

# College Aid Professionals, LLC

“The Authority in College Financial Planning”



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# College Aid Professionals, LLC

## Mission Statement



### **Mission Statement**

**We can help make college affordable,  
regardless of your income or assets.**

# The Value of a College Education



## **Earning Power**

*Full Time Workers with a College Degree earn*  
***\$20,000 more annually***  
*than Full Time Workers with a High School*  
*Diploma*

***\$20,000 x 43 years =***  
***\$860,000 more***  
*over a working lifetime*



# College Costs Keep Increasing



According to the U.S. Department of Education,  
over the past 10 years:

**4-Yr. Public  
Universities**

• Up 51%

**4-Yr. Private  
Universities**

• Up 36%

**2-Yr. Public  
Universities**

• Up 26%

**Annual Increase = 5% - 7%**

**Annual Inflation Rate = 2.8%**

# Parents of Seniors



**Both Parents &  
Students**

**Register for a  
Federal PIN #**

**[www.pin.ed.gov](http://www.pin.ed.gov)**



**START HERE  
GO FURTHER**  
FEDERAL STUDENT AID™

**Welcome to the Federal Student Aid  
PIN Web site**



# Expenses

- **Standardized Tests**  
(PSAT, SAT, ACT, AP)

\$47 - \$87  
Per Test



- **Test Prep Courses & Materials**

\$500 -  
\$3,000



- **College App. Fees**  
(Often waived with campus visit)

\$50 - \$150  
Per School



- **Campus Visits**  
(hotel, food, airfare, gas)

\$100 - \$500  
+ Per Visit



- **Tuition & Housing Deposit**

\$300 -  
\$500



- **Moving Expenses**  
(U-haul, gas, food, hotel)

\$150 -  
\$400



- **Personal Expenses**  
(clothing, bedding, mini-fridge)

\$500 -  
\$900

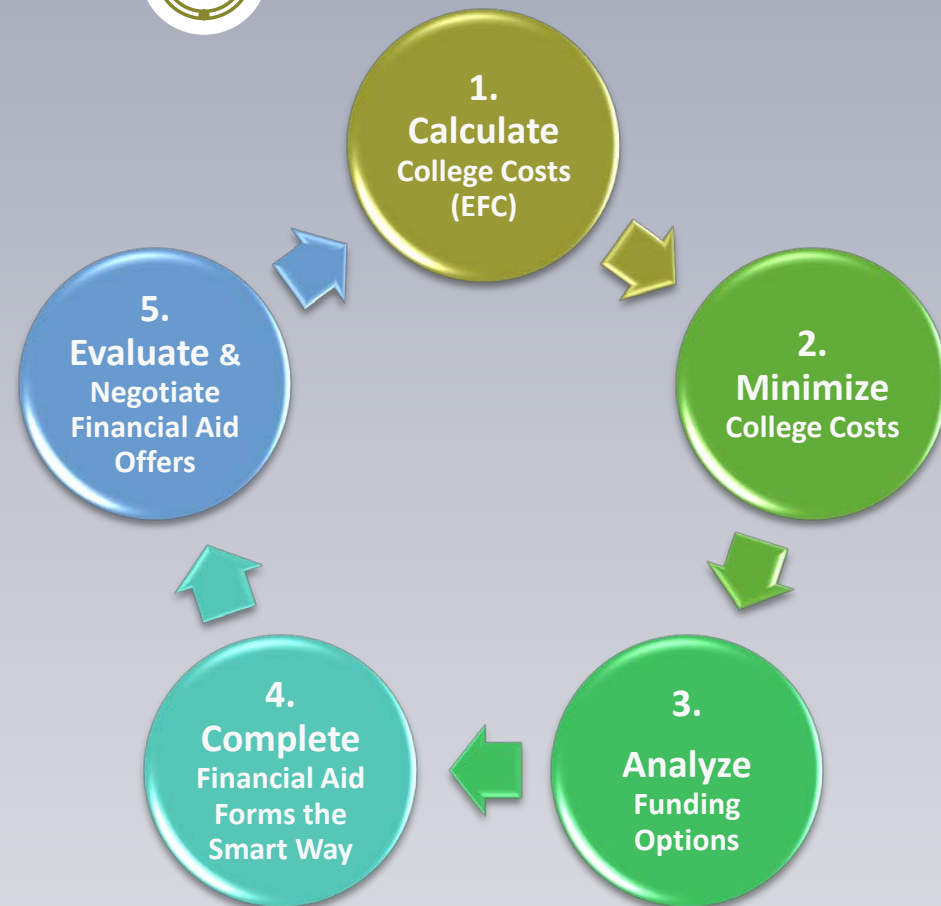


**Total: \$1,000 - \$5,000**

## Begin Planning in Junior Year:

January 1<sup>st</sup> your Financial Aid clock will begin ticking.

Everything that occurs during Jan 1<sup>st</sup> (middle of the Junior year) and Dec 31<sup>st</sup> (middle of the Senior year) will determine your Freshman year of College cost.



## College Financial Aid Process

# What is Financial Aid?



**The broad term to the system designed to determine & meet student's demonstrated need.**

**One source of money for post-secondary school expenses that pays for education, training & living expenses.**



**We as parents do not have a financial interest in our children's college education, but we do have an emotional one. This is a "pure" expense.**

**The Federal Government has a financial interest in our children's college education.**



# Goals of Financial Aid



**1**

- Educational investment to assist students in paying for their college education.

**2**

- To evaluate the family's financial ability to pay for educational costs.

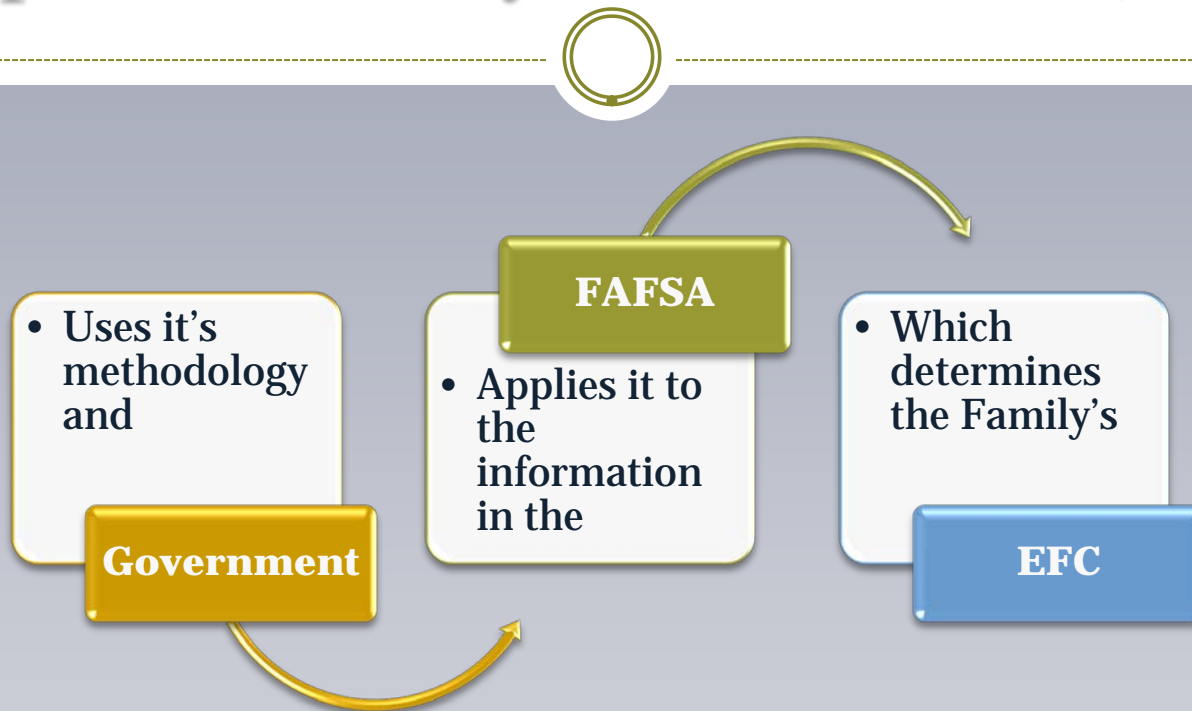
**3**

- To attempt to provide a balance of gift aid and self-help aid.

**4**

- To distribute limited resources in an equitable manner.

# Expected Family Contribution (EFC)



- This formula determines the minimum amount a family is expected to contribute to the student's education should the school cost more than the school.
- If more than one student in college at same time, the EFC is cut in half for each student for the years those students are in school together.
- A family of 4, with 2 in college can have an AGI up to \$180,000, and still may qualify for need-based aid.

## EFC – Then & Now

*Twenty years ago, the EFC was defined as what one family could afford to pay for one child for one year of college, out of the family's current cash flow.*

*Today, a family's EFC is defined as what one family can afford to pay for one child for one year of college, over time.*



**EFC**  
***Then – Can pay out of current cash flow...***  
***Now – OVER TIME!***



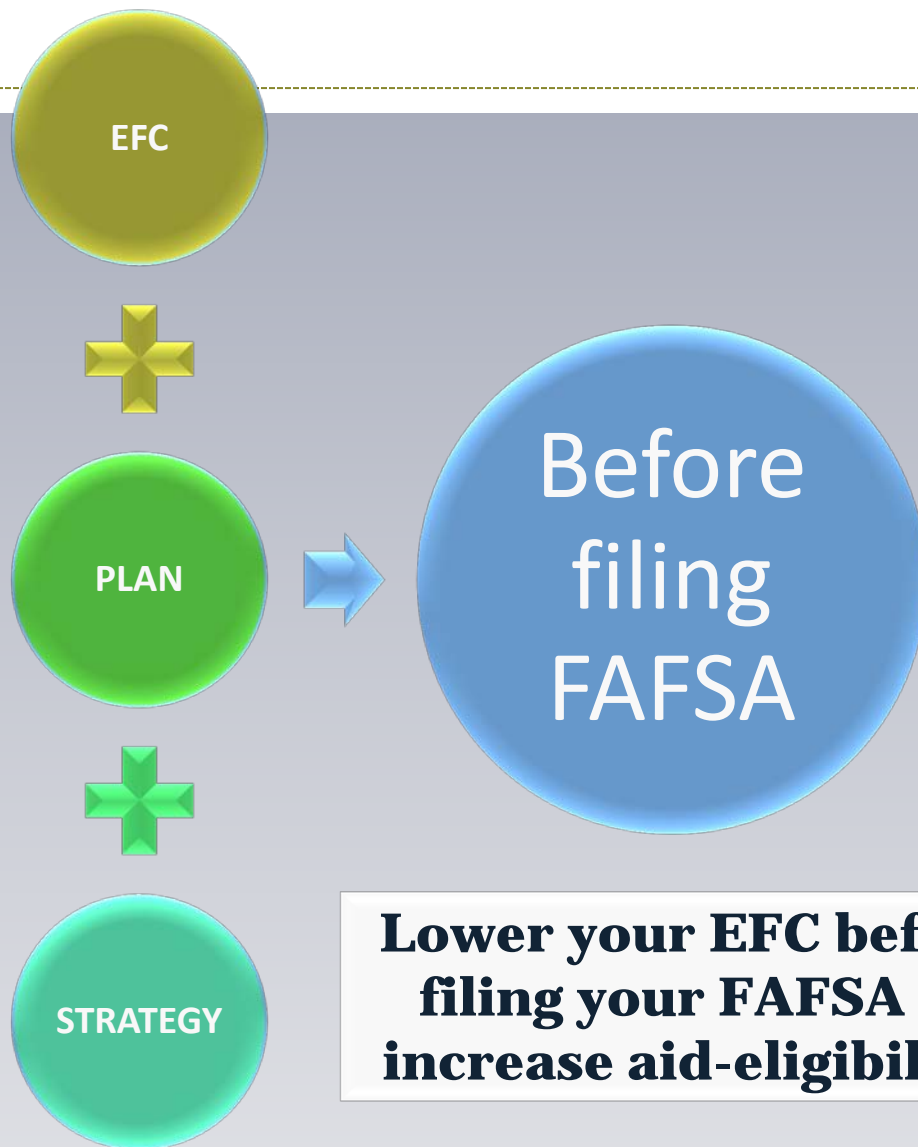
## Your EFC is a *Crucial* Number

***PREPARE  
NOW!***

**KNOW EFC NOW** -  
the higher your EFC,  
the less need-based  
financial aid will be  
available.

**PLAN NOW** - to  
maximize financial aid  
eligibility.

**STRATEGIZE NOW** -  
for lowering your EFC.



# Determining Need



## Methods of determining need:

1. Federal Methodology
2. State Methodology
3. Institutional Methodology
4. CSS Profile
5. Ivy League

*Each college may have a different formula for determining need.*

## University U

Total Cost of Attendance	\$20,000
Expected Family Contribution	\$8,000
Outside Scholarship	\$1,500
Outside Aid	\$500
Financial Need	\$12,000

Federal Pell Grant	\$0
State Scholarship Grant	\$1,000
Institutional Grant	\$8,000
Federal Perkins Loan	\$0
Federal Stafford Loans	\$2,825
Federal Work-Study	\$2,375
Total Award	\$12,000

Award Letter

# How Complicated is the FAFSA?



## Department of Education FAFSA

- FAFSA
  - 95 multi-part questions (lines)
  - 10 pages



**FAFSA**  
FREE APPLICATION FOR FEDERAL STUDENT AID  
*We Help Put America Through School*

## Internal Revenue Service 1040

- 1040-EZ
  - 12 lines
- 1040-A
  - 48 lines
- 1040
  - 75 lines



FAFSA generates a Student Aid Report (SAR) which tells EFC & Pell Grant eligibility.

# The Financial Aid Process



Step Two: Answer questions 32-59 about yourself (the student). If you are married as of today, include information about your spouse (your husband or wife). If you are single, separated, divorced or widowed, answer only about yourself.

32. For 2006, have you (the student) completed your IRS income tax return or another tax return listed in question 33?  
a. I have already ☐ b. I will file, but I have not yet completed my return. ☐ c. I'm not going to file. (Skip to question 38.) ☐

33. What income tax return did you file or complete?  
a. IRS 1040 ☐ b. IRS 1040A or 1040EZ ☐ c. I am not a U.S. citizen or U.S. permanent resident alien. See Notes page 6. ☐

34. If you have filed or will file a 1040, were you eligible to file a 1040A or 1040EZ?  
See Notes page 6. ☐ Yes ☐ No ☐ Don't Know ☐

For questions 35-47, if the answer is zero or the question does not apply to you, enter 0.

35. What was your (and spouse's) adjusted gross income for 2006? Adjusted gross income is on IRS Form 1040—line 37, 1040A—line 21, or 1040EZ—line 4.  \$

36. Enter your (and spouse's) income tax for 2006. Income tax amount is on IRS Form 1040—line 57, 1040A—line 36, or 1040EZ—line 10.  \$

37. Enter your (and spouse's) exemptions for 2006. Exemptions are on IRS Form 1040—line 43 or on Form 1040A—line 63. For Form 1040EZ, see Notes page 7.

38-39. How much did you (and spouse) earn from working wages, salaries, tips, combat pay, etc. in 2006? Answer this question whether or not you filed a tax return. This information may be on your W-2 form, or on IRS Form 1040—lines 7 + 12 + 13 + Box 14 of IRS Schedule K-1 (Form 1995) 1040A—line 7, or 1040EZ—line 1. You (38)  \$    Your Spouse (39)  \$

Student (and Spouse) Worksheets (40-42)

40-42. (Go to Page 9 and complete the columns on the left of Worksheet A (40).)  \$

- Begins with the Free Application for Student Aid (FAFSA)
- Must be completed by all students applying for financial aid.
  - (Hint – put a Home State school first)
- Can not be completed until after January 1<sup>st</sup>.
- Stafford and/or PLUS loans require filing of a FAFSA.

# Common FAFSA Mistakes



## Name does not Match SS Card

- Names on FAFSA must EXACTLY MATCH name as appears on Social Security card.

## Applying After Being Admitted

- Waiting to apply for FAFSA until AFTER being admitted could cause missing financial aid deadlines.

## Separated/Divorced/Remarried

- Separation is not legal entity in PA. Federal gov't does. Divorced/separated one 1 income reported.

## Inclusion of Retirement Assets

- Retirement assets are blind to financial aid

# The CSS Profile



The form is administered by the College Scholastic Service – a financial aid division of the College Board.

The screenshot shows the 'APPLICATION' header with navigation links: 'Back to Registration', 'Add/Remove Colleges', 'Previous', and 'Save & Continue'. Below these are buttons for 'SAVE', 'SAVE & EXIT', 'SUBMIT', and 'PRINT/REVIEW APPLICATION'. A 'GO TO SECTION:' dropdown menu is set to 'Select Section'. On the right, the status is 'APPLICATION NOT SUBMITTED'. The main section is titled 'Student's 2006 Income and Benefits (SI)' and includes instructions: 'This section asks for information about the student's (and the student's spouse's, if married) income and benefits. Any time a question says "you" or "your" it is referring to the student (and student's spouse's, if married). If a question does not apply, enter "0" (zero).' Two questions are visible: 'Enter your total number of exemptions for 2006 from your 2006 IRS Form 1040, line 6d or 1040A, line 6d; for 1040EZ - see help.' with a 'SI-100' link, and 'Enter your 2006 adjusted gross income from your 2006 IRS Form 1040, line 37 or 1040A, line 21 or 1040EZ, line 4. Worksheet' with a 'SI-105' link. Both questions have input boxes and 'Help Code' links.

The form is used by some private universities & colleges to help determine need & non-government financial aid to award.

# FAFSA vs. CSS Profile

## ***FAFSA***

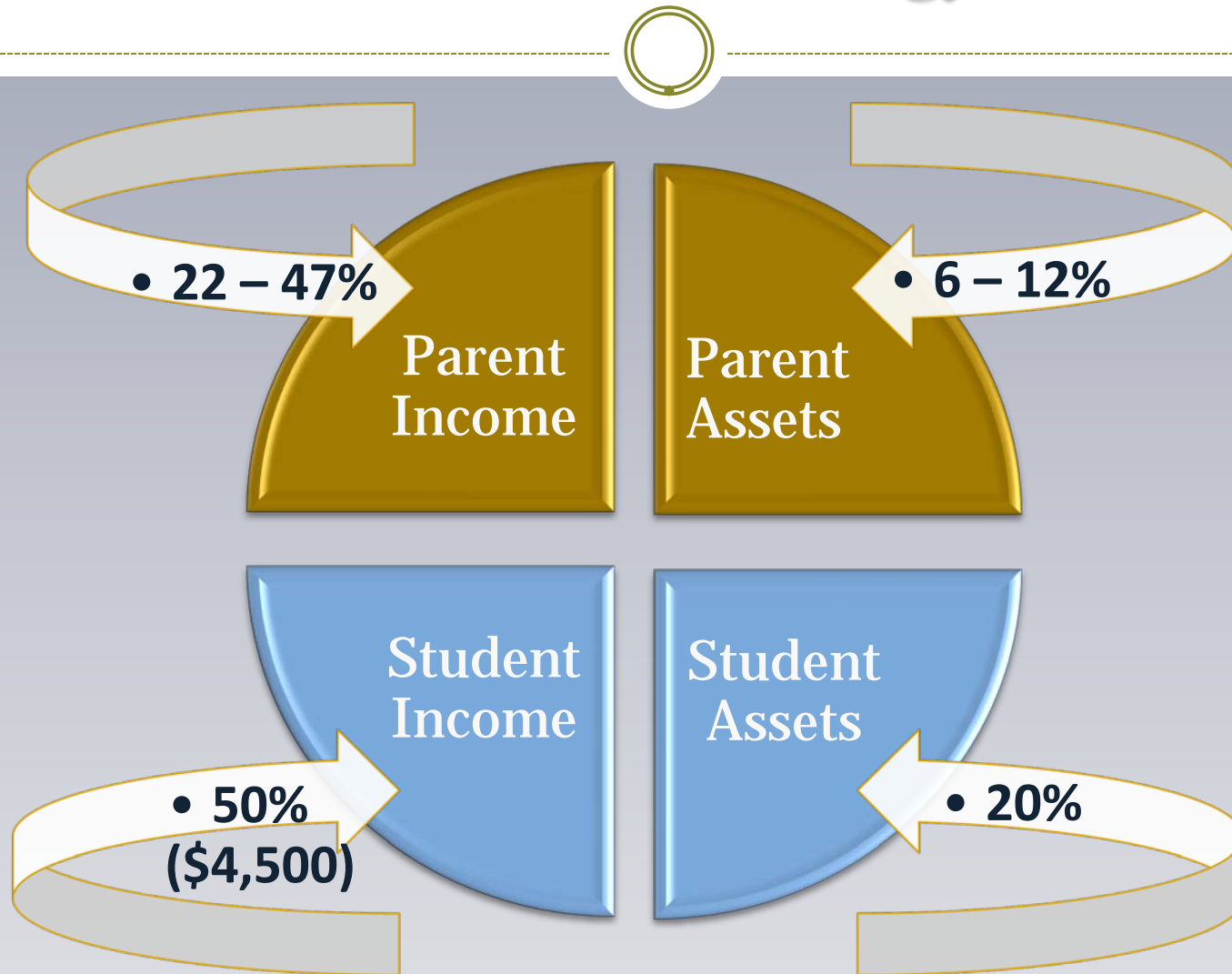
- Income and Assets of custodial parent ONLY.
- Primary residence not counted in EFC calculation.
- Retirement assets are not reported.

There are major differences between the FAFSA & CSS Profile Applications.

## ***CSS Profile***

- Income & Assets of BOTH custodial & non-custodial parents (and spouses).
- Primary residence equity IS counted in EFC calculation.
  - (Federal Housing Index Multiplier)
- Retirement assets will be asked for, viewed & can be used to determine financial aid eligibility.
- Additional information regarding installment debt will be asked for & viewed.

# CSS Methodology



# Determining Income



## Adjusted Gross Income (line 37 on 1040)

- Includes all Income to Family

- Taxable Income

- Wages
    - Short/Long term capital gains
    - Business Income
    - 529 Plans/TAP

- Untaxable Income

- Social Security
    - Child or Spousal Support
    - Unemployment
    - Disability

- Phantom Income

- Paper transactions

- Income Protection Allowance

- Age of oldest parent & number of family members

**Penalty Rate:**  
**22 – 47%**  
**(age-weighted)**

## Parent's Net Assets

Remember 529 accounts are considered assets of the parents.



## Asset Protection Allowance

- Age of oldest parent & number of family members
  - (older = more assets protected)
- Normally does not include retirement accounts

**Penalty Rate:**  
6 - 12%  
(age-weighted)

## Net Home Equity Effect for CSS Profile Schools

- Proper valuation of market value
- Federal Housing Index Multiplier
  - [www.finaid.org](http://www.finaid.org)



# Determining Income



## Student Income

- Includes all Income to Student

- Taxable Income

- Wages
    - Short/Long term capital gains

- Untaxable Income

- Social Security
    - Disability
  - Phantom Income
    - Paper transactions
  - UTMA/UGMA

- Income Protection Allowance

- Up to \$4,500 allowed with NO penalty.

**Penalty Rate:  
50%**

# Student's Gross Assets

Interest from a  
UTMA/UGMA counts  
toward income of the  
student.



## Asset Protection Allowance

- NO asset protection allowance.
- All assets penalized.

**Penalty Rate:**  
20%

# Net Home Equity Example



Primary Home purchased in 1987 for \$87,000

Home Equity Loan Balance \$47,000

Primary Mortgage Balance \$65,000

total debt \$112,000

Current Estimated Market Value \$265,000

**Net Equity \$153,000**



Using the Federal Housing Index Multiplier to value the home, instead of market value, the value of the home becomes \$170,000

**Net Equity drops to \$58,000**

**Reduction to Net Equity = \$95,000**

# Result of Decreasing Home Equity



EFC calculated as 12% of Parents' net assets

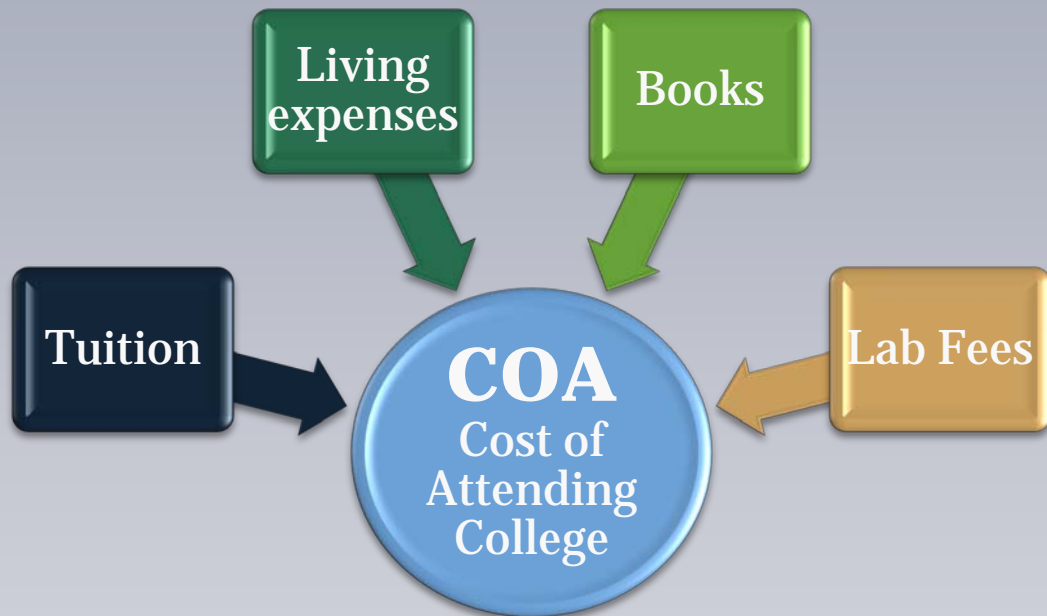
12% of \$153,000 (market value) = \$18,360

Using the Federal Housing Index Multiplier valuation, 12 % of \$58,000 = \$6,960

**Expected Family Contribution is reduced by \$11,400**



# Cost of Attendance



- Colleges use Federal guidelines to determine what their COA is.
- Each COA is unique to that school.

# Need



## Determining Your Financial Need

We use your Expected Family Contribution (EFC) to determine your financial need:

**Cost of Attendance**

– Expected Family Contribution (EFC)

---

**= Financial Need**

Term used to mean a student's need for financial aid.

Need is the difference between a family's EFC & the COA.

Schools usually meet 80% to 100% of need. But there are exceptions...

# Just How Much Does College Cost?



**Let's assume the  
EFC is \$15,000**



# What Should Your Cost Be?



## *Gettysburg College*

**\$51,390 COA**  
**-\$15,000 EFC**  
**= \$36,390 need**

**Gettysburg meets 100% of a family's need.**

**The family cost should be:**

**\$15,000**

## *Widener University*

**\$44,990 COA**  
**-\$15,000 EFC**  
**= \$29,990 need**

**Widener meets 77% of a family's need.**

**The family cost should be:**

**$(\$29,990 \times .23) = \$6,898$**

**$\$6,898 + \$15,000 =$**

**\$21,898**

# Types of Financial Aid



Colleges try to meet demonstrated need by offering **4 types** of financial aid.

1. Grants
2. Loans
3. Scholarships
4. Work Study



# “Grants”

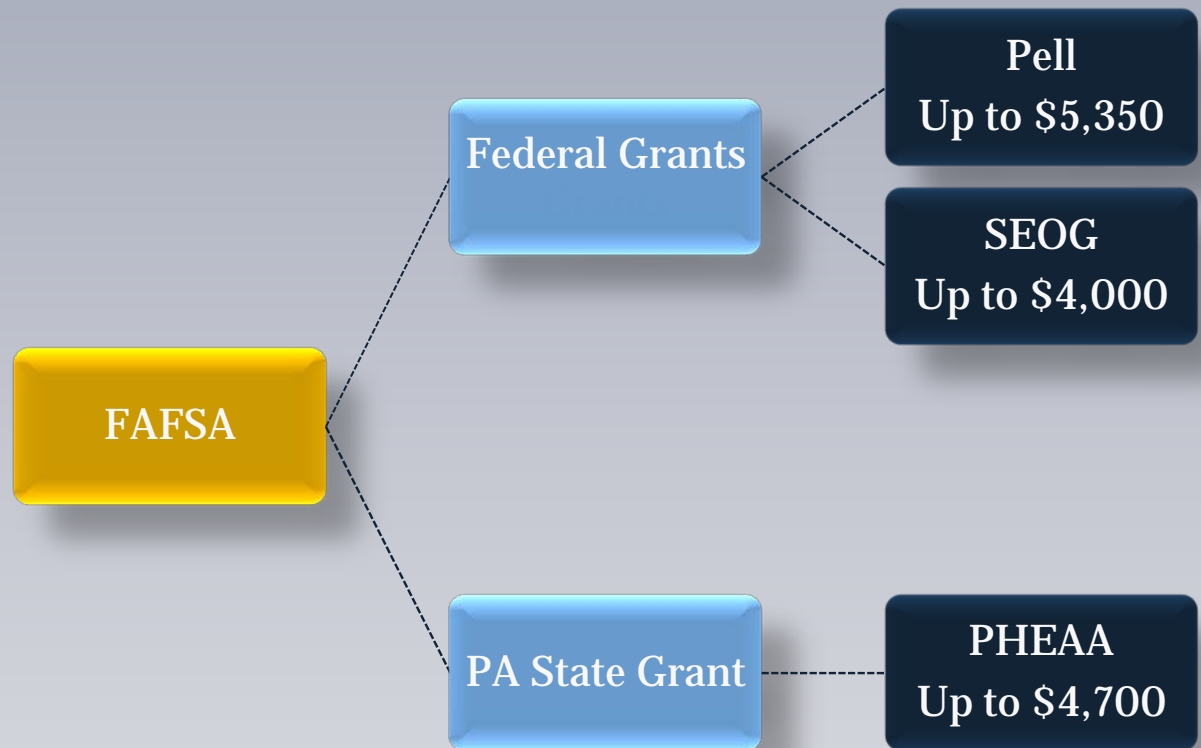
**Grants** can be part of the **Financial Aid Package** offered by a School.

Grants are based on **Need**.

Grants **do not need to be repaid**.

Grants **must be reapplied for each year** by filing a FAFSA form.

*(Examples are based on a Family of 4 with an AGI of less than \$30,000.)*



# “Loans”

**Student Educational Loans Programs** are part of the **Financial Aid Package** offered by the school.

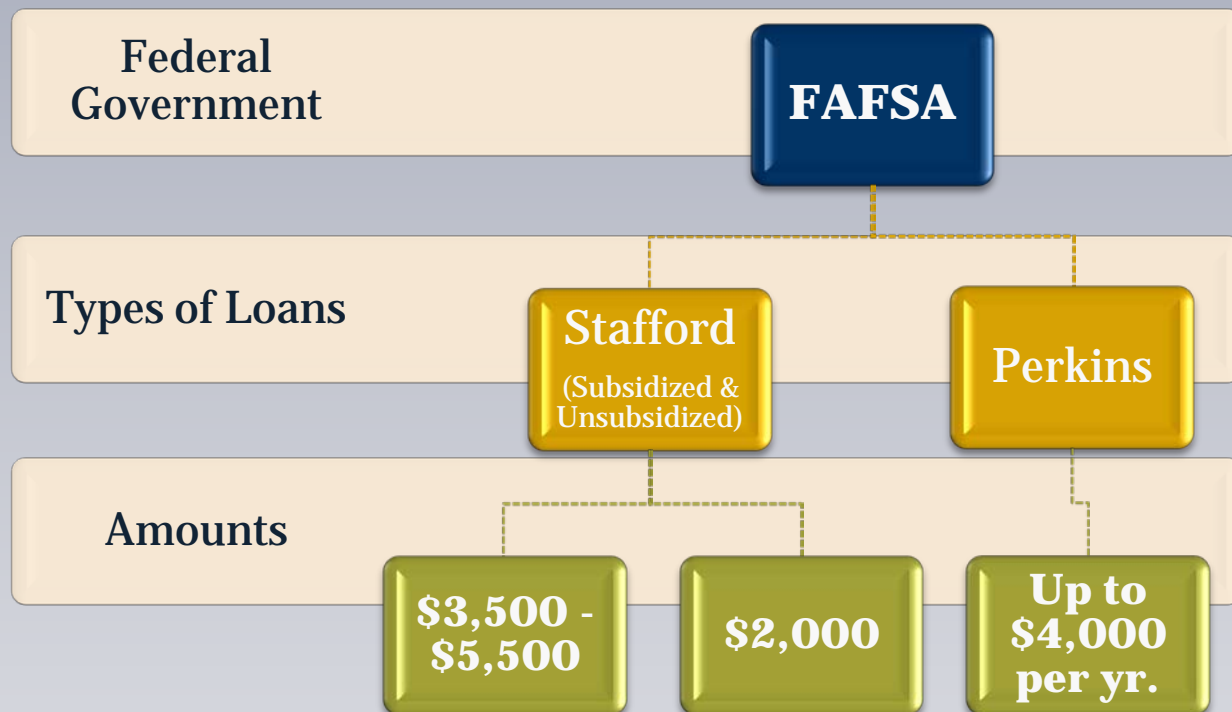
**Perkins** loan is based on **need**.

**Stafford** loans are **granted to every student** regardless of parental income

Loans are obtained through the **Federal Government**, are completed on-line & signed electronically using a **Federal PIN #**.

Loans are **deferred** until six (6) months after student graduates.

Loans **must be repaid**.



# “Scholarships”

Colleges will **automatically apply scholarships** to students who qualify.

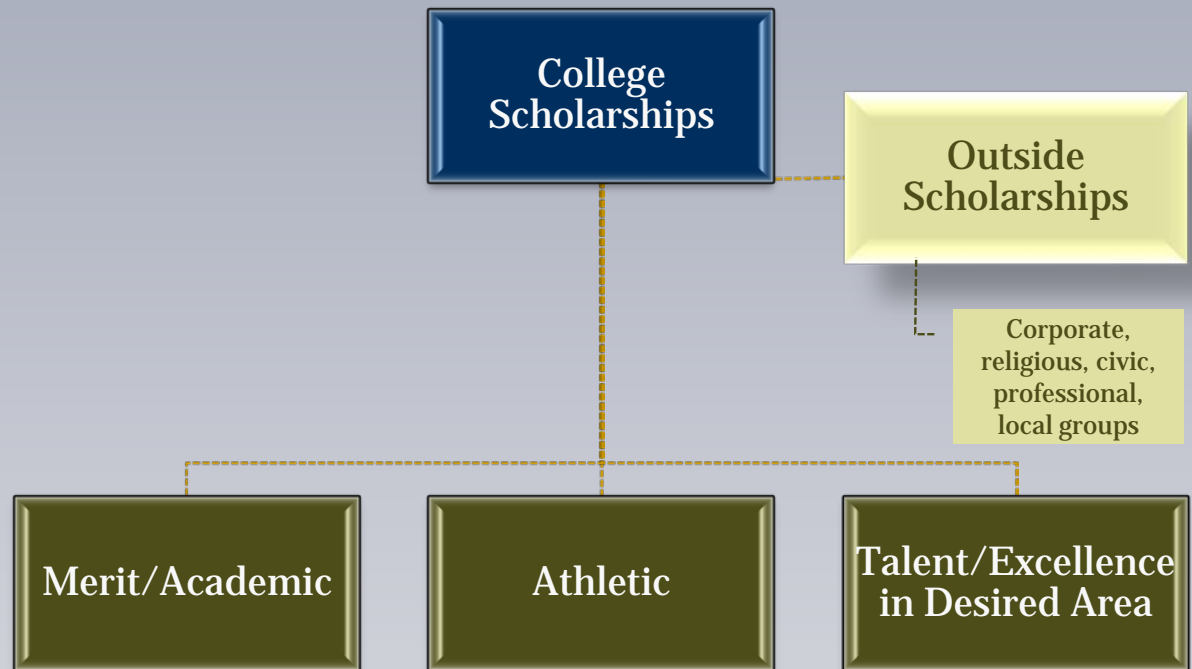
Scholarships **do not have to be repaid**.

Students must **maintain GPA/other requirements** to retain scholarship.

Scholarships **may/may not** be available from year-to-year.

Parents/students are encouraged to **search for private scholarships**.

Know how the scholarship will **affect your EFC**. Some schools will decrease need-based aid in the amount of private scholarships obtained from outside organizations.



Student Advantage  
<http://www.absolutelyscholarships.com>  
Peterson's-Thomson  
<http://www.collegequest.com>  
College Data  
<http://www.collegedata.com>  
FastWeb Scholarship Search  
<http://www.fastweb.com>

# “Work Study”



- **It provides an on-campus job to the student, with maximum earnings per award letter.**
- **Students receive a pay check, which can help defer incidental college expenses.**
- **Is another form of Financial Aid but does not post as a credit to the bill.**

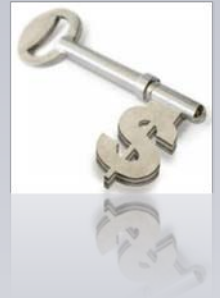
# How Will You Pay?



Once you *know*:

- What *Federal & State aid* you can expect;
- What your *EFC* will be;
- How much the college is giving in *merit money*;

You need to decide *how* you will pay for the balance.



How You Pay Can Save You Money!

# Paying with Cash?



**For those considering paying cash for college, consider this:**



If something happens to you, how will college be paid for?

If you didn't pay cash for your house, and you didn't pay cash for your car, why would you pay cash for college?

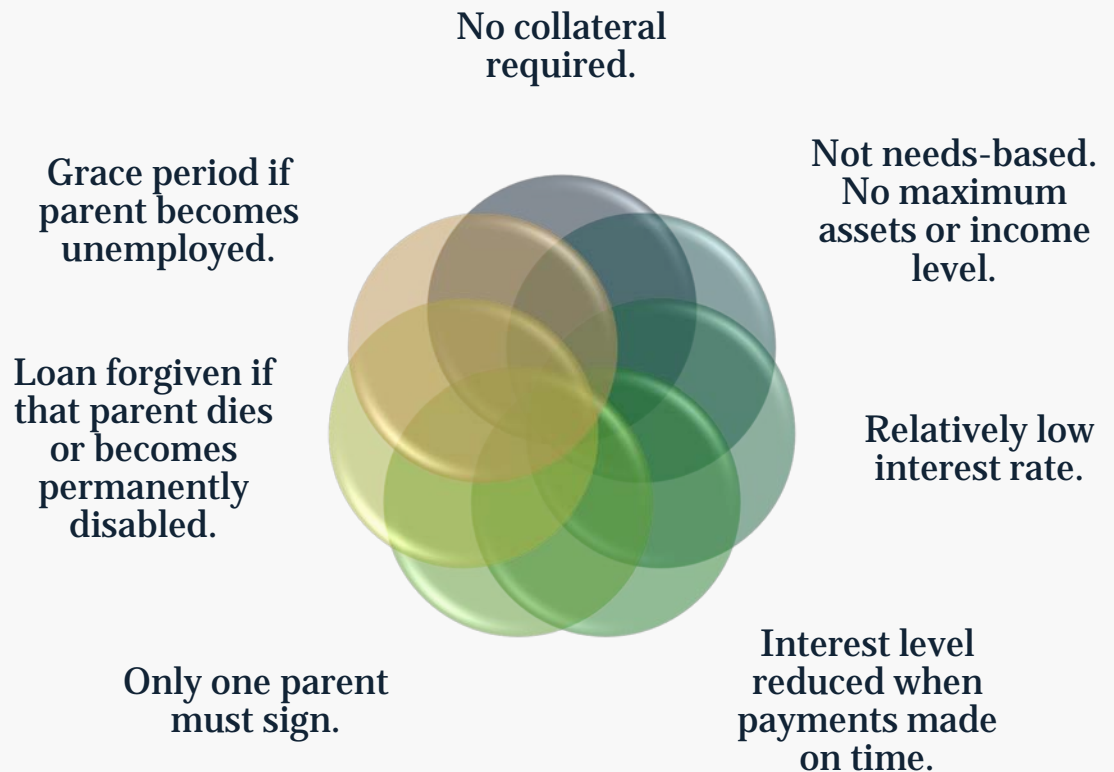
With low interest government loans readily available, is paying cash for college the most efficient use of your money?

# Parent PLUS Loans

Parental Loans for Undergraduate Students from the Federal Government are available to cover up to **100% of a dependent student's undergraduate education**, less any scholarships or grants.

If a PLUS loan is denied, the student automatically qualifies for an additional **\$4,000 in an Unsubsidized Stafford loan**.

## PLUS LOAN ADVANTAGES





We believe the best way to approach this investment is to be completely informed about your options and opportunities.



**For most families, paying for college is the second biggest investment of a lifetime.**

The following example shows how strategic advice can result in a lower EFC, and lower college cost.

#### Family of 4

Age of eldest parent: 45

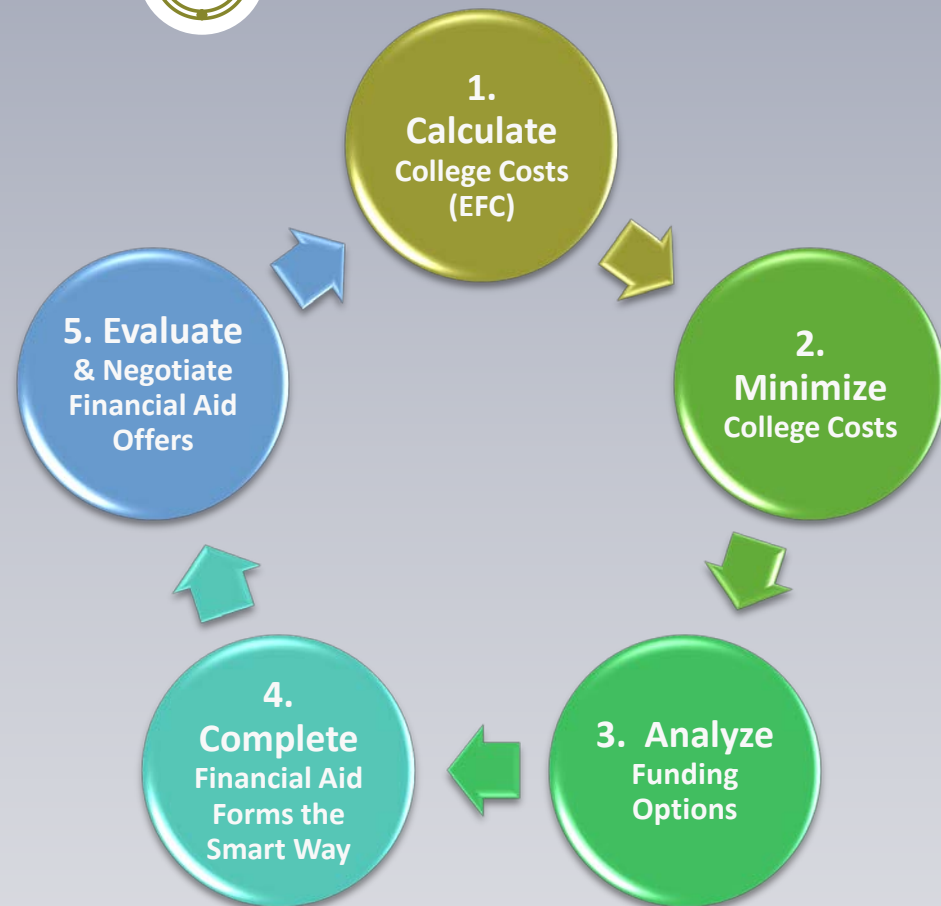
Adjusted gross income: \$95,000

Non-qualified parental assets: \$100,000

Student's assets: \$35,000 (UTMA)

House bought in 2000 for \$195,000 (family assumes house value to be \$350,000)

Mortgage: \$200,000



## College Financial Aid Process

# Proper Planning Can Make a Difference



## Current Aid Eligibility (EFC)

Adjusted gross income \$ 95,000

Assumed home value \$350,000

Non-retirement assets \$100,000

Student assets (UTMA) \$ 35,000

**EFC - \$36,934**

## Enhanced Aid Eligibility (EFC)

Adjusted gross income \$ 95,000

Indexed home value \$261,300

Non retirement assets \$ 40,000

Student assets (UTMA) \$ 0

**EFC - \$25,294**

# EFC Lowering Strategies

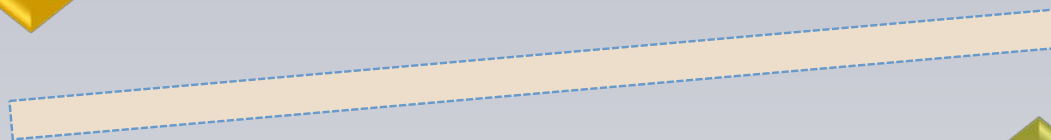


## Possible strategies for lowering the EFC include:



Explore repositioning of assets for both parents & students.

Defer receipt of bonuses until after the FAFSA has been filed.



Limit student income to below the threshold penalty.

Increase retirement funding to qualified plans, i.e. 403(B), 401(K), 501(C) and IRA's.



# More Strategies for Lowering the EFC

## According to the Financial Aid Guidelines

### Necessities:

Unreimbursed Medical  
Expenses

Private School Tuition

Mortgage Payments

### Luxuries:

Car Payments

Food

Credit Card Payments

**Make planned  
major  
purchases  
before filing  
FAFSA**

**Increase or  
modify  
family's debt  
position**

**Use indexed  
values for  
Home, Farm  
or Business  
Valuations**

Why pay cash or use  
assets that can't be  
replaced?

Repositioning assets &  
using the Parent PLUS  
loan may result in  
major savings to your  
family.

# Don't Let This Happen To You!



"We've decided to support you for the rest of your life. It's cheaper than sending you to college."



# *We are the Authority in College Financial Planning*



SCHEDULE A COMPLIMENTARY STRATEGY SESSION.  
LEARN USEFUL INFORMATION BASED ON YOUR  
PERSONAL SITUATION.

GET TO KNOW US. SEE THAT COLLEGE REALLY CAN BE  
AFFORDABLE.

CAP EMPLOYEES ARE FORMER EDUCATORS AND  
PARENTS OF CURRENT/FORMER COLLEGE STUDENTS.

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