

FAFSA Changes that WILL Impact Your Clients



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Helping families successfully navigate college search for 15 years

Help students identify right fit schools – Academic, Social, Financial

Reduce the stress between parents and kids during this journey

Agenda

- FAFSA Review
- Asset/Income Assessment on the FAFSA
- Significant Changes – Case Study
- Leverage for your clients

Current Rollout Plan

- A few changes implement 2023 FAFSA – current
- Impactful changes rollout on the 2024 FAFSA – available fall 2023

FAFSA Review

- Filled out fall of senior year and each subsequent fall
- Determines need at both Federal and Collegiate levels
- May be a factor in the addition of merit grants & scholarships
- Application for the Federal Student Loan Program
- Creates a great deal of confusion and stress

How is the FAFSA used by colleges?

- FAFSA is used to determine need based aid by the *college*
- Families can be need based at some schools and not at others



Asset/Income Assessment on FAFSA

Parents

- 5.64% assets – income up to 47%

Students

- 20% assets – income 50%

Grandparents

- Not assessed at all

Areas of Significant Change



of Kids In
College



Grandparents

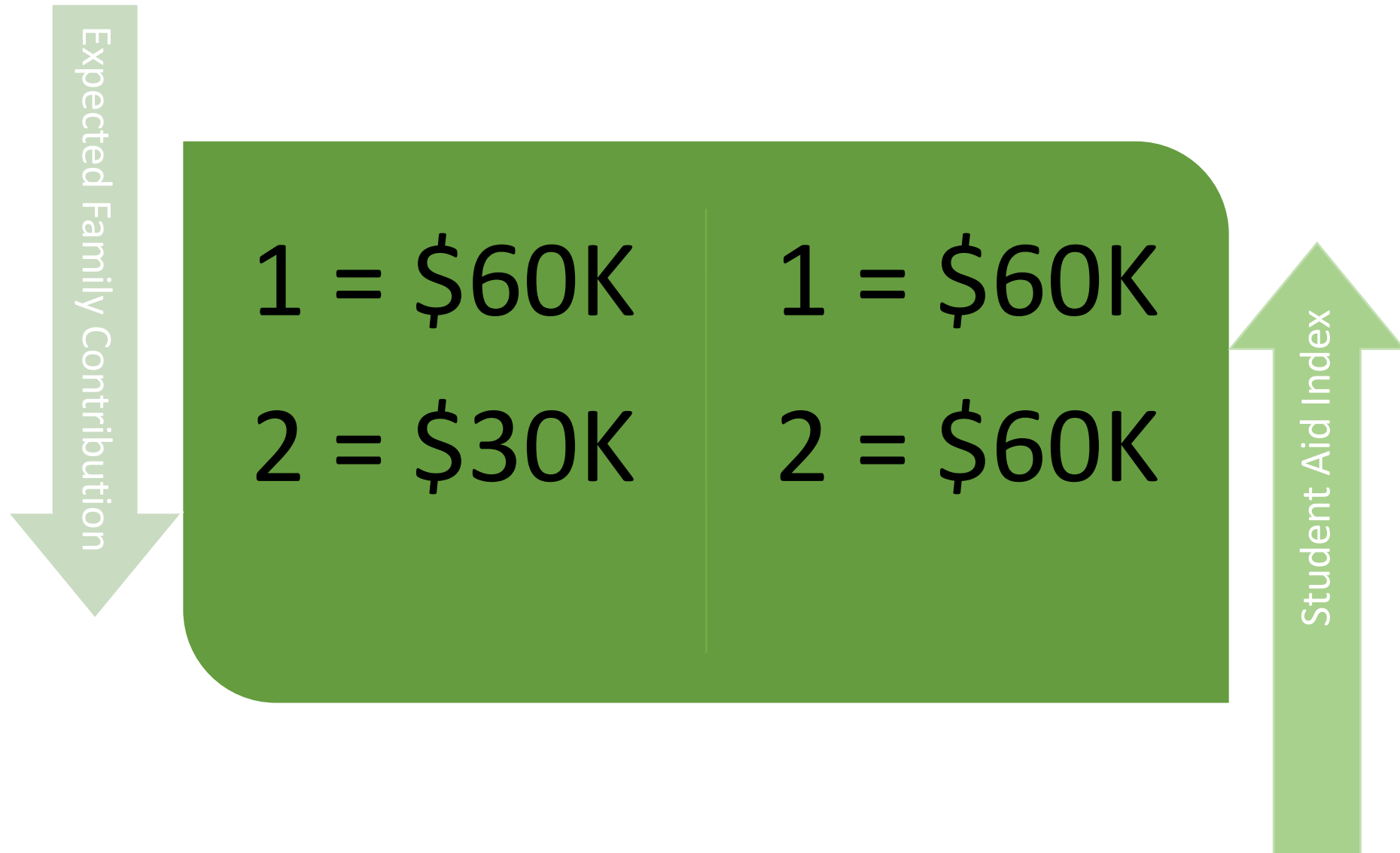


Divorced
Families



Formula

of Students in College



Case Study

- John and Nancy have 2 kids – Joe and Jane
- Joe and Jane are just one year apart
- This family earns roughly \$235K – adjusted gross income
- Traditional assets in home and retirement accounts

Current Formula

\$55,000
Sticker Price

-

\$60,000*
Expected Family
Contribution

=

\$0
Demonstrated Need

\$55,000
Sticker Price

-

\$30,000
EFC

=

\$25,000
Demonstrated Need

\$35,000
Sticker Price

-

\$30,000
EFC

=

\$5,000
Demonstrated Need

New Formula – Year 2

\$55,000
Sticker Price

–

\$60,000
Student Aid Index

=

\$0
Demonstrated Need

\$35,000
Sticker Price

–

\$60,000
Student Aid Index

=

\$0 Demonstrated
Need

Need dollars lost = \$30,000

Grandparent Impact Change

Current

- If access to need – negative impact
- Counted as income for the student –
- Can decrease aid potential for student

On new FAFSA

- No impact to student
- Real world implications for families saving for college
- Opportunity for advisors to connect w/ next gen!

Divorced Families

Current Day

- Where the Student lives 51% of the time
- Not tied to who claims dependency on taxes

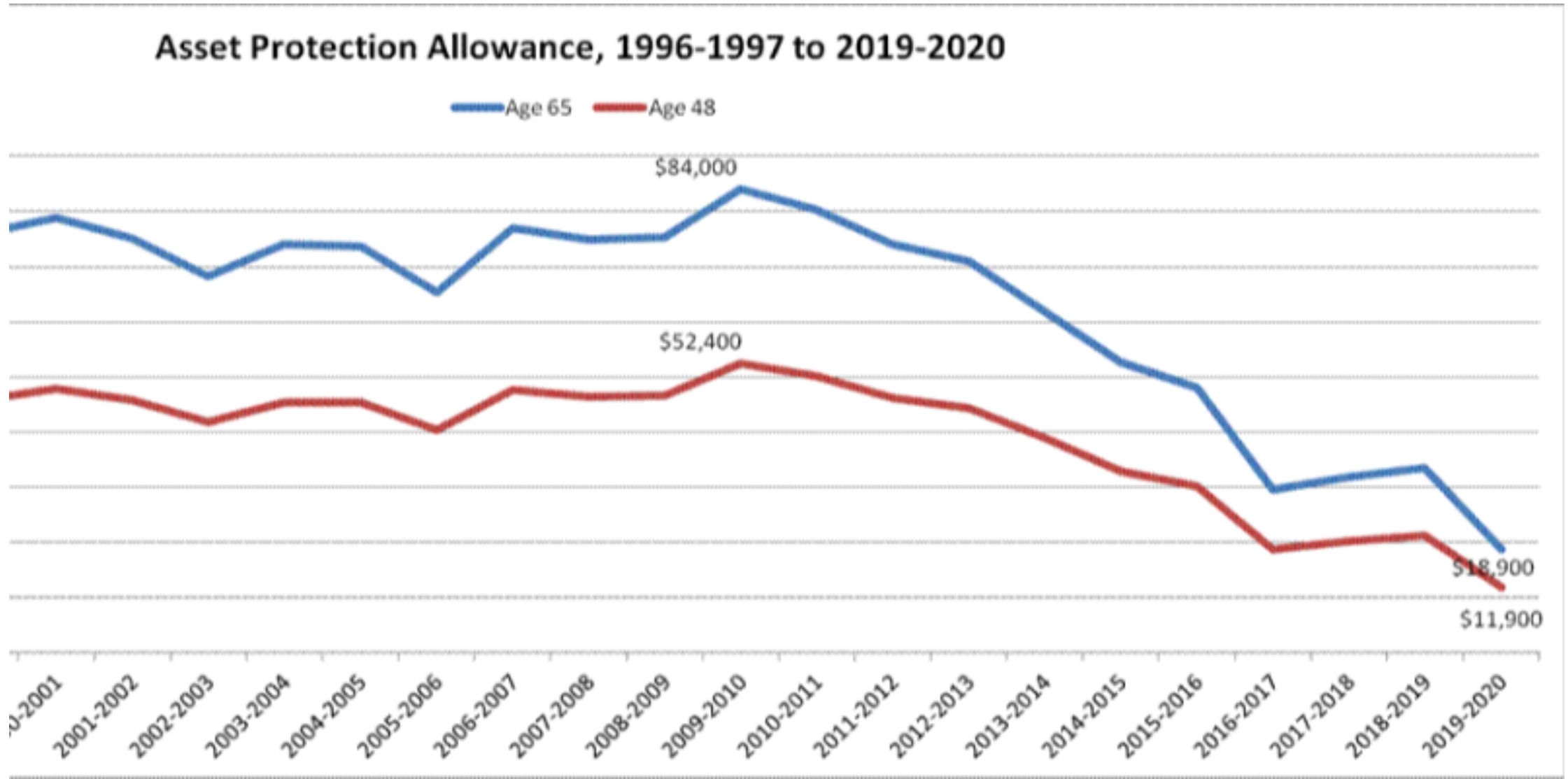
New Formula

- Who has the bulk of financial support
- If equal - household with highest income

How things count

- Must be legally separated or divorced
- Alimony no longer counts as income
- 47% vs 5.64%

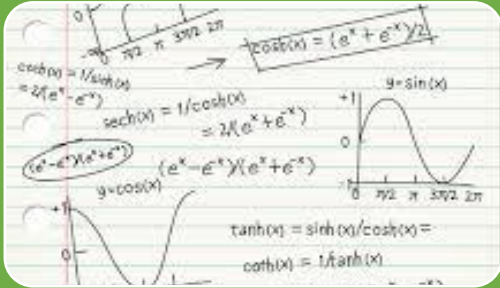
10 years ago, a family could shelter \$52,400 in assets,
today that number is \$0



An over focusing on “need” means people blind themselves to the best options to reduce cost!



Looking for ways to “reduce” assets doesn’t generally work



Assets only account for 5.64% of the formula, their impact is minimal compared to income



High Net worth families should still fill out their FAFSA

Need vs Merit – How do they compare

Need

Determined by FAFSA outcome and potentially the CSS profile

Grant or scholarship from the college

Re-evaluated every year

Nearly all schools address some level of need but the vast majority leave much of it uncovered

Merit

Based on aspects of the student the college deems most beneficial to them

Scholarship from the college

Typically last for the entire 4 years, ask if unclear

NOT ALL COLLEGES GIVE MERIT AID and it varies greatly school to school

Helping your families understand their "need"

Does the family make more than \$280K

← Start with Income

Yes

No

Use FAFSA for loan

Focus on Merit

No significant need aid

FAFSA Forecast tool

Use Formula to estimate aid

May include Merit

Discussion about what they want to pay for school

Discussion about what they want to pay for school

Anatomy of 1 College's Merit Aid

- Demonstrated Interest \$3,000
- Lives out of state \$2,000-\$15,000
- Every "A" on the transcript \$62 per "A"
- Rigorous class \$400 for every AP, IB, etc
- Excellent letter of recommendation \$1,800
- Increase ACT score \$425 per point above avg
- FAFSA \$1,800
- CSS/Profile \$2,500
- Essay \$1,100-8,500 for excellent

Quiz

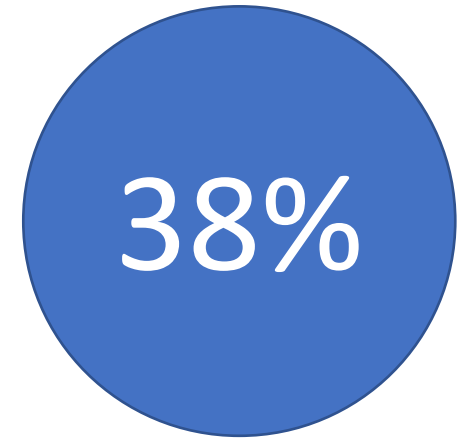
What is the most expensive education?

The one that never gets completed!

What percentage of students transfer at least once?

- 6%
- 14%
- 25%
- 38%
- 50%

The national transfer rate:



Average Cost of 1 Transfer	\$14,000
Cost for 2 transfers	\$24,000*

*State school to state school – private to any other style of college is much larger

Keys to adding value to your clients

- Identify families with a sophomore or junior and encourage late-stage planning
- Add yourself to our newsletter
- Grandparents are looking for ways to help- access to another generation – assuring 529's are being utilized well!

Questions?



Follow us on Facebook for the latest!

Share us with your clients– free consultations for anyone with questions around search.

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