDENT IS BETTER THAN AVERAGE RELEVANT TO THEIR TEST SCORES AND OVERALL RESUME, EXPECT TO RECEIVE A BETTER THAN AVERAGE OFFER

COLLEGES DON'T ALWAYS MAKE THEIR BEST OFFER UP FRONT

Appeal Letter

- Always use snail mail[1] to submit your appeal letter
- The appeal letter must be from the student
- *If you believe the offer is low*, let the school know you were expecting more and will compare it to offers you receive from other schools
- *If the award is close to what you expected*, only appeal if there is information you think will benefit your award or if attending the school is not that important and you just want to test the water
- If you have special circumstances – inherited assets, job loss – explain the situation to the school in your appeal letter
- *If the award is high*, do not appeal



[1] During the Covid-19 Pandemic, many are working from home and email may be the best option

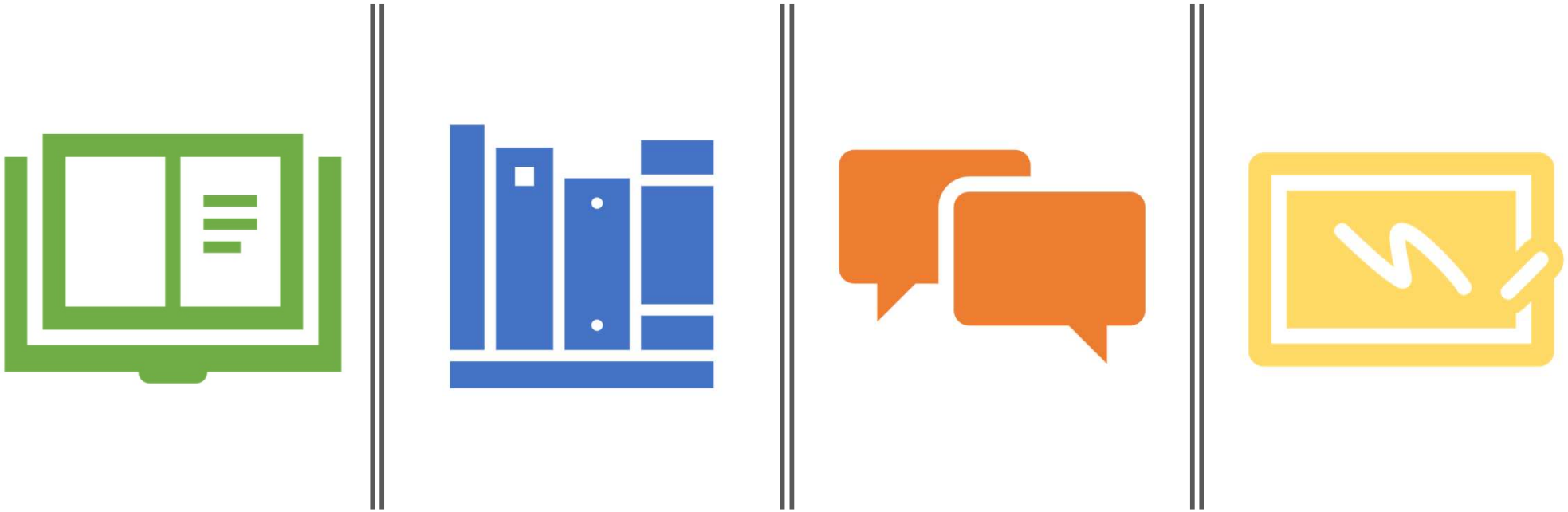
Conclusion

Position Your High School Student for Success

- Start Early
- PreCollege Programs
- Get Connected
- Stay Organized
- Manage What You Put Your Energy Into
- Social Media Posts
- College Fairs
- Scholarship Websites
- Job Shadow
- Career Counseling

Additional Ways to Save

- Meal Plans
- Resident Assistant (RA) and Teacher Assistant (TA)
- Other On-Campus Jobs



Questions & Answers

Thank You for Attending

Upcoming Webinars

May 12 – The Prepared Caregiver

May 19 – Navigating the New Economy

May 26 – Estate Conservation

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