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Wealth Management &
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New College Cost Data for 2020-2021 School Year



Every year, the College Board releases updated college cost data and trends in its annual report. Although costs can vary significantly depending on region of the country and college, the College Board publishes average cost figures, which are based on a survey of approximately 4,000 colleges across the country.

Following are cost highlights for the 2020-2021 academic year.¹ Because many residential colleges shifted to an online model this year, the College Board estimated 2020-2021 room and board figures to be the same as 2019-2020, adjusted for a 1% inflation rate.

"Total cost of attendance" includes direct billed costs for tuition, fees, room, and board, plus a sum for indirect costs that includes books, transportation, and personal expenses, which will vary by student.

Public college costs (in-state students)

- Tuition and fees increased 1.1% to \$10,560
- Room and board increased 1% to \$11,620
- Total cost of attendance: \$26,820

Public college costs (out-of-state students)

- Tuition and fees increased 0.9% to \$27,020
- Room and board increased 1% to \$11,620 (same as in-state)
- Total cost of attendance: \$43,280

Private college costs

- Tuition and fees increased 2.1% to \$37,650
- Room and board increased 1% to \$13,120
- Total cost of attendance: \$54,880

Over the past decade, the average published tuition, fees, room, and board at private 4-year colleges increased by 17% *beyond* increases in the Consumer Price Index, and at 4-year public colleges increased 15% *beyond* increases in the Consumer Price Index.²

FAFSA opened October 1st

The FAFSA for the *next* school year, 2021-2022, opened on October 1, 2020. The 2021-2022 FAFSA relies on income information from your 2019 federal income tax return and current asset information. Your income is the biggest factor in determining financial aid eligibility.

A detailed analysis of the federal aid formula is beyond the scope of this article, but generally here's how your expected family contribution (EFC) is calculated:³

- Parent income is counted up to 47% (income equals adjusted gross income, plus untaxed income/benefits minus certain deductions)
- Student income is counted at 50% over the student's income protection allowance (\$6,970 for the 2021-2022 year)

- Parent assets over the asset protection allowance are counted at 5.64% (home equity, retirement accounts, cash value life insurance, and annuities are not counted at all)
- Student assets are counted at 20%

Your EFC remains constant, no matter which college your child attends. Your EFC is not the same as your child's financial need. To calculate financial need, subtract your EFC from the cost of a specific college. Because costs vary at each college, your child's financial need will vary by college.

Just because your child has financial need doesn't automatically mean that colleges will meet 100% of that need. Colleges that do meet 100% of "demonstrated need" usually advertise this; not all colleges do. If a college doesn't meet 100% of your child's financial need, you'll have to make up the gap, in addition to paying your EFC.

To get an estimate ahead of time what your out-of-pocket cost might be at a particular school, run a college's net price calculator, which is available on every college website. You input income, asset, and general family information and the net price calculator provides an estimate of the grant aid your child might expect at that particular college. The cost of the college minus this grant aid equals your net price, hence the name "net price calculator."

Reduced asset protection allowance

Over the past two decades, a stealth change in the FAFSA has been negatively impacting a family's eligibility for financial aid. The asset protection allowance, which lets parents shield a certain amount of assets from consideration (in addition to the assets listed above that are already shielded), has been steadily declining for years, resulting in higher EFCs. Ten years ago, the asset protection allowance for a 48-year-old married parent with a child about to enter college was \$46,200. For 2021-2022, that same allowance is \$6,600, resulting in a \$2,233 decrease in a student's aid eligibility (\$46,200 - \$6,600 x 5.64%).⁴

Student loan debt

Student debt is the second-highest consumer debt category after mortgage debt, ahead of both auto loans and credit card debt.⁵ More than six in ten (62%) college seniors who graduated in 2019 had student loan debt, owing an average of \$28,950.⁶ Paying careful attention to costs at college time might help you and/or your child avoid excessive student loan debt.

1-2) College Board, 2020

3-4) U.S. Department of Education, The EFC Formula, 2021-2022, 2011-2012

5) Federal Reserve Bank of New York, Quarterly Report on Household Debt and Credit, August 2020

6) Institute for College Access & Success, Student Debt and the Class of 2019, October 2020

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