College Financial Aid & Planning
Disclaimer

- This sample report is designed to showcase a hypothetical financial situation and suggest potential planning ideas and concepts that may be of benefit. The purpose of the report is to illustrate how accepted financial and estate planning principles may improve your current situation.
- This report provides broad and general guidelines on the advantages of certain financial planning concepts and does not constitute a recommendation of any particular technique. The consolidated report is provided for informational purposes as a courtesy to you. We recommend that you design and review your plan annually, unless changes in your personal or financial circumstances require more frequent review. All reports should be reviewed in conjunction with this Disclaimer page.
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Have you ever had one of these moments?
Our Goal & Promise

“To Make College Affordable for Bay Area Families”

How Financial Aid Process Works
Know the Rules to Save Money
Resources for Information
EXPENSIVE

COMPLEX

INFORMATION
The Real Cost Of College

Problem #1 - Expensive

Cost of Time
4-year college experience

Cost of Taxes
Assuming a 33% tax bracket

Cost of Use
Total cost if funds were kept through age 65
Earning 6% interest

$25,000 - $65,000

$100,000 - $260,000

$150,000 - $390,000

$400,000 - $1,050,000
The Hidden College Formula

Three Methodologies (eg Formulas) that govern Financial Aid

1. Federal Methodology (FM)
   Used by all colleges to make federal funds available
2. Institutional Methodology (IM)
   Used by most Private colleges that make private funds available
3. Consensus Methodology (CM)
   Used by 23 colleges in the “568 President’s Group” that make private funds available

Two Forms that collect your financial information & calculate your Expected Family Contribution

1. FAFSA
   • Free Application for Federal Student Aid
   • Administered by the US Department of Education
2. CSS Profile
   • College Scholarship Service Profile
   • Administered by the College Board

Three Possible Outcomes that you need to know

1. College
   • The % of the need based aid that they will meet
2. Financial Aid Officer
   • Has the discretion to meet the need with grants, scholarships, tuition discounts, loans, work study.
3. Your Timing
   • Aid is awarded on a 1st come - 1st served basis
Problem #3

Information Overload

Google search for "college financial aid" shows about 128,000,000 results.
What can you do?
Money Saving Areas

- College Selection
- Financial Aid
- Personal Resources
- Tax Aid
College Selection

- **Admissibility:**
  - Will you get in?
  - **TIP:** Avoid unnecessary travel & application fees
    - When you visit colleges –MAKE FRIENDS! And Stay in Touch

- **Fit:**
  - School for the student?
  - Student for the school?
  - **TIP:** Explore non-Brand Names

- **Affordability:**
  - Know the Total cost of school
  - Have a budget
  - Think long term
  - **TIP:** Price ≠ Value
Financial Aid

- **Types of Aid:**
  - Merit Aid (academic, athletic, artistic, etc)
  - Need Aid (based on financials)

  **TIP:** Look at Each School
  - Type of aid given - free money is better
  - Percentage of aid met - higher is better

- **Know how to answer:**
  - FAFSA
  - CSS Profile

  **TIP:** Report *Net* Values
  Deduct all *Costs*
  Apply a 30-day Sale *Discount*

  **TIP:** *Don’t Brag*
  Special *Circumstances*
  50% + 1 Day Rule (*Custodial* Parent)

  **TIP:** *Plan Ahead*
  Not All Assets Count
  Assets in your child’s name get *Counted* more
Understanding & Control your Expected Family Contribution:

The Minimum amount of money, that colleges will expect you to pay
What makes up your Expected Family Contribution (EFC)?

**EFC**

- **Parent(s) Income**: <26%
- **Parent(s) Assets**: ~5.64%
- **Other Family Factors**: ~20%
- **Student Income**: 50%
- **Student Assets**: 20%
- **Asset**: $50,000
  - (Asset) $2,800
  - (Asset) $10,000
  - (Asset) $7,200
  - **Savings**: $28.8k

Age of the Oldest Parent, Number of Dependents, Number in College

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**Financial Aid**

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Financial Aid

- **Timing Counts:**
  - Start Date: **October 1st**
    - Senior year HS
  - End Date: **June 30th**
    - Senior year HS

**TIP:** State Aid Deadline March 2nd
Check School(s) Deadlines

**TIP:** Have a Spreadsheet Ready
- **Lower** is better
- **Prepay** Bills?
  - Property taxes
  - School tuition
  - Home Improvement
  - Bills, etc
Tax Aid

- **Government Tax “Aid”:**
  - **TIP:** American Opportunity Tax Credit
    - $2,500/yr ($10,000)
  - **Personal Exemptions**

- **Personal Tax “Aid”:**
  - **TIP:** Gift Tax Savings (ex: stock)
  - **TIP:** Minor Roth IRA

- **Small Business Tax “Aid”:**
  - **TIP:** Deferred Compensation / Pension
  - **TIP:** Hire your student
  - **TIP:** Section 127 Education Assistance Plan

*Consult with your tax advisor on all tax related strategies discussed*
Personal Resources

- **Cash Flow:**
  - Where is the money coming from?
  - **TIP:** Create a 4 year “spending plan”

- **Asset Plan:**
  - What assets will be used in yrs 1-4?
  - **TIP:** Grandparent’s Owned 529
  - * If you qualify for Fin Aid

- **Financial Planning:**
  - How college impacts personal financial goals
  - **TIP:** There is no financial aid for Retirement

- **Borrowing:**
  - Good debt vs Bad debt
  - **TIP:** Subsidized Loans
  - **TIP:** Refi / Heloc
Explore the Myth

“Inexpensive” Public vs “Expensive” Private

$28,000 vs $69,000
Establish Your Expected Family Contribution

### 2016-2017 Federal EFC Quick Reference Table

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<td>$1,452 664 0 0</td>
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<td>$35,000</td>
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### Notes

- **NEED-BASED AID ELIGIBILITY** at 2 yr public, 4 yr public, 4 yr private, elite 4 yr colleges
- **NEED-BASED AID ELIGIBILITY** at 4 yr public and elite 4 yr colleges
- **NEED-BASED AID ELIGIBILITY** at 4 yr private and elite 4 yr colleges
- **NEED-BASED AID ELIGIBILITY** at elite 4 yr colleges
- **NO NEED-BASED AID ELIGIBILITY**
Price Myth

Expensive Private -vs- Inexpensive State

<table>
<thead>
<tr>
<th>College</th>
<th>Admissibility</th>
<th>Price</th>
<th>EFC</th>
<th>Need</th>
<th>Aid Estimate</th>
<th>Annual Cost</th>
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<td>Cal State Sacramento, CA</td>
<td>Very Likely</td>
<td>$28,290</td>
<td>$25,715</td>
<td>$2,575</td>
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<td>$2,903</td>
<td>$5,500</td>
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<td>Likely</td>
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<td>$25,715</td>
<td>$11,960</td>
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<td>Very Difficult</td>
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<td>Very Likely</td>
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<td>Stanford University, CA</td>
<td>Very Difficult</td>
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<td>$21,194</td>
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<td>$50,548</td>
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<td>Very Difficult</td>
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<td>$21,194</td>
<td>$48,694</td>
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<td>New York University, NY</td>
<td>Likely</td>
<td>$71,074</td>
<td>$21,194</td>
<td>$49,880</td>
<td>$33,923</td>
<td>$37,151</td>
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Price Myth

Expensive Private -vs- Inexpensive State

<table>
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<th>College</th>
<th>EFC Method</th>
<th>Need Met</th>
<th>Pell</th>
<th>Merit Aid</th>
<th>Other Aid</th>
<th>Sub. Stafford</th>
<th>Unsub. Stafford</th>
<th>Total Aid</th>
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<td>Federal</td>
<td>67%</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$2,575</td>
<td>$2,925</td>
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<tr>
<td>San Francisco State University</td>
<td>Federal</td>
<td>64%</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$2,903</td>
<td>$2,597</td>
<td>$5,500</td>
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<tr>
<td>University of California - Davis</td>
<td>Federal</td>
<td>75%</td>
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<td>$0</td>
<td>$8,683</td>
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<td>University of San Francisco</td>
<td>Institutional</td>
<td>70%</td>
<td>$0</td>
<td>$0</td>
<td>$27,964</td>
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<td>64%</td>
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<td>$28,423</td>
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<td>100%</td>
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<td>$45,194</td>
<td>$3,500</td>
<td>$2,000</td>
<td>$50,694</td>
</tr>
</tbody>
</table>

The Answer is **NOT** the Sticker Price…It’s the Money in the “Bank”
Time to Plan

- Freshman: Aug 2016
- Sophomore: Aug 2017
- Junior: Aug 2018
- Senior: Aug 2019
- College: Aug 2020

Income & Assets

Assets Only

How much you will pay for Assets

Assets Only
Hang in there!
What you Can Do!

1. Find a Great Match!
2. Make Friends & Keep them!
3. Don’t get scared by “Sticker Price”!
4. Understand what makes up your EFC
5. Complete forms correctly & on time
6. Negotiate the Financial Aid Award
THANK YOU

Roman Polnar

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Resources

- Fafsa.ed.gov: FAFSA resources, deadlines, forms.
- Collegeboard.org: CSS Profile resources, SAT, PSAT, fin aid resources.
- 568group.org: Consensus Methodology resources
- Studentaid.ed.gov: US Department of Education
- Simpletuition.com: Research Student Loans & Scholarships
- IRS.gov – Form 8863: To claim the American Opportunity Tax Credit
- IRS.gov – Publication 970: Tax benefits for education
- 26 U.S. Code § 127: Section 127 tuition reimbursement plan
- Troy Onink: Contributor to Forbes on College Planning
- fhfa.gov/DataTools/Tools/Pages/HPI-Calculator.aspx: House value calculator

- TIPS:
  1. *There is no enforcement or standard designation for College Financial Planning* – be wary of any firm or person claiming to be an expert using any college planning credential acronyms other than a CFP or CPA.
  2. *Be wary of salespeople* promoting life insurance or annuities as a “shelter” to hide assets from the financial aid formulas. Using these products should be carefully evaluated from a financial planning perspective.
  3. *There is no “one size fit all solution”*, stay away from anyone guaranteeing single product or single strategy solutions.
  4. *Don’t pay for Scholarship Search or FAFSA Completion*. Both are free! Websites or persons promoting payment for scholarship search or submitting the FAFSA for a fee may be a scam.
  5. *Don’t overestimate your financials on the FAFSA and CSS Profile*, this is not the time to brag. Subtract all transaction costs, taxes, fees and outstanding loans. Report the *Net Value*, not Gross.
  6. *Understand the difference between Custodial & Non-Custodial Parent* for college planning. One day can make a difference in the financial aid award.
  7. *File all financial aid forms soon after they become available*, don’t delay.
  8. *Record asset values on the day of the form completion*. Print & save copies of the day’s valuation for your records.