

# FAFSA Changes that WILL Impact Your Clients



*Cozy Wittman*

612-850-5729

[cwittman@collegeinsidetrack.com](mailto:cwittman@collegeinsidetrack.com)





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
- Other Significant Changes
- Leverage for your clients

# Why Discuss This Now?

First FAFSA impacted – Fall of 2022 for 2023 Grads

- Current sophomore class
- Income is a 2 year look back so 2021 income
- College students in school in the fall of 2022

# 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 use 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



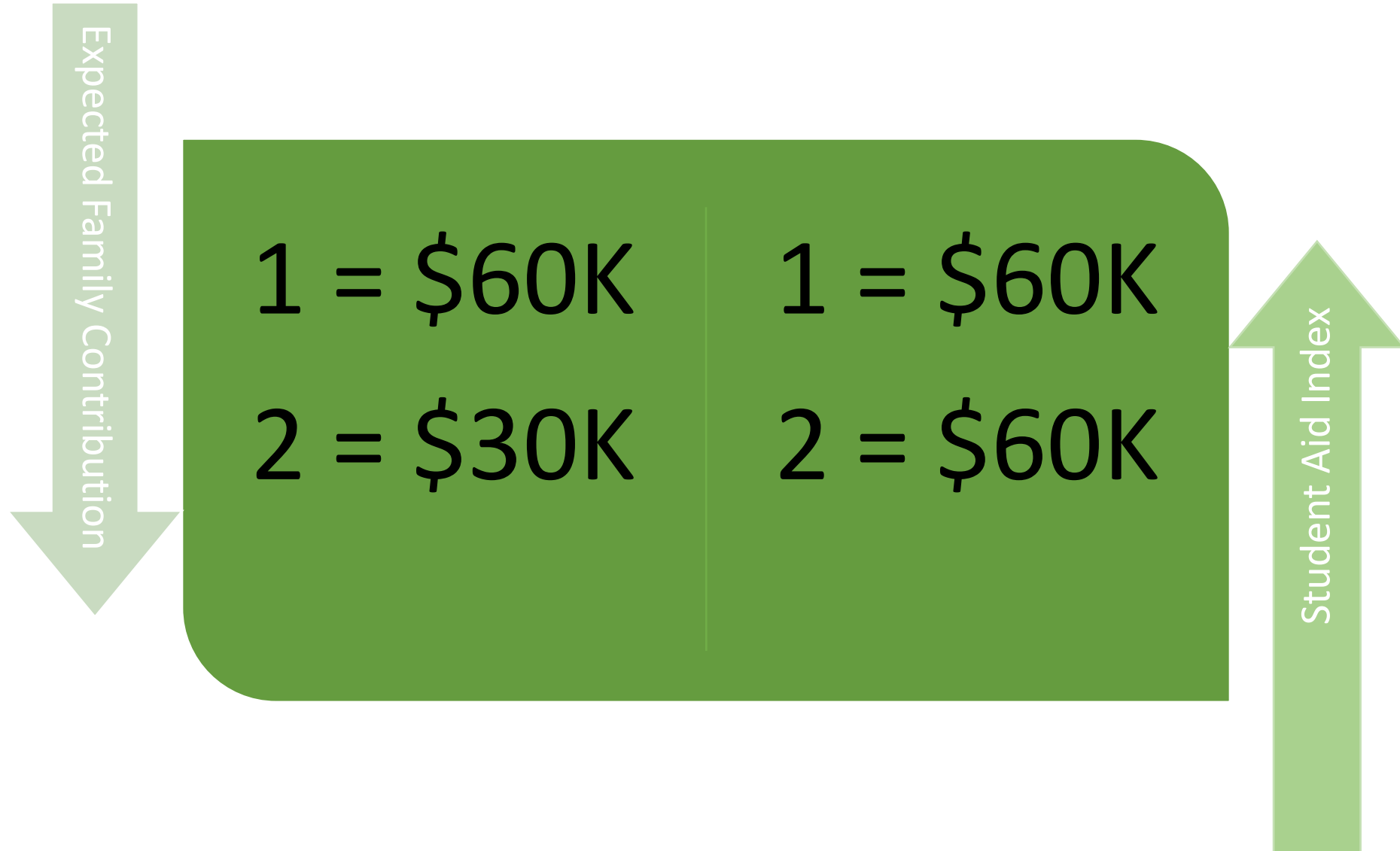
Divorced  
Families



Formula



# # of Students in College



# 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**

\*EFC of \$60K equates to a household income of \$235K and 2 kids

# 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**

# Current Challenge!

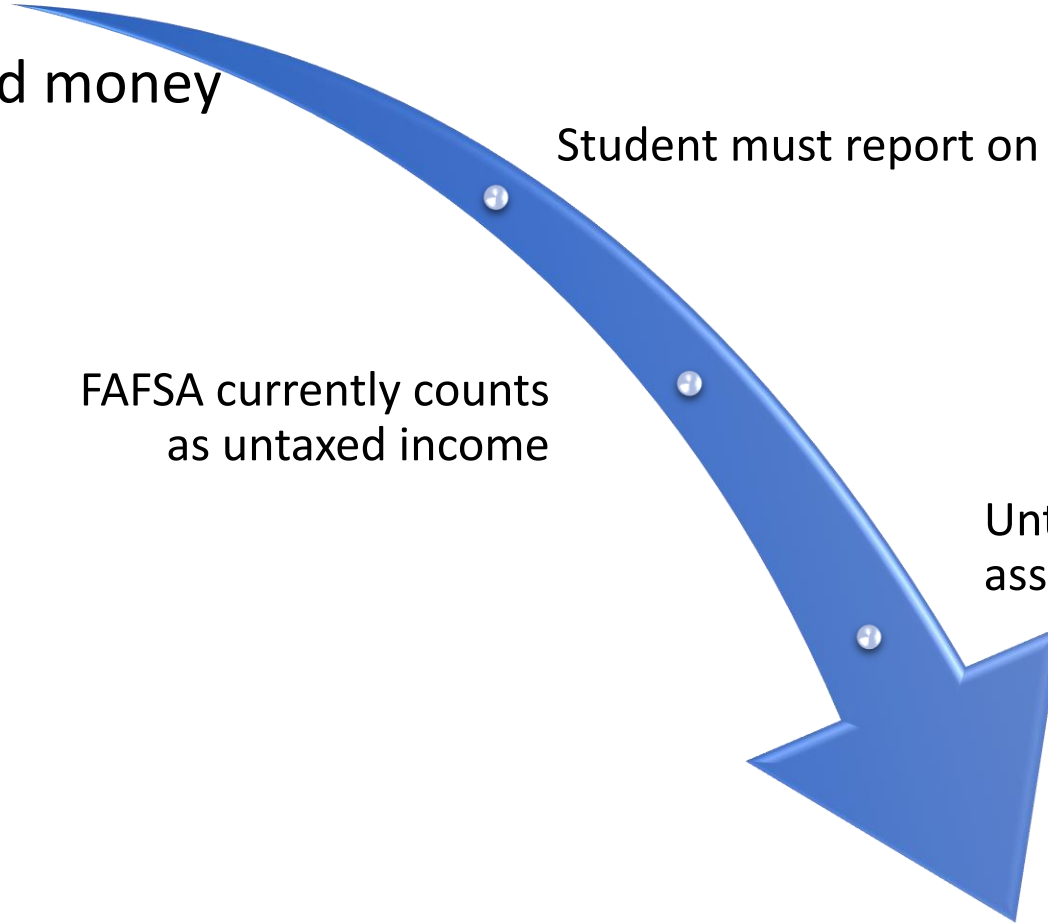
Grandparents send money

Student must report on FAFSA

FAFSA currently counts  
as untaxed income

Untaxed student income  
assessed – 50%

Need based aid reduced = college  
more expensive



# 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!

# Time to connect with college savers!

- Huge implication around where families might save money
- Opportunities for families that have others who want to help
- Can be any other person – godparent, aunt, etc
- Huge opportunity for advisors to access the next generation

# Divorced Families

## Current Day

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

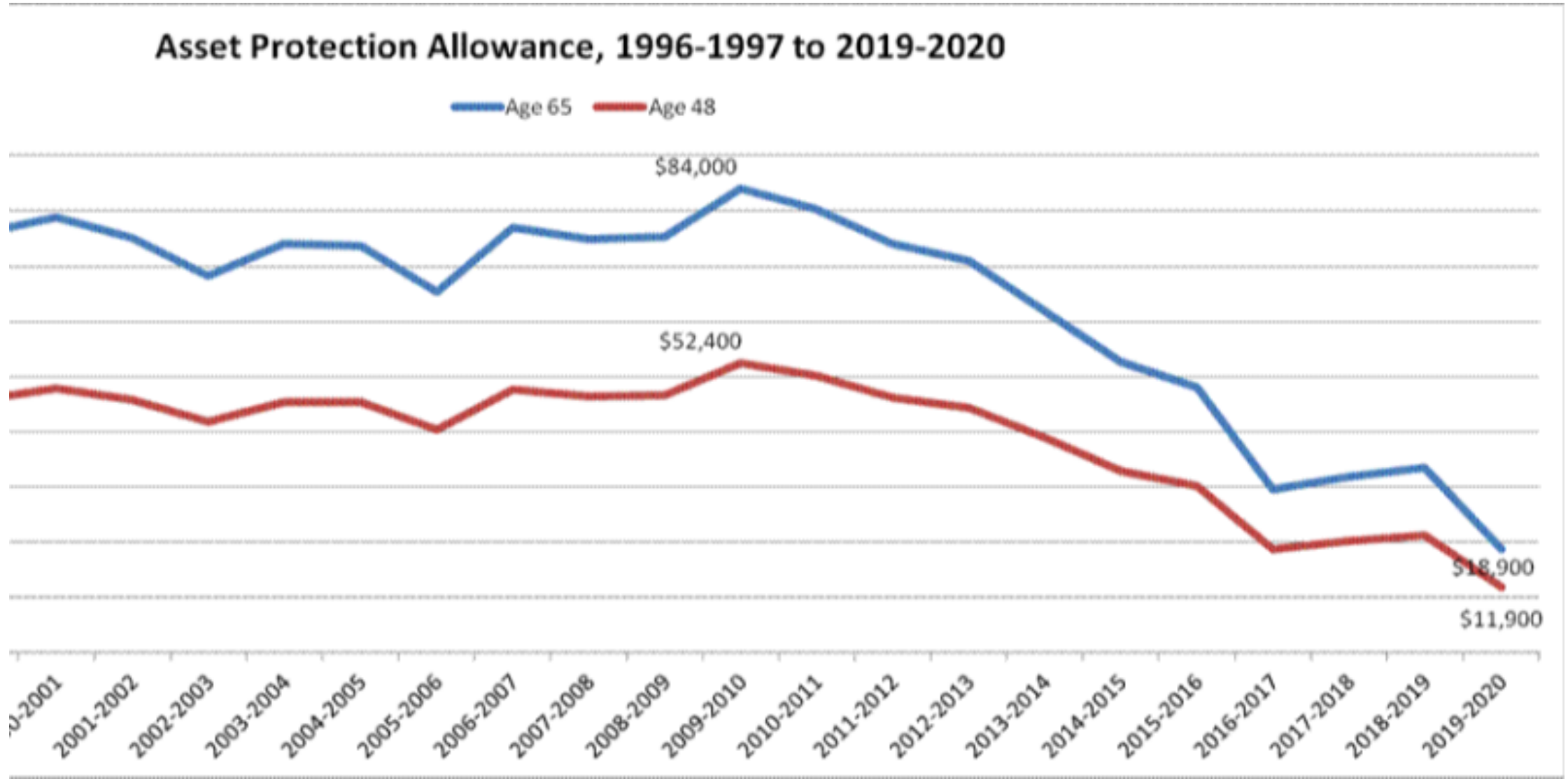
## New Formula

- 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 \$6-7K (down from \$11,900)





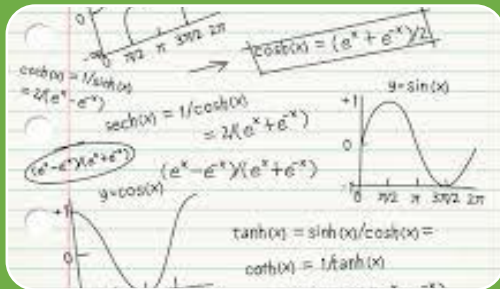
# An over focusing on “need” means people blind themselves to the best options to reduce cost!



High Net worth families should still fill out their FAFSA



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

# 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

Grant or 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

# 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:



38%

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 – right timing is IMPORTANT!
- Grandparents are looking for ways to help- access to another generation – assuring 529's are being utilized well!

# Questions?



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