Overview of financial aid

Primary Terms Part 1

# Cost of Attendance (CoA)

Each college estimates their total cost to attend their university. This CoA is an estimate for one year and it includes the tuition/fees, room and board, books, transportation and other miscellaneous expenses.

# Expected Family Contribution (EFC)

This is the minimum amount that the Federal Government believes you can afford on an annual basis to send your kiddo to college. This number serves as an index for the schools to use in order to determine the student’s need based college funding eligibility.

# How to Calculate Your EFC (for a FAFSA School)

We have yet to work with a family who gets excited when they discover their family’s expected contribution amount. This number is designed to be high so that you need help from the government in the form of loans. It’s frustrating but it’s true. So, let’s give you a little “cheat sheet” on how to determine a ballpark figure of your EFC. Get ready because this will most assuredly shock you.

1. Your (parents) most recent year’s AGI: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. Add back in any pre-tax retirement contributions made for the same most recent year (401k, IRA, SEP, etc): $\_\_\_\_\_\_\_\_\_\_\_\_
3. Total of AGI and pre-tax contributions: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. Parents income portion of the EFC: #3 x 25% = $\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Now, let’s look at the Asset portion. Total all of your assets, ***excluding*** equity in your primary residence, the account balances of your government retirement accounts (401k, IRA, Roth, SEP IRA, 403b, etc), 529s owned by grandparents, and any cash values in life insurance policies. If you own the 529 then include its balance.

1. Parents total assets: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. Parents asset portion of the EFC: #5 x 6% = $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

You must also include financial information of the student.

1. Student’s most recent year’s AGI: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (If they didn’t have a job then it’s $0)
2. Student’s income portion of the EFC: #7 x 50% = $\_\_\_\_\_\_\_\_\_\_\_\_\_
3. Student’s total assets held in his/her name (529s count in the parents assets, also do not include a 529 owned by the grandparents): $\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. Student’s asset portion of the EFC: #3 x 25% = $\_\_\_\_\_\_\_\_\_\_\_\_\_

You ready for this? Add up #4 + #6 + #8 + #10 = $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

That number is a ballpark figure of your Expected Family Contribution for each year of child’s education.

# How to Calculate Your EFC (for a CSS/Profile School)

Use the same above numbers for the parents’ income, the student’s income and the student’s assets:

1. Total from #4 + #8 + #10: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Now, in the parents’ assets we have to add a couple more items into the mix.

1. Add any equity in the primary residence: $\_\_\_\_\_\_\_\_\_\_\_\_
2. Add the balances of any 529s that are held in the names of other children: $\_\_\_\_\_\_\_\_\_\_\_\_
3. Total these two: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. Parents’ asset portion of the EFC: #4 x 6%: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Add #1 + #5 = $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

That last line is your EFC for those schools that use the CSS/Profile financial aid application. Yes, they consider your home equity as something you can and should tap into, as well as your 529 for your other children, to pay for college. Crazy.

# Notes