

# Changing the Approach to College Funding Advice

Joe Messinger, CFP<sup>®</sup>, ChFC, CLU



**College Aid Pro**<sup>™</sup>

# Lots of ways to pay for college...



VANDERBILT  
UNIVERSITY



RICE



Penn  
UNIVERSITY of PENNSYLVANIA



Stanford  
University



NYU



Tulane  
University

# Sam, if you get in we will figure it out....



VANDERBILT  
UNIVERSITY



RICE



Penn  
UNIVERSITY of PENNSYLVANIA



Stanford  
University



Graduates in 4 years with \$120,000 in student loans  
Has made 7 Years of minimum required payments  
\$129,000 still outstanding





**Joe Messinger, CFP®, ChFC®, CLU®**

**Partner & Director of College Planning  
Capstone Wealth Partners™**

**Co-Founder  
Capstone College Partners™ &  
College Aid Pro™**

[www.collegeaidpro.com](http://www.collegeaidpro.com)

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Financial Planning

Savingforcollege.com

Collegewise

BECOMING  
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Bloomberg  
Businessweek

U.S. News & WORLD REPORT

NAPFA  
THE NATIONAL ASSOCIATION OF  
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FA

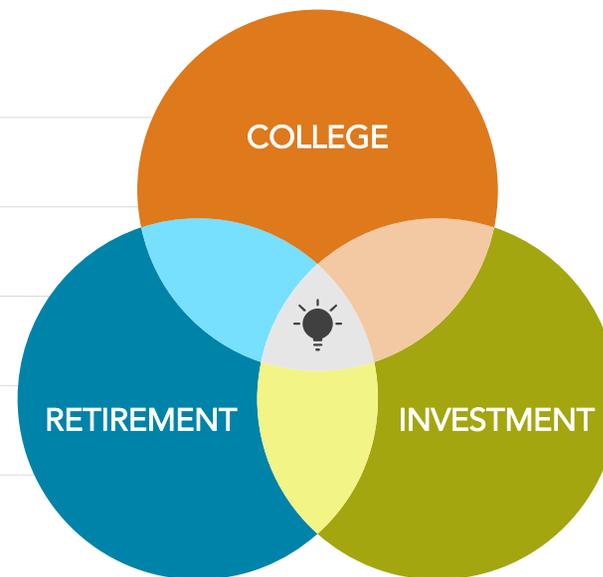
XY PLANNING  
NETWORK

# Financial Planning for College Bound Families



- › Founded 2009
- › Independent RIA
- › Full service
- › Fee only
- › Fiduciary
- › College experts
- › CFP®

## OUR SOLUTION





Changing the way  
America shops for  
college



Raising the bar in  
college funding advice



Empowering advisors  
with the right software,  
training, and support



*PROUD  
PARTNER*





**College Aid Pro™**

**15% off = code FPA15**



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## Current Events...

- Tax Cuts and Jobs Act of 2017
  - 529 used to fund K-12
  - EAP Plans remain in tact
- SECURE Act
  - 529 plans can be used to pay for apprenticeship programs
  - 529 plan distributions for student loan repayment
    - aggregate lifetime limit of \$10,000 in qualified student loan repayments per 529 plan beneficiary
- CARES Act
  - **Your payments will automatically stop from March 13, 2020, through Sept. 30, 2020.** No interest or payments required on qualifying federal student loans. **Extended to 12/31/2020**

The average account size of 529 savings plans continues to

**Grow.**

**\$13,188**



**\$26,054**

2009



As of December 31, 2019

**529** COLLEGE SAVINGS  
PLANS NETWORK  
A Network of the National Association of State Treasurers  
collegesavings.org

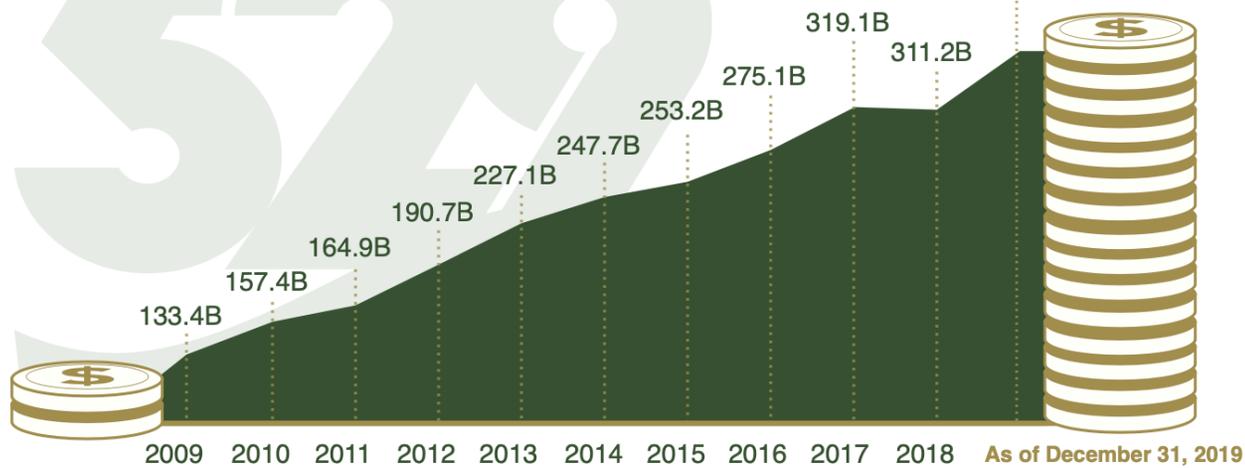
As of December 31, 2019, **37%** of 529 savings accounts nationwide received contributions through automatic funding.

## Total Assets in 529 Plans Nationally

*American families are increasingly taking advantage of 529 savings plans to save for education.*

Since 2009, total assets have reached over

# \$371.5B



# College Board Trends in College Pricing

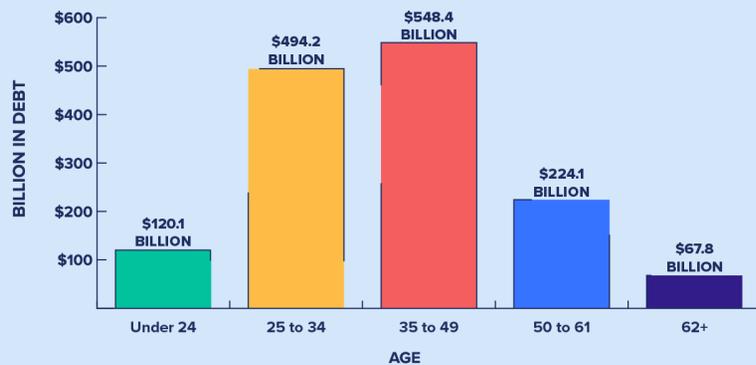
2019-20

Sector	Tuition and Fees	Room and Board	Books and Supplies	Transportation	Other Expenses	Total Expenses
Ivy League	\$57,579	\$16,600	\$1,490	\$1,360	\$1,730	<b>\$78,970</b>
Private Nonprofit Four-Year On-Campus	\$36,880	\$12,990	\$1,240	\$1,060	\$1,810	<b>\$53,980</b>
Public Four-Year Out-of-State On-Campus	\$26,820	\$11,510	\$1,240	\$1,230	\$2,170	<b>\$42,970</b>
Public Four-Year In-State On-Campus	\$10,440	\$11,510	\$1,240	\$1,230	\$2,170	<b>\$26,590</b>

## Total student loan balances by age group

### 2019 TOTAL STUDENT LOAN DEBT BY AGE

Borrowers between 35 and 49 years old have the most outstanding student debt.



Credit.com

## Student Loan Statics At a Glance

- › Total student loan debt: **\$1.63 trillion**<sup>^</sup>
- › Number of student loan borrowers: **44.7 million**<sup>^</sup>
- › Nearly **\$3,000** per second
- › **50.7%** of all U.S. government assets\*

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- › **7 in 10 graduates** have student loans
- › Average student loan debt per borrower: **\$32,731**<sup>^</sup>
- › **\$100/month** for every \$10,000 over 10 years

\*U.S. Treasury Department Q3 2019  
<sup>^</sup>Federal Reserve Q3 2019



# The 800 lb. Gorilla in the Room

—  
parents number 1  
financial concern is  
paying for college



\*Gallup 2001-2018 Economy and Personal Finance Survey





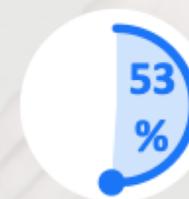
Sticker price of college is irrelevant



Merit scholarships and need based grants pay for over 31% of college

1 2

Source: Sallie Mae, How America Pays for College 2019



Private colleges discount their tuition 52.6% on average

1 2

Source: The 2019 NACUBO Tuition Discounting Study



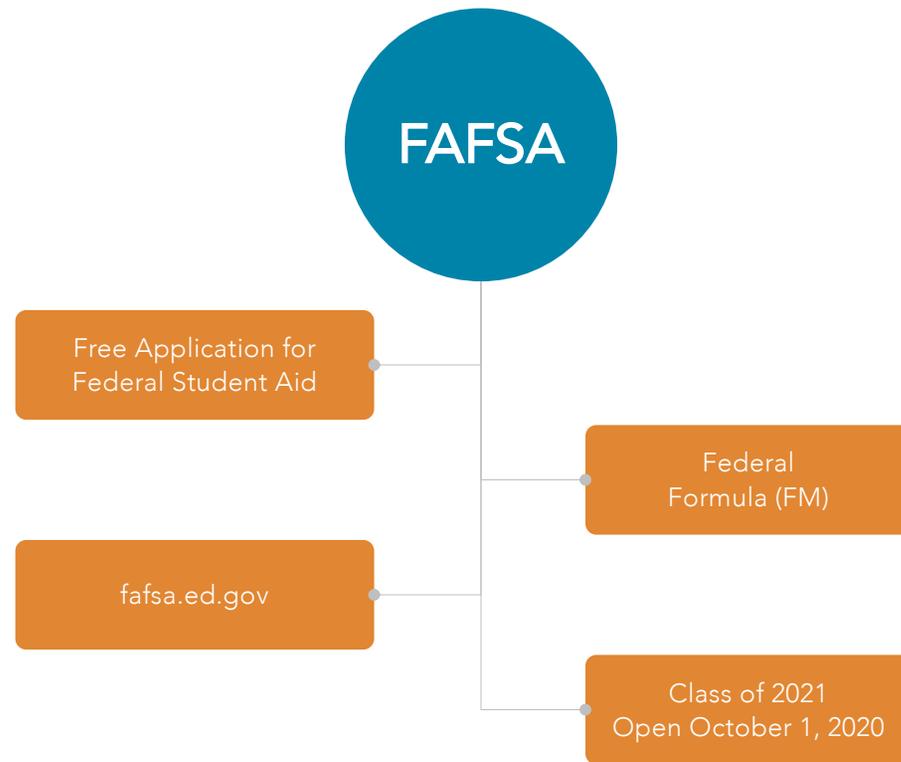
## College Pre Approval™ Process

### 5 critical things every college-bound family needs to know:

- › 1. How much colleges think you can afford. (EFC)
- › 2. How much your family can actually afford. (College Pre-Approval™)
- › 3. How to find schools that will be the most generous with financial aid.
- › 4. The “out of pocket” cost for all four years at each institution.
- › 5. The college funding gap and resulting student loans at each college.

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# 1. How much colleges think you can afford. Expected Family Contribution (EFC)



## Financial Aid for the Class of 2021



	Financial Aid for class of 2021
College Begins	Fall 2021
College Admission Applications	Fall 2020 (Apply by Nov. 1st)
FAFSA Available	October 1, 2020 (File by Nov. 1 <sup>st</sup> )
Tax Year Figures Used (Base Year)	2019 (Prior, prior year)
Asset Figures Used	As of the day you file

## FAFSA EFC Formula Basics



Category	Calculation	%	Totals
Parent Assets	- Asset Allowance	X 2.4% to 5.64%	Parent Contribution from Assets
Student Assets	-Nothing	X 20%	Student Contribution from Assets +
Parent Income	-Taxes & Living Allowance	X 22% to 47%	Parent Contribution from Income +
Student Income	- Taxes & \$6,660 Allowance	X 50%	Student Contribution from Income +
			<b>= EFC</b>

# What is assessable on FAFSA?



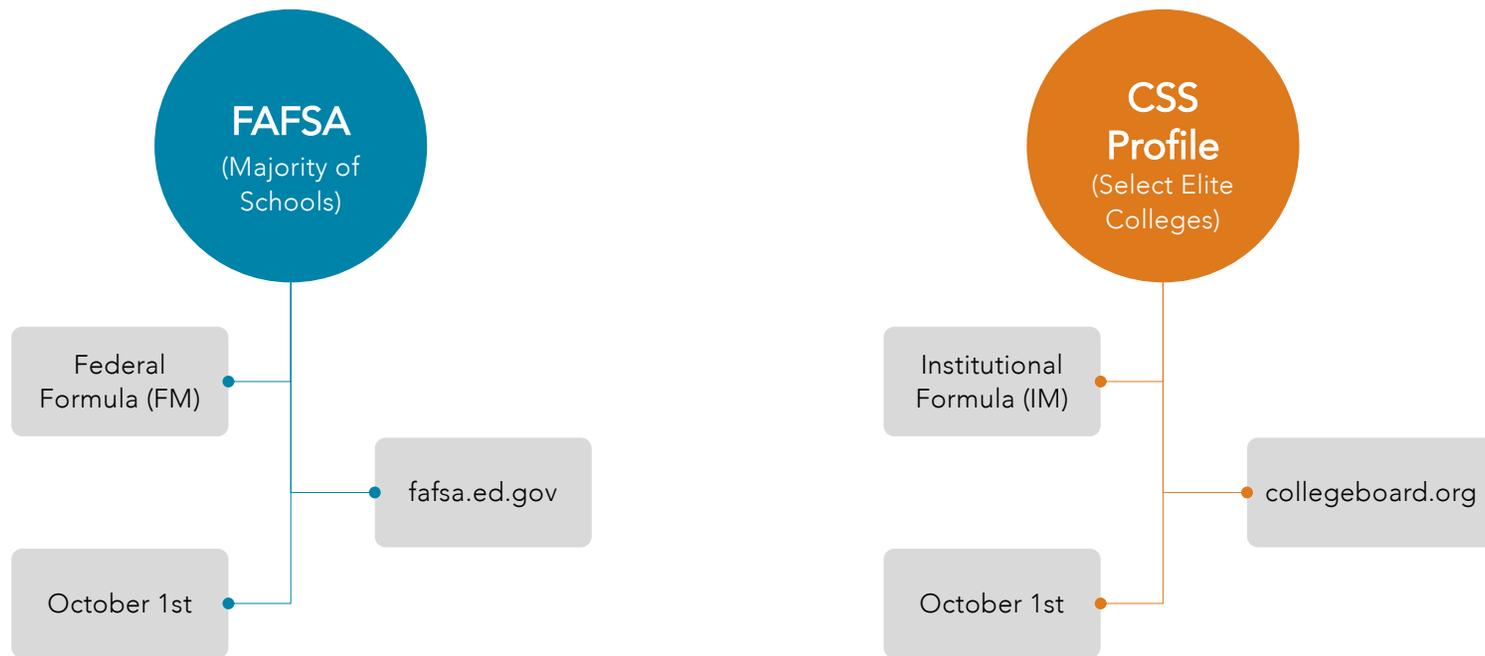
Assessable Assets	NonAssessable Assets
Cash	Traditional IRA
+529 Savings Plans (all children)	Roth IRA
+Coverdell ESA	401(k), 403(b), 457
+Mutual Funds	Pension
+Bonds	Annuity
+Stocks	Cash Value Life Insurance
+Rental Real Estate (equity)	Home Equity
+Vacation Properties (equity)	Small Business
<b>=TOTAL ASSESSABLE ASSETS</b>	

FAFSA EFC (2019) based Solely on MFJ AGI and  
Number of Dependent Children in your home



AGI	One Dependent	Two	Three	Four
\$50,000	\$4,004	\$3,081	\$2,808	\$1,934
\$75,000	\$10,455	\$8,719	\$7,380	\$6,044
\$100,000	\$18,731	\$17,168	\$15,740	\$13,989
\$125,000	\$25,677	\$24,165	\$22,330	\$20,635
\$150,000	\$33,967	<b>\$31,933</b>	\$30,035	\$28,340
\$175,000	\$41,802	\$39,819	\$37,973	\$35,512
\$200,000	\$49,598	\$47,615	\$45,374	\$42,779
\$225,000	\$57,535	\$55,109	\$52,782	\$50,188

# Financial Aid - Applications and Formulas



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## 568 Presidents Group

A word cloud featuring various terms related to college financial aid. The words are arranged in a cluster, with '568 Presidents Group' being the largest and most prominent. Other words include 'Need-Based Aid', 'Simplicity', 'Greater Clarity', 'Paying for College', 'Need Blind', 'Equity', 'Access', 'Financial Aid', 'Consensus Methodology', and 'Fairness'. The colors of the words vary, including shades of green, orange, yellow, and purple.

Need-Based Aid  
Simplicity  
Greater Clarity  
Paying for College  
Need Blind  
Equity  
Access  
Financial Aid  
Consensus Methodology  
Fairness  
**568 Presidents Group**

## Key Differences in FM & IM & CM

	FAFSA (FM)	CSS Profile (IM)	Consensus (CM)
Asset protection allowance	Yes	No	No
Cash, Mutual Funds, 529	5.64%	5%	5%
Small Business	100 + EE's	Yes	Yes
Non-Qualified Annuity	0%	5%	5%
<b>Home Equity</b>	0%	Varies	Max 120% of Income
<b>Asset in students name</b>	20%	25%	5%
Assets in siblings' names	0%	5%	5%
<b>Non custodial parent resources (Divorce)</b>	0%	Varies	Yes

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## Example of IM vs CM EFC Calculation:



➔ Student Asset = \$100,000

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➔ IM

› Student asset assessed at 25% = **\$25,000 of EFC**

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➔ CM

› Student asset assessed at 5% = **\$5,000 of EFC**

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## Divorced Situation

**\$21,000**  
First Year Federal EFC

**\$49,000**  
First Year Institutional EFC

**\$46,000**  
First Year Consensus EFC

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## Questions???



## 2. How much your family can actually afford.

### College Pre-Approval™

<b>529 Savings Plan Balance (as of today)</b>		\$24,000
<b>Monthly 529 Plan Contributions</b>	$\$200 \times 50$	\$10,000
<b>Total 529 Savings Plan (start of college)</b>		\$34,000
<b>Parent Pledged Assets</b>		\$10,000
<b>Parent Pledged Monthly Cash Flow</b>	$\$400 \times 48$	\$19,200
<b>American Opportunity Tax Credit (AOTC)</b>		\$10,000
<b>Student Pledged Assets</b>		\$10,000
<b>Student Pledged Monthly Cash Flow</b>	$\$200 \times 48$	\$9,600
<b>Grandparent and Other Help</b>		\$5,000
<b>Four Year College Pre-Approval™</b>		<b>\$98,000</b>

# EFC and Budget

**\$21,000**

First Year Federal EFC

**\$49,000**

First Year Institutional EFC

**\$46,000**

First Year Consensus EFC

**\$98,000**

Four Year College Pre-Approval™

# Your best loan strategy



## Federal Direct Stafford Student Loan\*

- › Subsidized (Need Based) – 1.069% Fee/ 2.75% Fixed –
  - › No interest until repayment
- › Unsubsidized (Not Need Based) – 1.069% Fee/ 2.75% Fixed –
  - › Interest Accrues Immediately
- › \$27,000 Max over 4 Years (\$5,500, \$6,500, \$7,500, \$7500)
- › Use it or lose it each year

## Federal Direct Parent PLUS Loan\* – (Not Need Based)

- › 4.752% Fee / 5.3% Fixed, Interest Accrues Immediately
- › Borrowed by parent up to the full COA
- › Non Transferrable
- › *\*Interest rates on Federal Direct loans adjust every July 1*

## Private Student Loans – (Not Need based)

- › Fixed and Variable Interest Rate programs
- › Borrowed by the student from Banks and Credit Unions
- › Co-signer typically required

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### 3. How to find schools that will be the most generous with financial aid.

MERIT-BASED	HOW IS IT AWARDED?
Scholarships awarded to recognize outstanding academic performance, talents or leadership.	<b>Gift Aid</b> = Scholarships

NEED-BASED	HOW IS IT AWARDED?
Awarded to those who demonstrate financial need.	<b>Gift Aid</b> = Scholarships & Grants <b>Self Help</b> = Student Loans & Work Study

## Need-based financial aid



- › College Cost of \$50,000 – EFC (\$20,000) = \$30,000 of need
- › College Cost of \$20,000 – EFC (\$20,000) = \$0 of need
  - › EFC split when multiple children are in school
  - › \$20,000(EFC) / 2 College Students = \$10,000 Each

**Know before  
you go!**

➔ **Get your EFC today**

➔ **Net Price Calculators**

# How can you cut the cost of college?

## High Merit/ Low Need

- › Non Need Merit Aid
- › Private Scholarship
- › School Selection
- › Test Prep
- › Tax Aid

1

## Low Merit/ Low Need

- › School Selection
- › Test Prep
- › Tax Aid

2

## High Merit/ High Need

- › 100% of Need Met
- › Merit Aid
- › Private Scholarship
- › Test Prep
- › EFC Reduction

3

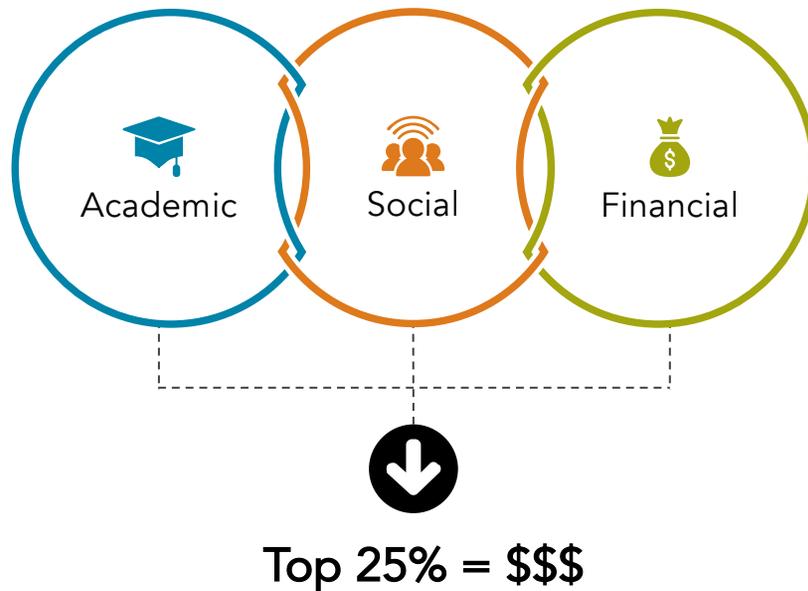
## Low Merit/ High Need

- › 100% of Need Met
- › EFC Reduction
- › Timely Applications

4



### 3. How to find schools that will be the most generous with financial aid.



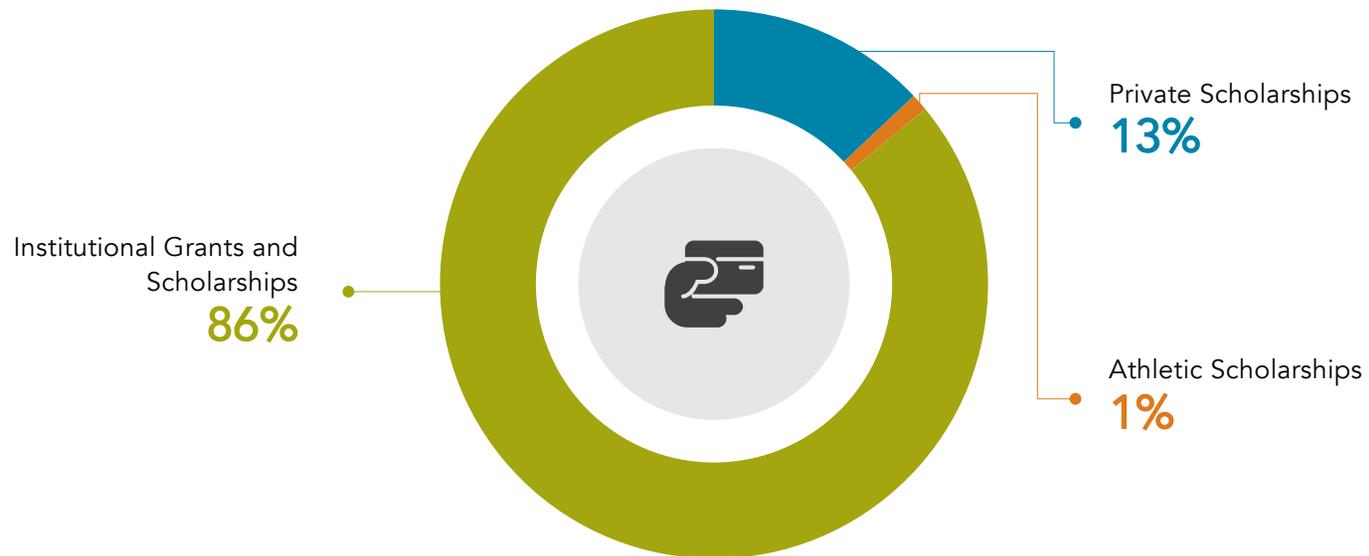
- ➔ **Know graduation rates\***
  - › 41% of undergraduates finish in 4 years
  - › 56% of undergraduates finish in 5 years
- ➔ **Know the value of the degree and major**
- ➔ **Know internship and co-op opportunities**
- ➔ **Know how financial aid is awarded**

- › [collegescorecard.ed.gov](http://collegescorecard.ed.gov)
- › [collegeboard.org](http://collegeboard.org)
- › [collegedata.com](http://collegedata.com)
- › [tuitionfit.org](http://tuitionfit.org)

*\*National Center for Education(NCES) Statistics for2013 cohort (for all 4 year institutions)*

## What about scholarships?

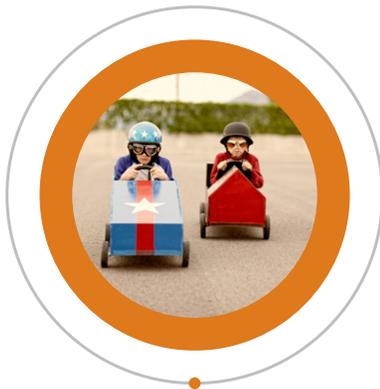
Scholarships paid for 31% of the total cost of education



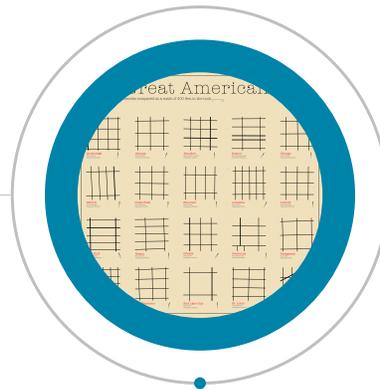
\*How America Pays for College 2017 Sallie Mae

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# Merit Aid = Gift Aid Institutional Scholarships



Competitive



Grid/Automatic



Package



## University of Alabama (2020-21)

Automatic/Grid for out of state students

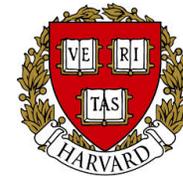
Scholarship	Test Score	GPA	Yearly Value
Presidential	32-36 ACT or 1420-1600 SAT	3.50+	\$28,000
UA Scholar	30-31 ACT or 1360-1410 SAT	3.50+	\$24,000
Foundation In Excellence	29 ACT or 1330-1350 SAT	3.50+	\$15,000
Foundation In Excellence	30-36 ACT or 1360-1600 SAT	3.00-3.49	\$15,000
Collegiate	28 ACT or 1300-1320 SAT	3.50+	\$10,000
Capstone	27 ACT or 1260-1290 SAT	3.50+	\$8,000
Capstone	28-29 ACT or 1300-1350 SAT	3.00-3.49	\$8,000
Crimson Legends	25-26 ACT or 1200-1250 SAT	3.50+	\$6,000
Crimson Legends	27 ACT or 1260-1290 SAT	3.00-3.49	\$6,000

# Merit vs. Need based financial aid policy

## Merit Based Aid



## 100% of Need Met



College Aid Pro™

## Denison University



[Denison University](#)  
 100 West College Street  
 Granville, OH 43023

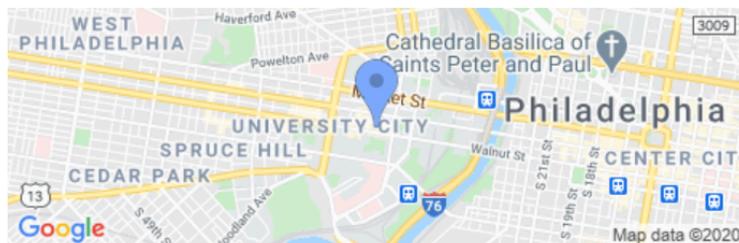
### Admissions

GPA	Not reported
SAT Verbal Range	590-680
SAT Math Range	610-730
ACT Range	27-31
Website	<a href="http://denison.edu/campus/admi...">http://denison.edu/campus/admi...</a>
Forbes Ranking	#127
Undergraduate Majors	39
Enrollment	2,293
% Admitted	29%
Early Decision Date	November 15th

### Financial Aid

Cost of Attendance	\$74,070
EFC Basis	Institutional (IM)
Total Need Met %	100%
Need Met with Grants %	81%
% Receiving Non-Need Merit	44%
Avg Non-Need Merit	\$22,528
Financial Aid Priority	
Financial Aid Deadline	
Website	<a href="https://denison.edu/campus/fin...">https://denison.edu/campus/fin...</a>

## University of Pennsylvania



[University of Pennsylvania](#)  
 3451 Walnut Street  
 Philadelphia, PA 19104

### Admissions

GPA	3.90
SAT Verbal Range	700-760
SAT Math Range	750-800
ACT Range	33-35
Website	<a href="http://www.admissions.upenn.edu...">http://www.admissions.upenn.edu...</a>
Undergraduate Majors	-
Enrollment	10,019
% Admitted	8%
Early Decision Date	November 1st

### Financial Aid

Cost of Attendance	\$86,305*
EFC Basis	Consensus
Total Need Met %	100%
Need Met with Grants %	95%
% Receiving Non-Need Merit	-
Avg Non-Need Merit	-
Financial Aid Priority	February 15th
Financial Aid Deadline	
Website	

## 4. The “out of pocket” cost at each institution.

### 1 Year Net Cost Comparison

College ▼	COA ▼	EFC ▼	Need ▼	Total Need Met % ▼	Need Met with Grants % ▼	Need Based Grants ▼	Merit Scholarship ▼	First Year Net Cost ▼
<u>Miami University</u>	\$32,783 /	\$21,000 F	\$11,783	59%	80%		<u>\$20,000</u>	\$12,783
<u>The Ohio State University</u>	\$28,159 /	\$21,000 F	\$7,159	72%	78%		<u>\$2,000</u>	\$26,159
<u>University of Dayton</u>	\$62,037 P	\$21,000 F	\$41,037	82%	94%	\$31,631	<u>\$18,655</u>	\$30,406
<u>Columbia University</u>	\$82,806 P	\$46,000 C	\$36,806	100%	94%	\$34,594	<u>\$0</u>	\$48,212
<u>Denison University</u>	\$66,610 P	\$49,000 /	\$17,610	100%	96%	\$16,904	<u>\$17,390</u>	\$49,220
<u>Penn State University Park</u>	\$54,971 O	\$21,000 F	\$33,971	64%	68%		<u>\$5,444</u>	\$49,527

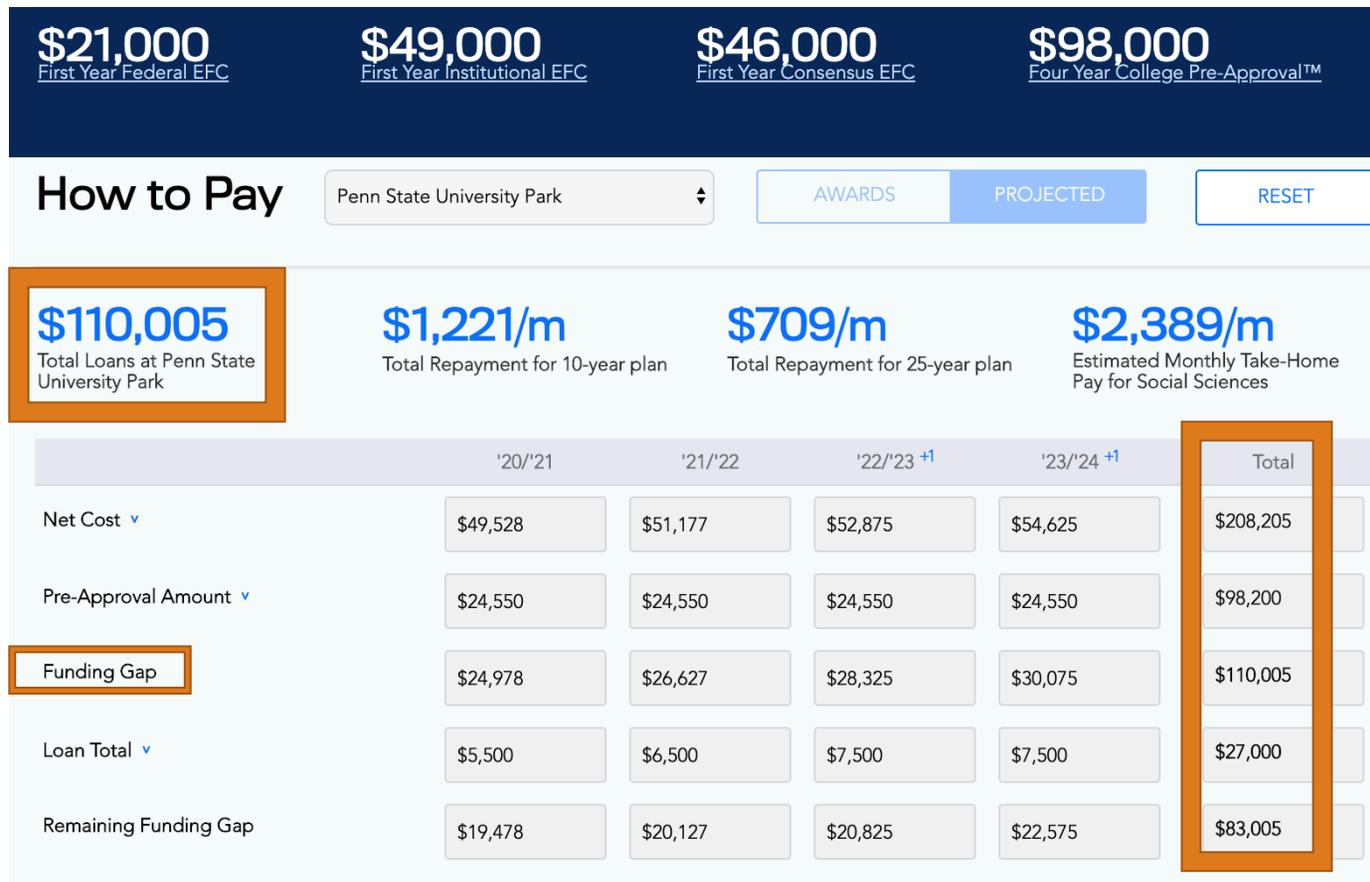
P Private      / In-State      O Out-of-State  
 C Consensus    / IM                      F FAFSA

## 4. The “out of pocket” cost at each institution.

### 4 Year Net Cost Comparison

College ▼	Four Year Net Cost ▼	Pre-Approval Amount ▼	Funding Gap (Loans) ▼	10-Year Loan Payments ▼	10-Year Total Payments ▼	25-Year Loan Payments ▼	25-Year Total Payments ▼
<u>Miami University</u>	\$57,150	\$98,000	\$-40,850				
<u>The Ohio State University</u>	\$109,805	\$98,000	\$11,805	\$131	\$15,727	\$76	\$22,818
<u>University of Dayton</u>	\$110,361	\$98,000	\$12,361	\$137	\$16,468	\$80	\$23,893
<u>Columbia University</u>	\$164,624	\$98,000	\$66,624	\$740	\$88,760	\$429	\$128,778
<u>Denison University</u>	\$167,151	\$98,000	\$69,151	\$768	\$92,126	\$446	\$133,662
<u>Penn State University Park</u>	\$208,201	\$98,000	\$110,201	\$1,223	\$146,815	\$710	\$213,008

## 5. The college funding gap and resulting student loans.



## 5. The college funding gap and resulting student loans.

**How to Pay** Miami University AWARDS PROJECTED RESET

**\$0** Total Loans at Miami University

**\$0/m** Total Repayment for 10-year plan

**\$0/m** Total Repayment for 25-year plan

**\$2,389/m** Estimated Monthly Take-Home Pay for Social Sciences

	'20/'21	'21/'22	'22/'23 <sup>+1</sup>	'23/'24 <sup>+1</sup>	Total
Net Cost	\$12,783	\$13,767	\$14,780	\$15,823	\$57,153
Pre-Approval Amount	\$24,550	\$24,550	\$24,550	\$24,550	\$98,200
<b>Funding Gap</b>	<b>-\$11,767</b>	<b>-\$10,783</b>	<b>-\$9,770</b>	<b>-\$8,727</b>	<b>-\$41,047</b>
Loan Total	\$5,500	\$6,500	\$7,500	\$7,500	\$27,000
Remaining Funding Gap	-\$17,267	-\$17,283	-\$17,270	-\$16,227	-\$68,047

# Analyze and Appeal



## BEFORE

EFC	=	\$75,000
Cost of Attendance	=	\$67,322
Need Eligible	=	\$0
Merit Scholarship	=	\$20,000
<b>Net Cost To Attend</b>	=	<b>\$47,320</b>
<b>4 year Total Cost</b>	=	<b>\$189,288</b>

## AFTER

EFC	=	\$75,000
Cost of Attendance	=	\$67,322
Need Eligible	=	\$0
Merit Scholarship	=	\$25,000
<b>Net Cost To Attend</b>	=	<b>\$42,322</b>
<b>4 year Total Cost</b>	=	<b>\$169,288</b>



## 5 critical things every college-bound family needs to know:

- › 1. How much colleges think you can afford.

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- › 2. How much your family can actually afford.

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- › 3. How to find schools that will be the most generous with financial aid.

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- › 4. The “out of pocket” cost for all four years at each institution.

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- › 5. The college funding gap and resulting student loans at each college.



Changing the way  
America shops for  
college



Raising the bar in  
college funding advice



Empowering advisors  
with the right software,  
training, and support



*PROUD  
PARTNER*





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**15% off = code FPA15**



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## Questions???



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