

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
- Leverage for your clients

Why Discuss This Now?

Phased approach for the rollout:

- A few changes implemented in fall of 2022 for the 2023-24 financial packages
- Impactful changes rollout in fall of 2023 for the 2024-25 financial packages
- Anyone with someone in college will be impacted

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

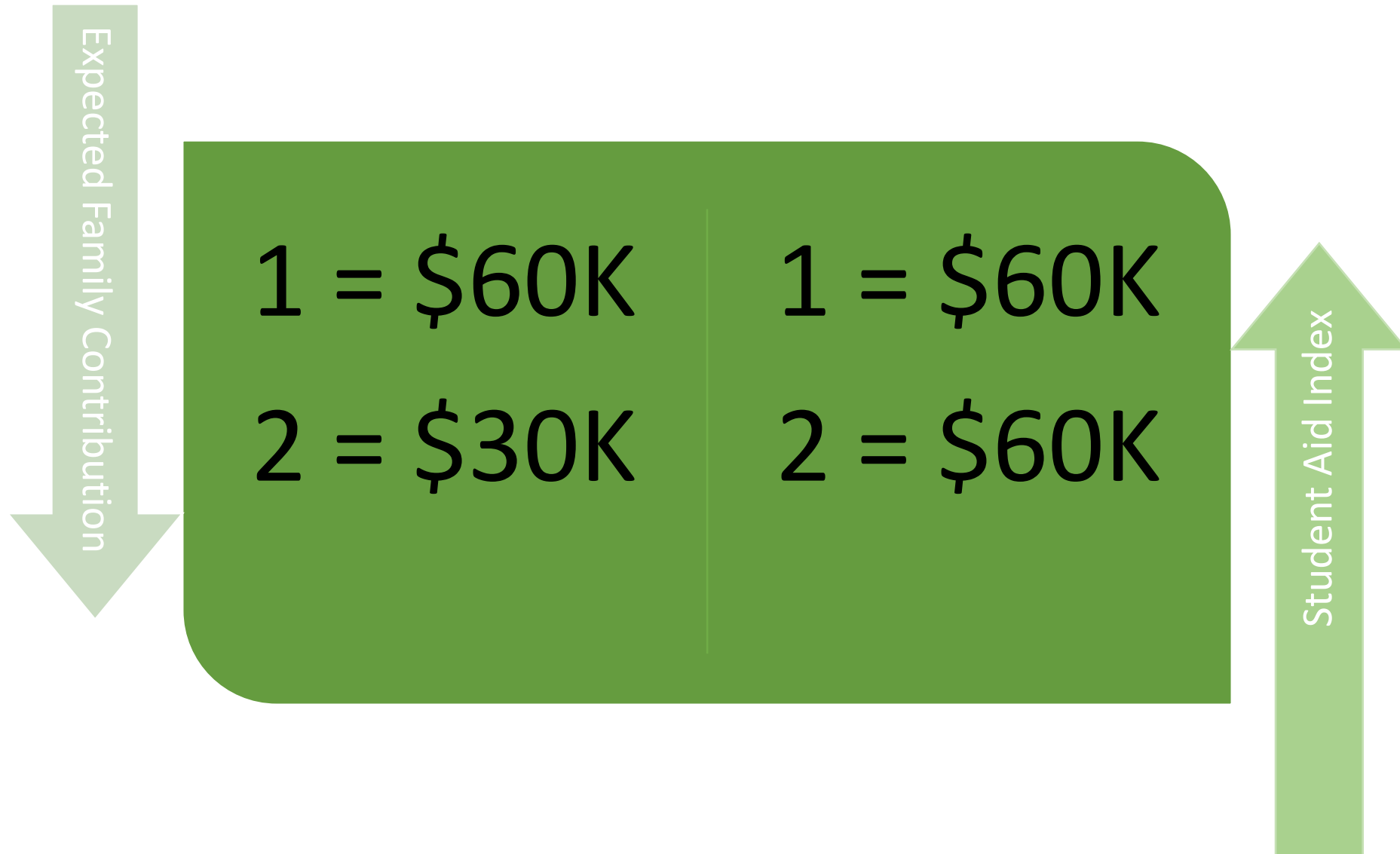


Divorced
Families



Formula

of Students in College



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!

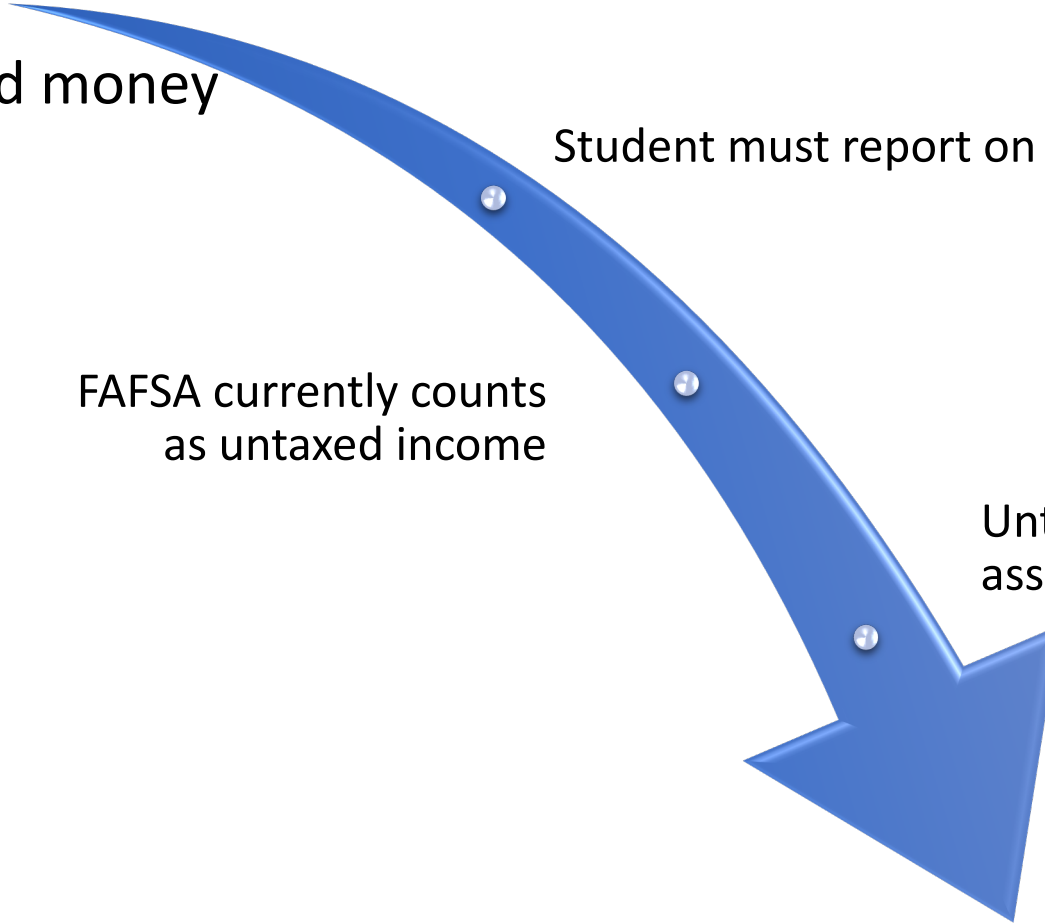
Grandparents send money

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

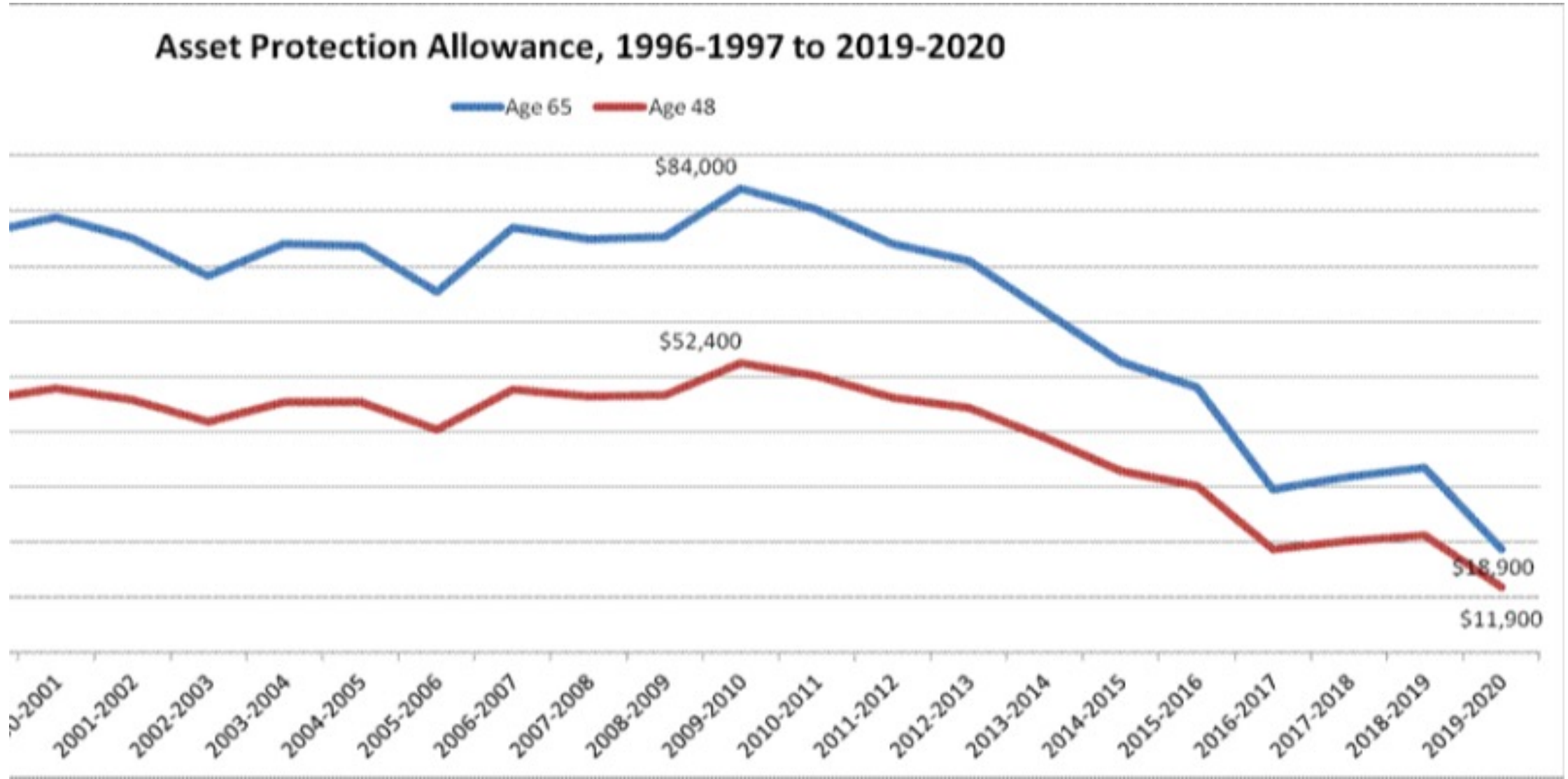
New Formula

- 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%

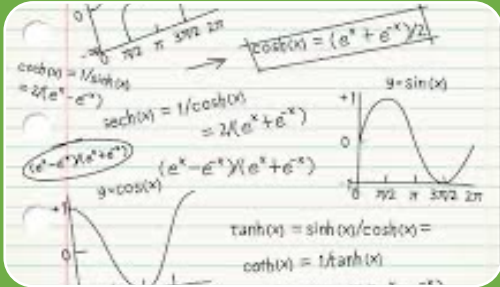
10 years ago, a family could shelter \$52,400 in assets, today that number is \$6-7K (down from \$11,900)



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



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


**KEEP
CALM
CHANGE OF PLANS**

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

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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