

# Financial Aid 201: A Science and an Art?

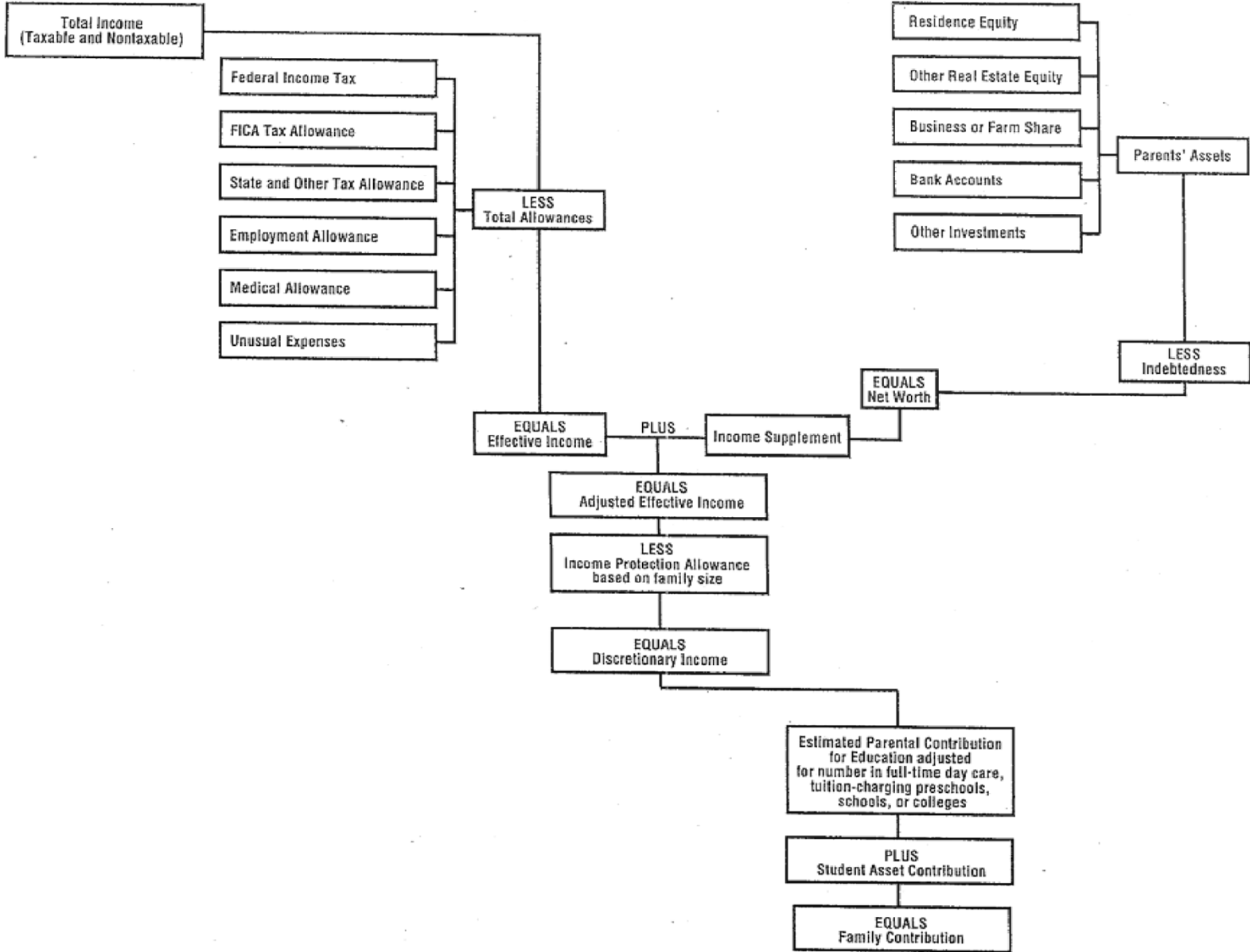


H. Jackson Marvel  
The Hotchkiss School

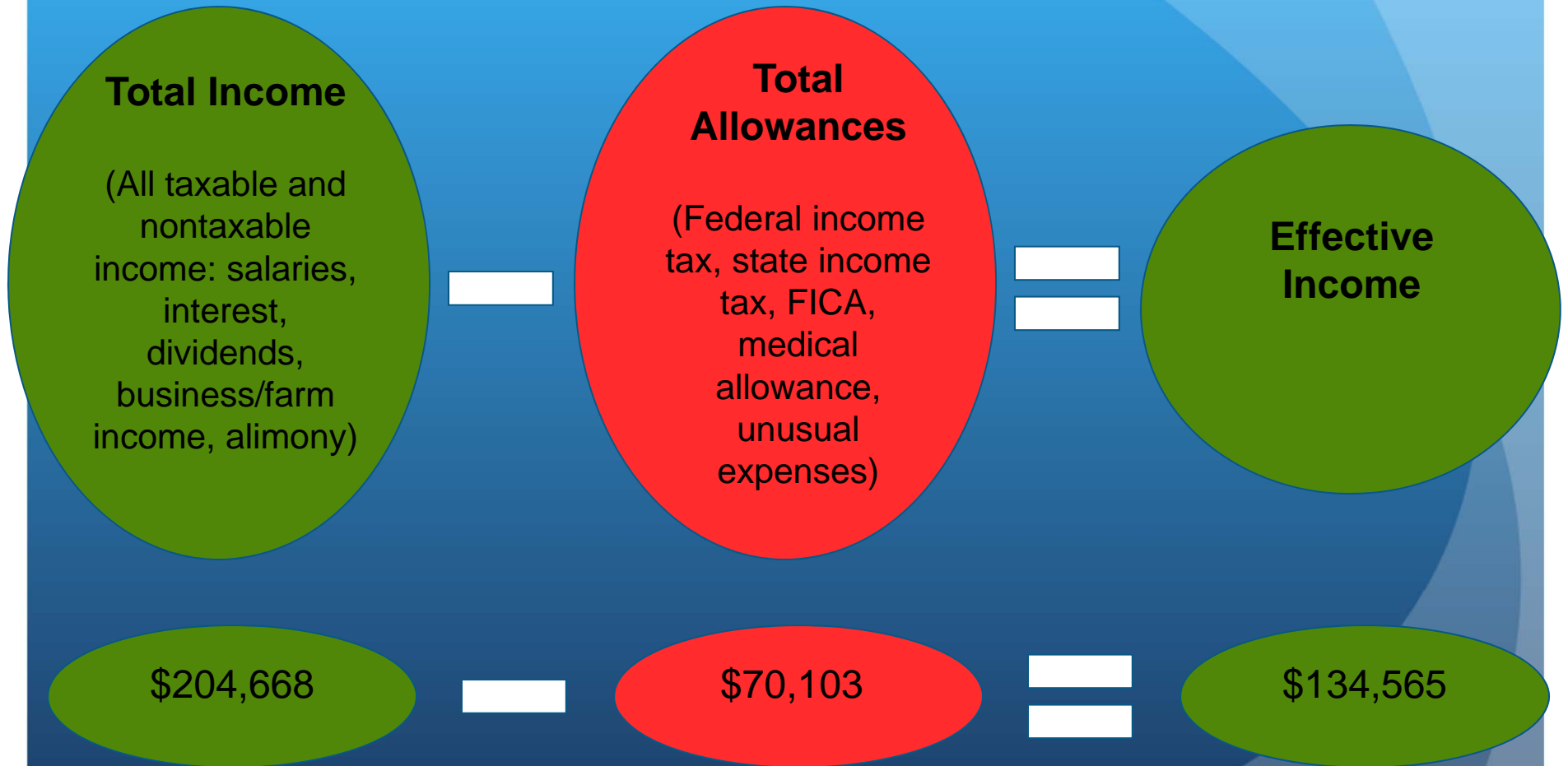
# At the conclusion of this session, you will:

- Have a more thorough understanding of the SSS methodology.
- Define and analyze key triggers that can affect differences in awards between schools.
- Create a dialogue within your office regarding your current financial aid policies and changes you wish to make.

# SSS Methodology



# Step 1: Determining a Family's Effective Income



## Step 2: Determining a Family's Net Worth and Income Supplement

### Parents' Assets

(Home equity, other real estate equity, business or farm share, bank accounts, other investments)

### Indebtedness

(Educational debt of parents, funeral expenses, legal fees, past medical and dental expenses)

### Net Worth

\$297,805

\$0

\$297,805

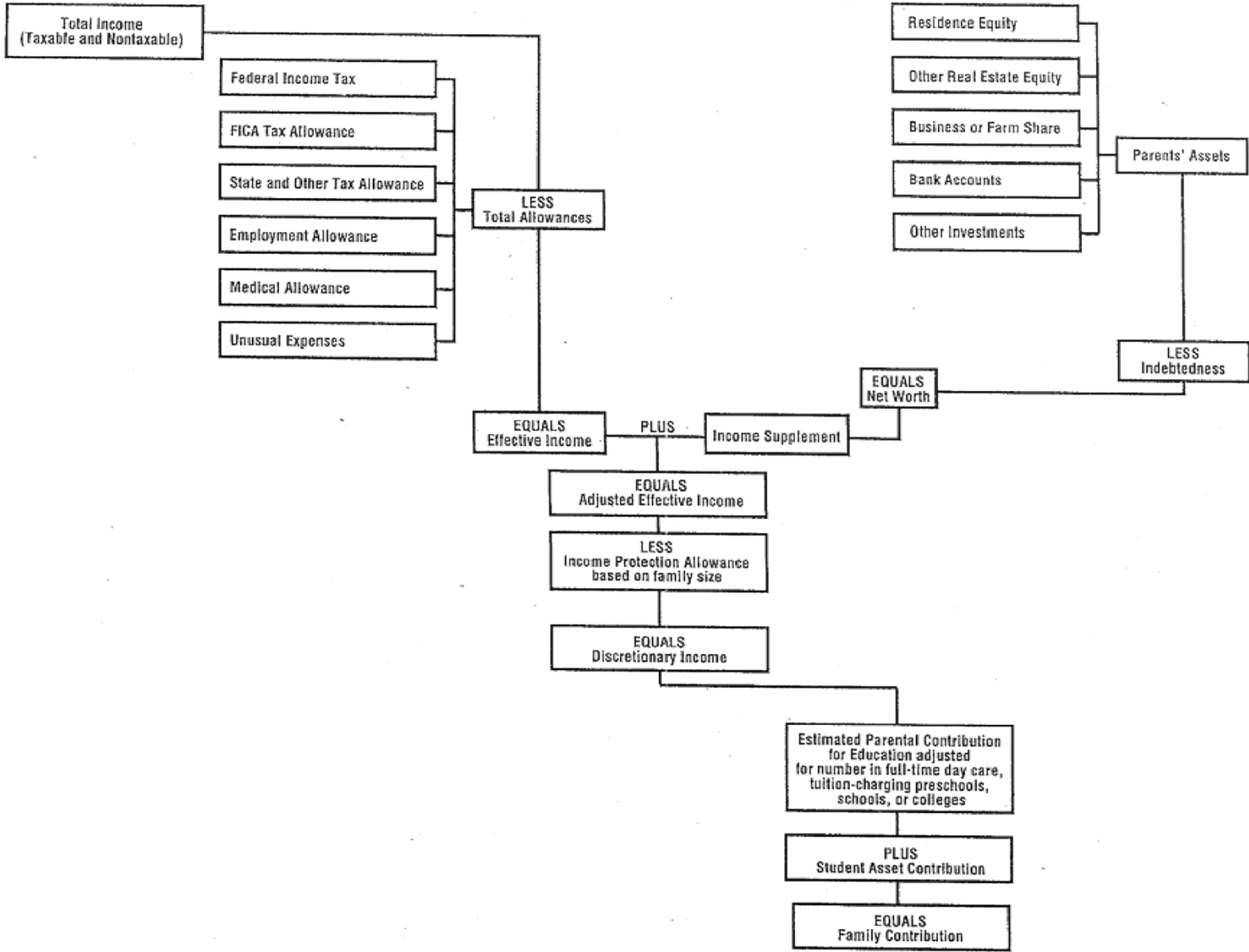
## Step 2 Continued: What is a Family's Income Supplement?

**Net Worth (\$297,805)**

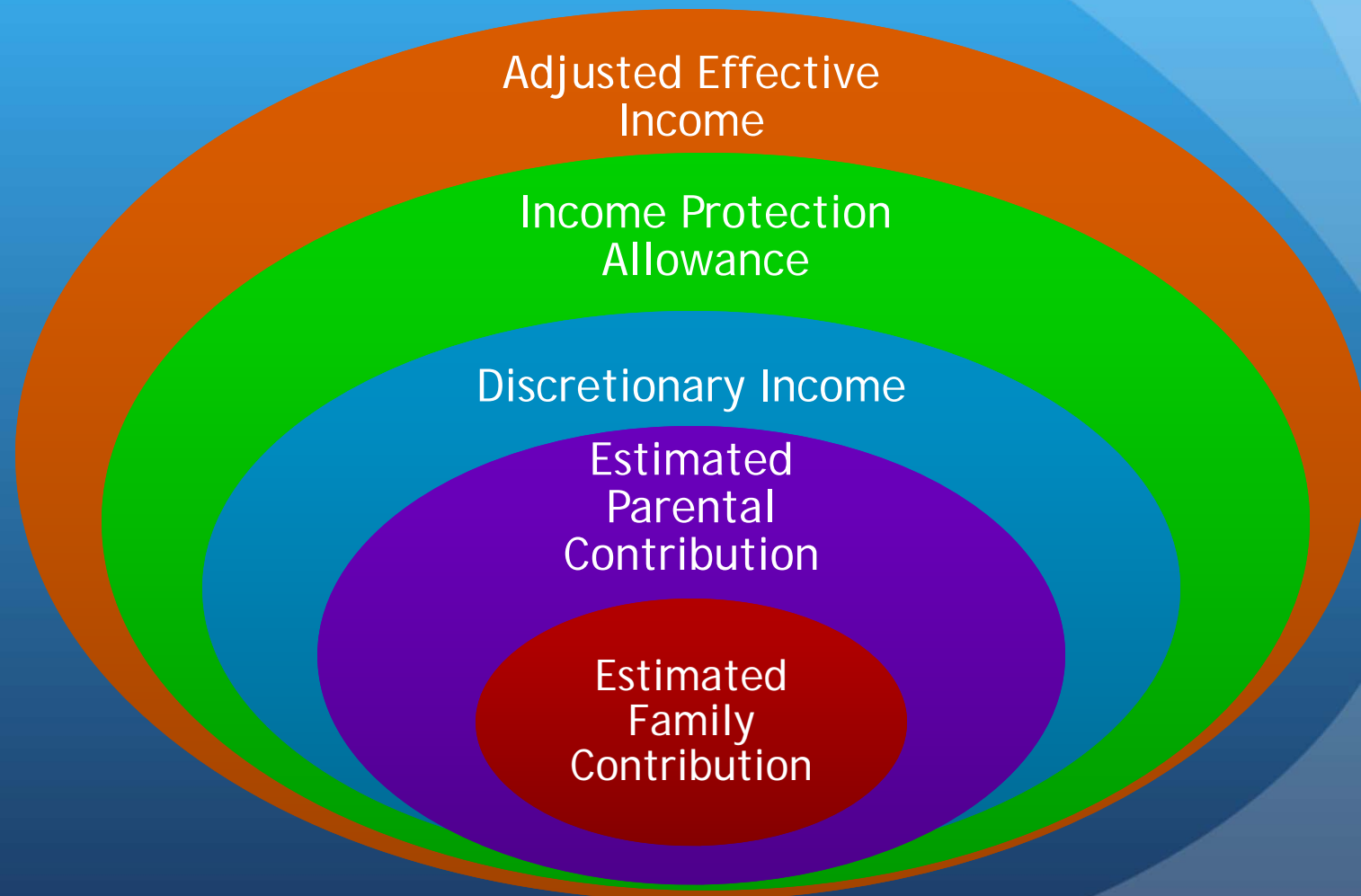
**Depending upon the age of the older parent. In this case, the oldest parent is 56 years old.**

**Income  
Supplement  
\$10,757**

# SSS Methodology



## Step 3: Determining the Estimated Family Contribution





## Step 3: Determining the Adjusted Effective Income

Effective  
Income  
(\$134,565)



Income  
Supplement  
(\$10,757)



Adjusted Effective  
Income  
(\$145,322)

## Step 3: What is an Income Protection Allowance

- The income protection allowance (IPA) is an allowance to cover a family's basic needs beyond taxes and unusual expenses.
- The IPA is determined by using the most recent Consumer Expenditure Study from the U.S. Bureau of Labor Statistics.
- The IPA is set at 75% of the median expenditure for a family of four.
- Below is the 2013-14 processing year's IPA allowance:

Family Size	Income Protection Allowance
Family of 2	\$22,766
Family of 3	\$27,183
Family of 4	\$33,979
Family of 5	\$40,775
Family of 6	\$47,231
Each additional person	\$6,116

## Step 3: Determining Discretionary Income

**Adjusted  
Effective  
Income**

**-**

**Income  
Protection  
Allowance**

**=**

**Discretionary  
Income**

**\$145,322**

**-**

**\$33,979**

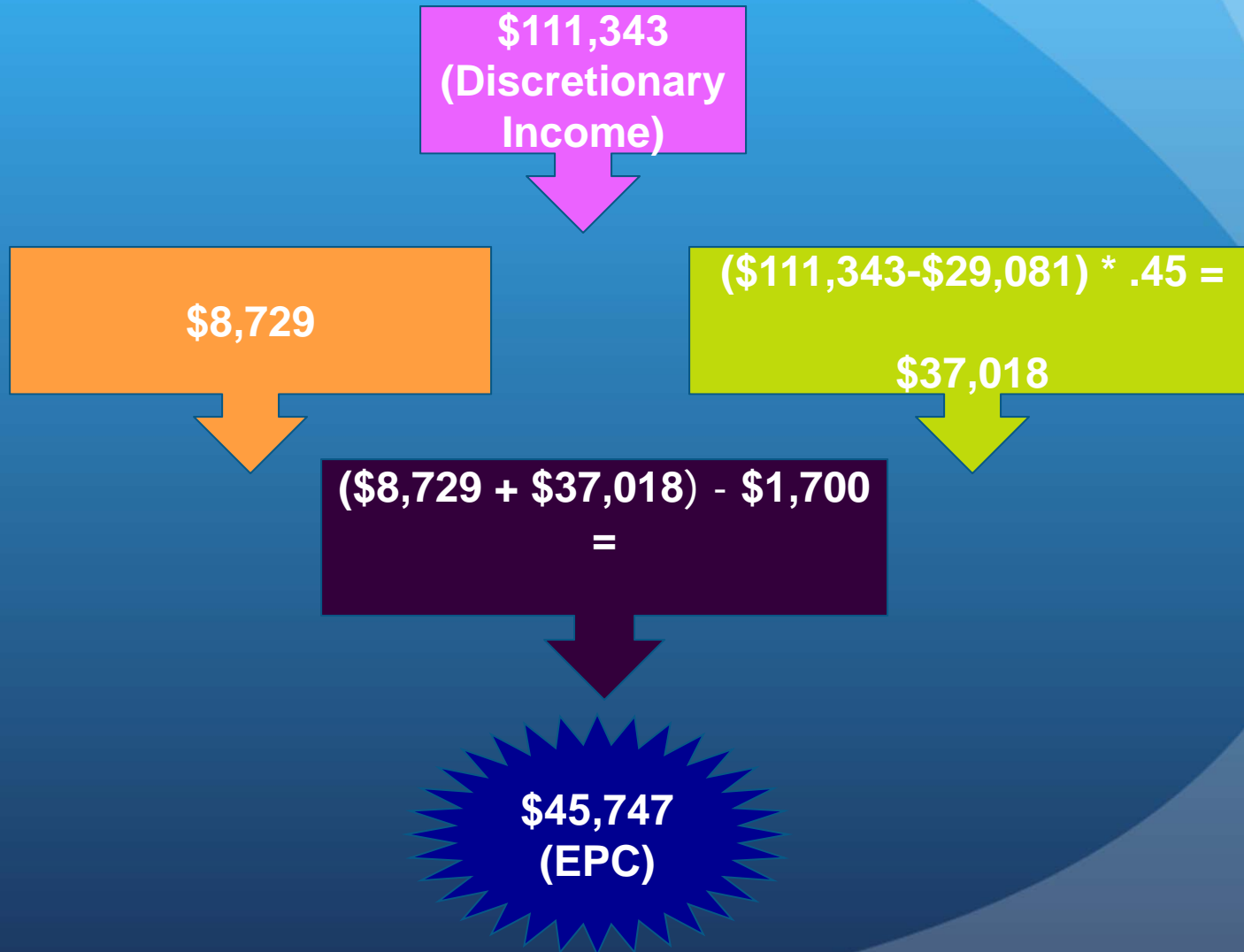
**=**

**\$111,343**

## Step 3: Review the Expected Rates of Contribution from Discretionary Income

Discretionary Income	Expected Contribution Rates
Not over \$5,815	22% of discretionary income
\$5,816 to \$11,631	\$1,280 plus 25% in excess of \$5,815
\$11,632 to \$17,448	\$2,735 plus 29% in excess of \$11,631
\$17,449 to \$23,264	\$4,423 plus 34% in excess of \$17,448
\$23,265 to \$29,081	\$6,402 plus 40% in excess of \$23,264
\$29,082 and over	\$8,729 plus 45% in excess of \$29,081

## Step 3: Determining the Estimated Parental Contribution (EPC) for Education



## Step 3: Determining the Estimated Family Contribution (EFC) per Student

**Estimated parental contribution  
( \$45,747)**

**Number of children in tuition charging  
schools  
(2)**

**Boarding vs Day  
(Add \$1,700 if boarding)**

**Student asset contribution  
(0)**

**EFC  
\$24,574**

## Step 4: Determining the Student's Financial Need

Tuition  
(\$49,940)



Estimated Family  
Contribution  
(\$24,574)



Student's  
Financial Need  
(\$25,366)

## How is Financial Aid an “Art”?

- Do you use a Cost of Living Adjustment (COLA)?
- Do you leave home equity in the methodology or remove it?
- Do you impute a wage for a parent not currently working?
- Are all tuition-charging schools equal?
- In determining a financial aid award, do you take into account ALL expenses and not just tuition?



## Do you use a COLA?

	No COLA	COLA (2.283)	Partial COLA (1.5)
Adjusted Effective Income	\$145,322	\$63,654	\$96,881
Discretionary Income	\$111,343	\$29,675	\$62,902
Estimated Parental Contribution	\$45,747	\$7,296	\$22,248
Estimated Family Contribution	\$24,574	\$5,348	\$12,824
Student's Financial Need (\$49,940 tuition)	\$25,366	\$44,592	\$37,116

## Do you leave home equity in the methodology?

	Home Equity	No Home Equity
Adjusted Effective Income	\$145,322	\$134,565
Discretionary Income	\$111,343	\$100,586
Estimated Parental Contribution	\$45,747	\$39,206
Estimated Family Contribution	\$24,574	\$21,303
Student's Financial Need (\$49,940 tuition)	\$25,366	\$28,637

## Do you impute a wage for a parent not currently working ?

	No Wage Imputed	Wage Imputed (\$20,000)
Adjusted Effective Income	\$145,322	\$163,113
Discretionary Income	\$111,343	\$129,134
Estimated Parental Contribution	\$45,747	\$52,053
Estimated Family Contribution	\$24,574	\$27,726
Student's Financial Need (\$49,940 tuition)	\$25,366	\$22,214

# Are all tuition-charging schools created equal?

	<b>Yes, Both are Equivalent Boarding Schools</b>	<b>No, my Other Child is Attending College</b>	<b>No, my Other Child is Attending an Independent Day School</b>
Estimated Parental Contribution	\$45,747	\$45,747	\$45,747
Estimated Family Contribution to Your School	\$24,574	\$16,949	\$29,148
Estimated Family Contribution to Other School	\$24,574	\$32,198	\$18,299

## Do you take into account all expenses?

Expenses	Costs
Tuition	\$48,765
Technology Fee	\$700
Books and Supplies	\$850
Health Insurance	\$1,660
Travel	\$500
Health Center Fee	\$475
<b>Total Expenses</b>	<b>\$52,950</b>
Estimated Family Contribution	\$24,574
<b>Student's Real Financial Need</b>	<b>\$28,375</b>
<i>Calculated Award Based on Tuition and Technology Fee Only</i>	\$25,366

## How Different Can Two Awards Be?

Scenario 1	Scenario 2
No Cola	1.5 COLA
Home Equity	No Home Equity
Both Tuition Charging Schools Treated Equally	College allocated 2/3 of EFC, Independent School allocated 1/3
Only Tuition and Mandatory Fees Taken into Account	All Fees are Taken into Account
<b>Financial Aid Award: \$25,366</b>	<b>Financial Aid Award: \$49,217</b>
<b>Parent Contribution: \$24,574</b>	<b>Parent Contribution: \$724</b>

## Today we covered...

- How the SSS methodology works, allowing you to communicate more clearly with families about the process.
- Identifying triggers such as COLA, home equity, imputing a wage for a non-working spouse, and having multiple children at tuition charging schools and how those factors can affect financial aid awards.
- Based on this presentation, changes to your own process you plan to propose to your financial aid office.

If you have any questions...

H. Jackson Marvel

Director of Financial Aid/ Senior Associate Director of  
Admission

The Hotchkiss School

11 Interlaken Road, Lakeville, CT

06039

Phone: (860) 435-3248

Email: [jmarvel@hotchkiss.org](mailto:jmarvel@hotchkiss.org)



Thank you for attending!