

Sharpen Your Pencils: Needs Analysis Applied

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The Various Methodologies

- **Federal Methodology (FM)**
 - Used for Pell Grant Award Index
 - Used for all Federal Funds
 - Set by Congress
- **Institutional Methodology (IM)**
 - Used by some private institutions to award their own funds
 - Administered by the College Board
 - Often includes home, small business asset, private/secondary school tuition, and other items
 - Can be more generous than FM
 - Has a component for Global Methodology (International Students)
 - Often uses the CSS Financial Aid Profile as the application source



It All Depends (or Independs)

- The Three Federal Formulae
 - Dependent Student – Formula A
 - Parent's Analysis which leads to the calculation of a PC (Parent Contribution)
 - Student Analysis which leads to the calculation of an SC (Student Contribution)
 - Independent Student without Dependents (other than a spouse) – Formula B
 - Student Analysis which is closely mirrored on the Student Analysis as part of the Dependent Formula which leads to the calculation of an SC
 - Independent Student with Dependents (whether married or not) – Formula C
 - Student Analysis which is closely mirrored on the Parent Analysis as part of the Dependent Formula which leads to the calculation of an SC
- Two parts of each formula:
 - Income Contribution
 - Asset Contribution

Do I Have to Provide My Parents' Information on the Free Application for Federal Student Aid (FAFSA)?

All applicants for federal student aid are considered either "dependent" or "independent." Dependent students are required to include information about their parents on the FAFSA. By answering a few questions, you can get a good idea of which category you fit into.

24 Will you be 24 or older by Dec. 31 of the school year for which you are applying for financial aid?

Will you be working toward a master's or doctorate degree (such as M.A., M.B.A., M.Ed., Ed.S., Ph.D., Ed.D., etc.)?

Are you married or separated but not divorced?

Do you have children who receive more than half of their support from you?

Do you have dependents other than children or a spouse who live with you and receive more than half of their support from you?

At any time since you turned age 13, were both of your parents deceased, were you in foster care, or were you a ward or dependent of the court?

Are you an emancipated minor or are you in a legal guardianship as determined by a court?

Are you an unaccompanied youth who is homeless or self-supporting and at risk of being homeless?

Are you currently serving on active duty in the U.S. armed forces for purposes other than training?

Are you a veteran of the U.S. armed forces?

You may be a **Dependent Student** if none of the criteria listed above apply to you, you may be considered a dependent student and may be required to provide your parents' financial information when completing the FAFSA.

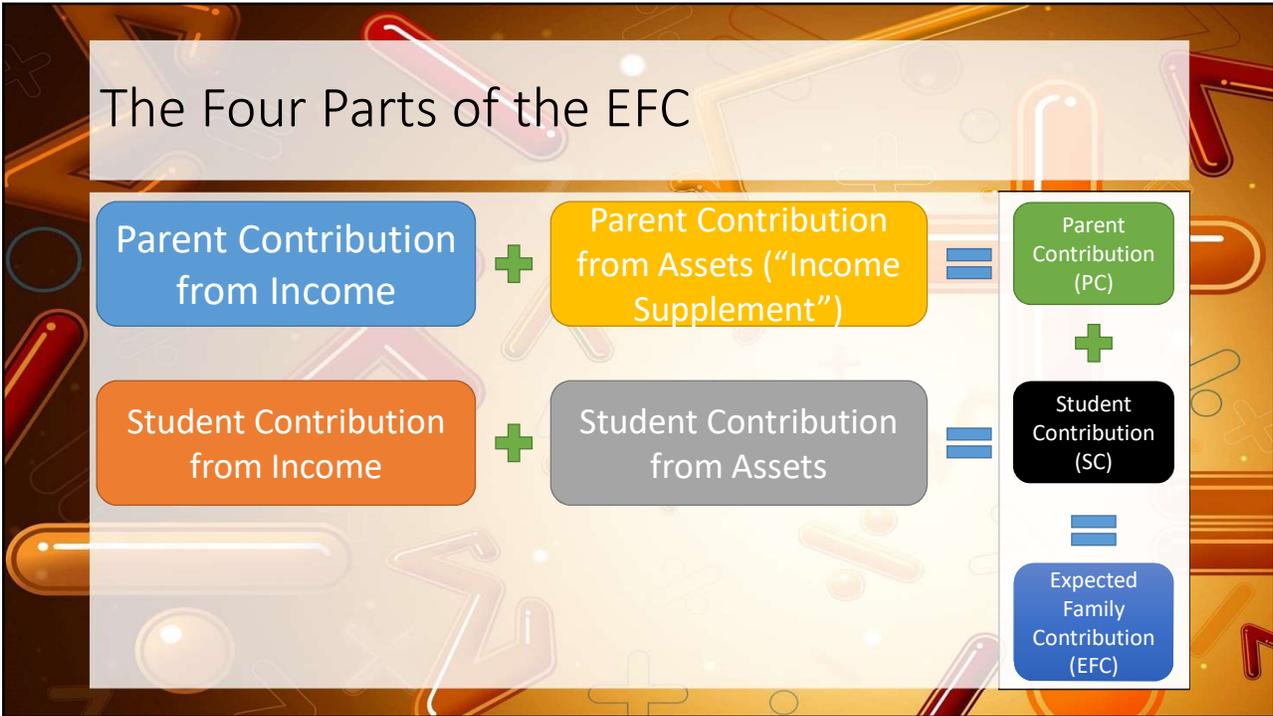
You may be an **Independent Student** if you answered yes to any of these questions, then you may be an independent student. You may still be required to provide parental information on your FAFSA.

If you have questions about your dependency status or need more information, please visit StudentAid.gov/dependency.

Federal Student Aid | HOW TO APPLY FOR FEDERAL STUDENT AID | StudentAid.gov

Some special populations

- Simplified Needs Test
 - No assets included in the formula
 - For dependent students, they qualify if their PARENTS have an AGI less than \$50K AND either file a 1040 EZ/A, they receive means-tested benefit, or one is a dislocated worker.
 - For independent students, they qualify if the STUDENT (and SPOUSE) has an AGI less than \$50K AND either file a 1040 EZ/A, they receive means-tested benefit, or one is a dislocated worker.
- Automatic \$0 EFC
 - Same as above EXCEPT income threshold is \$25K.
 - Independent students w/o dependents do not qualify.
- Post 9/11
 - For students whose parent died in Iraq or Afghanistan AND already Pell Eligible, EFC adjusted to \$0.
- Less than 9 month EFC
 - If Dependent student, attending for less than 9 months, must prorate EFC.



1. Determining the Eligibility Index (EFC)

	Total Parent Income Taxable and Non-taxable	
minus	Taxes Paid (Fed. State and Local)	"Families with two working parents and one-parent families have extra expenses that must be considered, such as house-keeping services, transportation, clothing and upkeep, and meals away from home." 2018-19 FSA Handbook, AVG 42
minus	Employment Allowance	
minus	Income Protection Allowance	
minus	Title IV Exclusion	"In general, a school can assume that 30% of the income protection allowance amount is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption." 2018-19 FSA Handbook, AVG 42
equals	<u>"Available Income"</u>	

2. Total Parental Assets

Cash, Savings and Checking
 plus Other Real Estate / Investments (home?)
 plus Business Value (100 or more employees / adjusted)
 plus Farm Value
 = **"Total Net Worth"**

 less Education Savings / Asset Protection Allowance
 (Age 50 = \$22,300 if two parents, \$13,500 if one parent)
 times 12% Asset Conversion Rate
 = **"Income Supplement"**

3. Determining Parent Share of EFC

"Available Income"
 plus "Income Supplement"
 = "Adjusted Available Income"
 times Conversion Percentage

 divided Number Attending College

 = Eligibility Index from Parent(s)

4. Determining Student Share of Index

Total Student Income
 less Taxes and FICA paid
 less \$6570 Protection Allowance
 times 50%
 = **Index Available From Income**

Total Student Assets X 20%
 = **Index Available from Student Assets**

5. Final Step

add "Eligibility Index from Parent's Income and Assets"
 plus "Eligibility Index- Student Income"
 plus "Eligibility Index- Student Assets*"

equal **"ELIGIBILITY INDEX" (EFC)**

Asset Impact – Family Size: 4

Parent income remains level, assets increase

	Family A	Family B	Family C
Income	\$60,000	\$60,000	\$60,000
Assets	\$0	\$75,000	\$150,000
EFC	\$3,930	\$5,117	\$8,348
Difference		\$1,187	\$4,418

This example is an estimate only. Based on Federal Methodology (one child in college)

Income Impact – Family Size: 4

Parent assets remain level, income increases

	Family A	Family B	Family C
Income	\$60,000	\$100,000	\$150,000
Assets	\$50,000	\$50,000	\$50,000
EFC	\$4,260	\$12,832	\$27,147
Difference		\$8,572	\$22,887

This example is an estimate only. Based on Federal Methodology (one child in college)

Case 1: Ima Student and her parents – Padre and Mamma Parentes (Using 2018-19 formula)

- Household info:
 - 4 in the Family, 2 in college (Ura, sibling, is 19 and full-time)
 - Ima is 18; Padre is 40 and Mamma is 41
 - All live in FL
- Prior-prior year income and current assets:
 - Mamma earns \$22K and Padre earns \$35K. They had \$100 in interest income. AGI is \$57.1K and taxes paid (Fed) is \$2,100.
 - Mamma contributes \$2K to retirement (401-K).
 - Parents have \$5K in checking/savings. There are two Florida pre-paid accounts valued at \$7K and \$8K.
 - Ima earned \$2.5K last year and has \$150 in checking/savings.
- Do they qualify for simple needs or Auto 0 EFC?

Parents Income

- Untaxed income
 - 401-K contributions
 - Child support received
 - Nontaxable pensions, IRA or annuities
 - Tax-exempt interest
- Income exclusions
 - Taxable financial aid
 - Child support paid
 - Combat pay

PARENTS' INCOME IN 2016	
1. Parents' Adjusted Gross Income (FAFSA/SAR #85) If negative, enter zero.	
2. a. Parent 1 (father/mother/stepparent) income earned from work (FAFSA/SAR #88) _____	
2. b. Parent 2 (father/mother/stepparent) income earned from work (FAFSA/SAR #89) + _____	
Total parents' income earned from work	=
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	
4. Total untaxed income and benefits: (Total of FAFSA/SAR #94a. through 94i.)	+
5. Taxable and untaxed income (Sum of line 3 and line 4.)	=
6. Total additional financial information (Total of FAFSA/SAR #93a. through 93f.)	-
7. TOTAL INCOME (Line 5 minus line 6.) May be a negative number.	=

Parents Income Allowances

- US Income Tax
- State (and other local tax) – uses Table A1
- Parent SSA tax – uses Table A2
- Income Protection Allowance – uses Table A3
- Employment Protection Allowance

ALLOWANCES AGAINST PARENTS' INCOME	
8. 2016 U.S. income tax paid (FAFSA/SAR #86) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table A1) If negative, enter zero.	+
10. Parent 1 (father/mother/stepparent) Social Security tax allowance (Table A2)	+
11. Parent 2 (father/mother/stepparent) Social Security tax allowance (Table A2)	+
12. Income protection allowance (Table A3)	+
13. Employment expense allowance: <ul style="list-style-type: none"> • Two working parents (Parents' Marital Status is "married" or "unmarried and both parents living together"): 35% of the lesser of the earned incomes, or \$4,000, whichever is less • One-parent families: 35% of earned income, or \$4,000, whichever is less • Two-parent families, one working parent: enter zero 	+
14. TOTAL ALLOWANCES	=

Parents Income Allowances – Table A1, State and Other Taxes

Table A1: State and Other Taxes
for EFC Formula A Worksheet

State	Percent of Total Income	
	\$0-\$14,999	\$15,000 or more
Alabama	3%	2%
Alaska	2%	1%
American Samoa	2%	1%
Arizona	3%	2%
Arkansas	4%	3%
California	8%	7%
Canada and Canadian Provinces	2%	1%
Colorado	4%	3%
Connecticut	8%	7%
Delaware	4%	3%
District of Columbia	7%	6%
Federated States of Micronesia	2%	1%
Florida	3%	2%

ALLOWANCES AGAINST PARENTS' INCOME	
8. 2016 U.S. income tax paid (FAFSA/SAR #86) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table A1) If negative, enter zero.	+
10. Parent 1 (father/mother/stepparent) Social Security tax allowance (Table A2)	+
11. Parent 2 (father/mother/stepparent) Social Security tax allowance (Table A2)	+
12. Income protection allowance (Table A3)	+
13. Employment expense allowance: <ul style="list-style-type: none"> • Two working parents (Parents' Marital Status is "married" or "unmarried and both parents living together"): 35% of the lesser of the earned incomes, or \$4,000, whichever is less • One-parent families: 35% of earned income, or \$4,000, whichever is less • Two-parent families, one working parent: enter zero 	+
14. TOTAL ALLOWANCES	=

Parents Income Allowances – Table A2, Social Security Tax

Income Earned from Work*	Social Security Tax
\$0–\$118,500	7.65% of income
\$118,501 or greater	\$9,065.25 + 1.45% of amount over \$118,500

Calculate separately the Social Security tax of parent 1, parent 2, and the student.

*Parent 1 (father/mother/stepparent) 2016 income earned from work is FAFSA/SAR #88
 Parent 2 (father/mother/stepparent) 2016 income earned from work is FAFSA/SAR #89
 Student's 2016 income earned from work is FAFSA/SAR#59
 Social Security Tax will never be less than zero.

8. 2016 U.S. income tax paid (FAFSA/SAR #86) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table A1) If negative, enter zero.	+	
10. Parent 1 (father/mother/stepparent) Social Security tax allowance (Table A2)	+	
11. Parent 2 (father/mother/stepparent) Social Security tax allowance (Table A2)	+	
12. Income protection allowance (Table A3)	+	
13. Employment expense allowance: <ul style="list-style-type: none"> Two working parents (Parents' Marital Status is "married" or "unmarried and both parents living together"): 35% of the lesser of the earned incomes, or \$4,000, whichever is less One-parent families: 35% of earned income, or \$4,000, whichever is less Two-parent families, one working parent: enter zero 	+	
14. TOTAL ALLOWANCES	=	

Parents Income Allowances – Table A3, Income Protection Allowance

Number in parents' household, including student (FAFSA/SAR #73)	Number of college students in the household (FAFSA/SAR #74)				
	1	2	3	4	5
2	\$18,320	\$15,180	not applicable	not applicable	not applicable
3	\$22,810	\$19,690	\$16,560	not applicable	not applicable
4	\$28,170	\$25,040	\$21,920	\$18,790	not applicable
5	\$33,240	\$30,100	\$26,990	\$23,850	\$20,740
6	\$38,880	\$35,740	\$32,630	\$29,490	\$26,380

Note: For each additional family member, add \$4,390.
 For each additional college student (except parents), subtract \$3,120.

8. 2016 U.S. income tax paid (FAFSA/SAR #86) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table A1) If negative, enter zero.	+	
10. Parent 1 (father/mother/stepparent) Social Security tax allowance (Table A2)	+	
11. Parent 2 (father/mother/stepparent) Social Security tax allowance (Table A2)	+	
12. Income protection allowance (Table A3)	+	
13. Employment expense allowance: <ul style="list-style-type: none"> Two working parents (Parents' Marital Status is "married" or "unmarried and both parents living together"): 35% of the lesser of the earned incomes, or \$4,000, whichever is less One-parent families: 35% of earned income, or \$4,000, whichever is less Two-parent families, one working parent: enter zero 	+	
14. TOTAL ALLOWANCES	=	

Parents Income Allowances – Employment Expense Allowance

- Two working parents
- 35% of the lower income
 - $\$22,000 * .35 = \$7,700$
- Capped at \$4,000

ALLOWANCES AGAINST PARENTS' INCOME	
8. 2016 U.S. income tax paid (FAFSA/SAR #86) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table A1) If negative, enter zero.	+
10. Parent 1 (father/mother/stepparent) Social Security tax allowance (Table A2)	+
11. Parent 2 (father/mother/stepparent) Social Security tax allowance (Table A2)	+
12. Income protection allowance (Table A3)	+
13. Employment expense allowance: <ul style="list-style-type: none"> • Two working parents (Parents' Marital Status is "married" or "unmarried and both parents living together"): 35% of the lesser of the earned incomes, or \$4,000, whichever is less • One-parent families: 35% of earned income, or \$4,000, whichever is less • Two-parent families, one working parent: enter zero 	+
14. TOTAL ALLOWANCES	=

Parents Income Allowances - Totals

ALLOWANCES AGAINST PARENTS' INCOME	
8. 2016 U.S. income tax paid (FAFSA/SAR #86) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table A1) If negative, enter zero.	+
10. Parent 1 (father/mother/stepparent) Social Security tax allowance (Table A2)	+
11. Parent 2 (father/mother/stepparent) Social Security tax allowance (Table A2)	+
12. Income protection allowance (Table A3)	+
13. Employment expense allowance: <ul style="list-style-type: none"> • Two working parents (Parents' Marital Status is "married" or "unmarried and both parents living together"): 35% of the lesser of the earned incomes, or \$4,000, whichever is less • One-parent families: 35% of earned income, or \$4,000, whichever is less • Two-parent families, one working parent: enter zero 	+
14. TOTAL ALLOWANCES	=

Parent Available Income

AVAILABLE INCOME		
Total income (from line 7)		
Total allowances (from line 14)	-	
15. AVAILABLE INCOME (AI) May be a negative number.	=	

Parents Asset Contribution

- What is an asset?
 - Checking / Savings
 - Stocks / Bonds
 - Rental or Investment Real Estate
 - Corporations (>100 employees OR non-family owned)
 - Florida Prepaid / 529 Plans
- What is not an asset?
 - Retirement Accounts
 - Life Insurance Accounts
 - Home
 - Auto / Jewelry / Fine Art
 - Small businesses

PARENTS' CONTRIBUTION FROM ASSETS		
16. Cash, savings & checking (FAFSA/SAR #90)		
17. Net worth of investments** (FAFSA/SAR #91) If negative, enter zero.	+	
18. Net worth of business and/or investment farm (FAFSA/SAR #92) If negative, enter zero.	+	
19. Adjusted net worth of business/farm (Calculate using Table A4.)	+	
20. Net worth (Sum of lines 16, 17, and 19.)	=	
21. Education savings and asset protection allowance (Table A5)	-	
22. Discretionary net worth (Line 20 minus line 21.)	=	
23. Asset conversion rate	×	.12
24. CONTRIBUTION FROM ASSETS If negative, enter zero.	=	

Parents Asset Contribution
(Business Equity & Net Worth)

In this case, no business, but what is the impact?

Table A4: Business/Farm Net Worth Adjustment
for EFC Formula A Worksheet (parents only)

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than \$1	\$0
\$1 to \$130,000	40% of net worth of business/farm
\$130,001 to \$390,000	\$52,000 + 50% of net worth over \$130,000
\$390,001 to \$655,000	\$182,000 + 60% of net worth over \$390,000
\$655,001 or more	\$341,000 + 100% of net worth over \$655,000

Calculate Net Worth

PARENTS' CONTRIBUTION FROM ASSETS	
16. Cash, savings & checking (FAFSA/SAR #90)	
17. Net worth of investments** (FAFSA/SAR #91) If negative, enter zero.	+
18. Net worth of business and/or investment farm (FAFSA/SAR #92) If negative, enter zero.	+
19. Adjusted net worth of business/farm (Calculate using Table A4.)	+
Net worth (Sum of lines 16, 17, and 19.)	=
Education savings and asset protection allowance (Table A5)	-
Discretionary net worth (Line 19 minus line 21.)	=
Asset conversion rate	× .12
CONTRIBUTION FROM ASSETS (If negative, enter zero.)	=

Parents Asset Allowance
(Education Savings and Asset Protection)

Table A5: Parents' Education Asset Protection Allowance
for EFC Formula A Worksheet

Age of older parent as of 12/31/2018*	Allowance if there are two parents**	Allowance if there is only one parent
39	16,500	10,100
40	17,700	10,800
41	18,100	11,000
42	18,500	11,300
43	18,900	11,500
44	19,300	11,800
45	19,800	12,000

** Use the two parent allowance when the Parents' Marital Status listed in FAFSA/SAR #59 is "married or remarried" or "unmarried and both parents are living together."

PARENTS' CONTRIBUTION FROM ASSETS	
16. Cash, savings & checking (FAFSA/SAR #90)	
17. Net worth of investments** (FAFSA/SAR #91) If negative, enter zero.	+
18. Net worth of business and/or investment farm (FAFSA/SAR #92) If negative, enter zero.	+
19. Adjusted net worth of business/farm (Calculate using Table A4.)	+
20. Net worth (Sum of lines 16, 17, and 19.)	=
21. Education savings and asset protection allowance (Table A5)	-
22. Discretionary net worth (Line 20 minus line 21.)	=
23. Asset conversion rate	× .12
CONTRIBUTION FROM ASSETS (If negative, enter zero.)	=

Parents Asset Allowance (Discretionary Net Worth)

PARENTS' CONTRIBUTION FROM ASSETS		
16. Cash, savings & checking (FAFSA/SAR #90)		
17. Net worth of investments** (FAFSA/SAR #91) If negative, enter zero.	+	
18. Net worth of business and/or investment farm (FAFSA/SAR #92) If negative, enter zero.	+	
19. Adjusted net worth of business/farm (Calculate using Table A4.)	+	
20. Net worth (Sum of lines 16, 17, and 19.)	=	
21. Education savings and asset protection allowance (Table A5)	-	
22. Discretionary net worth (Line 20 minus line 21.)	=	
23. Asset conversion rate	×	.12
24. CONTRIBUTION FROM ASSETS If negative, enter zero.	=	

Parents' Contribution

Table A6: Parents' Contribution from AAI

If the parents' AAI—	Then the parents' contribution from AAI is—
Less than -\$3,409	-\$750
-\$3,409 to \$16,400	22% of AAI
\$16,401 to \$20,500	\$3,608 + 25% of AAI over \$16,400
\$20,501 to \$24,700	\$4,633 + 29% of AAI over \$20,500
\$24,701 to \$28,900	\$5,851 + 34% of AAI over \$24,700
\$28,901 to \$33,100	\$7,279 + 40% of AAI over \$28,900
\$33,101 or more	\$8,959 + 47% of AAI over \$33,100

Step 3:
Add
Step 2:
Multiply
Step 1:
Subtract

PARENTS' CONTRIBUTION		
AVAILABLE INCOME (AI) (from line 15)		
CONTRIBUTION FROM ASSETS (from line 24)	+	
25. Adjusted Available Income (AAI) May be a negative number.	=	
26. Total parents' contribution from AAI (Calculate using Table A6.) If negative, enter zero.		
27. Number in college in 2018–2019 (Exclude parents) (FAFSA/SAR #74)	÷	
28. PARENTS' CONTRIBUTION (standard contribution for nine-month enrollment)*** If negative, enter zero.	=	

Student Income

STUDENT'S INCOME IN 2016		
29.	Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.	
30.	Income earned from work (FAFSA/SAR #39)	
31.	Taxable Income (If tax filer, enter the amount from line 29 above. If non-tax filer, enter the amount from line 30.)	
32.	Total untaxed income and benefits (Total of FAFSA/SAR #45a. through 45j.)	+
33.	Taxable and untaxed income (Sum of line 31 and line 32.)	=
34.	Total additional financial information (Total of FAFSA/SAR #44a. through 44f.)	-
35.	TOTAL INCOME (Line 33 minus line 34.) May be a negative number.	=

Student Income Allowances

ALLOWANCES AGAINST STUDENT INCOME		
36.	2016 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	
37.	State and other tax allowance (Table A7) If negative, enter zero.	+
38.	Social Security tax allowance (Table A2)	+
39.	Income protection allowance	+
40.	Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+
41.	TOTAL ALLOWANCES	=

Student Income Allowances – Table A7, State and Other Tax

State	Percent
Alabama	2%
Alaska	0%
American Samoa	1%
Arizona	2%
Arkansas	3%
California	6%
Canada and Canadian Provinces	1%
Colorado	3%
Connecticut	5%
Delaware	3%
District of Columbia	6%
Federated States of Micronesia	1%
Florida	1%
Mississippi	2%
Missouri	3%
Other	1%

36.	2016 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.		
37.	State and other tax allowance 2,500 * .01 (Table A7) If negative, enter zero.	+	
38.	Social Security tax allowance (Table A2)	+	
39.	Income protection allowance	+	6,570
40.	Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+	
41.	TOTAL ALLOWANCES	=	

Student Income Allowances – Table A2, Social Security Tax

Income Earned from Work*	Social Security Tax
\$0-\$118,500	7.65% of income
\$118,501 or greater	\$9,065.25 + 1.45% of amount over \$118,500

Calculate separately the Social Security tax of parent 1, parent 2, and the student.

*Parent 1 (father/mother/stepparent) 2016 income earned from work is FAFSA/SAR #88
 Parent 2 (father/mother/stepparent) 2016 income earned from work is FAFSA/SAR #89
 Student's 2016 income earned from work is FAFSA/SAR#59
 Social Security Tax will never be less than zero.

36.	2016 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.		
37.	State and other tax allowance (Table A7) If negative, enter zero.	+	
38.	Social Security tax allowance (Table A2) 2,500 * .0765	+	
39.	Income protection allowance	+	6,570
40.	Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+	
41.	TOTAL ALLOWANCES	=	

Student Income Allowances
– IPA and Parent Negative
AAI (if any)

ALLOWANCES AGAINST STUDENT INCOME		
36.	2016 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	
37.	State and other tax allowance (Table A7) If negative, enter zero.	+
38.	Social Security tax allowance (Table A2)	+
39.	Income protection allowance	+
		6,570
40.	Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+
41.	TOTAL ALLOWANCES	=

Student Contribution
from Income

STUDENT'S CONTRIBUTION FROM INCOME		
	Total income (from line 35)	
	Total allowances (from line 41)	-
42.	Available income (AI)	=
43.	Assessment of AI	× .50
44.	STUDENT'S CONTRIBUTION FROM AI If negative, enter zero.	=

Student Contribution from Assets

STUDENT'S CONTRIBUTION FROM ASSETS		
45. Cash, savings & checking (FAFSA/SAR #41)		
46. Net worth of investments* (FAFSA/SAR #42) If negative, enter zero	+	
47. Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero.	+	
48. Net worth (Sum of lines 45 through 47.)	=	
49. Assessment rate	×	.20
50. STUDENT'S CONTRIBUTION FROM ASSETS	=	

Expected Family Contribution

EXPECTED FAMILY CONTRIBUTION		
PARENTS' CONTRIBUTION (from line 28)		
STUDENT'S CONTRIBUTION FROM AI (from line 44)	+	
STUDENT'S CONTRIBUTION FROM ASSETS (from line 50)	+	
51. EXPECTED FAMILY CONTRIBUTION (standard contribution for nine-month enrollment)** If negative, enter zero.	=	

Case 2 – Buck T. Skewl (using 2018-19 formula)

- Household info:
 - 1 in the Family, 1 in college
 - Buck is 26
 - Buck lives in FL
- Prior-prior year income and current assets:
 - Buck was self-employed and net earnings (Schedule C) is \$21,500. Taxes paid (Fed) is \$1,750. Buck made a \$2000 IRA Deduction. AGI is \$19,500. Filed a 1040.
 - Buck has \$500 in savings. Business is solely owned and has assets of \$2000.
- Now, find a partner and try it on your own first (using Formula B).
- Does Buck qualify for Simple or Auto 0 EFC?

Student Income

- Untaxed income
 - 401-K contributions
 - Child support received
 - Nontaxable pensions, IRA or annuities
 - Tax-exempt interest
- Income exclusions
 - Taxable financial aid
 - Child support paid
 - Combat pay

STUDENT/SPOUSE INCOME IN 2016	
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.	
2. a. Student's income earned from work (FAFSA/SAR #39) <u>21,500</u>	
2. b. Spouse's income earned from work (FAFSA/SAR #40) + <u>0</u>	
Total student/spouse income earned from work =	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)	
4. Total untaxed income and benefits (Sum total of FAFSA/SAR #45a. through 45j.) +	
5. Taxable and untaxed income (Sum of line 3 and line 4.) =	
6. Total additional financial information (Sum total of FAFSA/SAR #44a. through 44f.) -	
7. TOTAL INCOME (Line 5 minus line 6.) May be a negative number. =	

Allowances Against Income

• Common mistakes:

- Using AGI, not Total Income.
- Using the wrong tables (A, not B).
- Student alone does not qualify for Employment Expense Allowance.

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8.	2016 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	
9.	State and other tax allowance (Table B1) If negative, enter zero. $21,500 \times 1\% = 215$	+
10.	Student's Social Security tax (Table B3) $21,500 \times 7.65\% = 1,645$	+
11.	Spouse's Social Security tax (Table B2)	+
12.	Income protection allowance: <ul style="list-style-type: none"> • \$10,220 for single, separated or divorced/widowed student; • \$10,220 for married student if spouse is enrolled at least 1/2 time; • \$16,380 for married student if spouse is not enrolled at least 1/2 time. 	+
13.	Employment expense allowance: <ul style="list-style-type: none"> • If student is not married or is separated, the allowance is zero. • If student is married but only one person is working (the student or spouse), the allowance is zero. • If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes, or \$4,000, whichever is less. 	+
14.	TOTAL ALLOWANCES	=

Contribution from Available Income

CONTRIBUTION FROM AVAILABLE INCOME		
TOTAL INCOME (from line 7)		
TOTAL ALLOWANCES (from line 14)	-	
15. AVAILABLE INCOME (AI)	=	
16. Assessment rate	×	.50
17. CONTRIBUTION FROM AI May be a negative number.	=	

Student Contribution from Assets

• Common Mistakes

- Simple needs test is not applicable because student filed 1040.
 - Could he have filed 1040 A/EZ?
- Business value is ignored if family owned / less than 100 employees

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS		
18. Cash, savings & checking (FAFSA/SAR #41)		
19. Net worth of investments* (FAFSA/SAR #42) If negative, enter zero.	+	
20. Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero.	+	
21. Adjusted net worth of business/farm (Calculate using Table B3.)	+	
22. Net worth (Sum of lines 18, 19, and 21.)	=	
23. Asset protection allowance (Table B4)	-	
24. Discretionary net worth (Line 22 minus line 23.)	=	
25. Asset conversion rate	×	.20
26. CONTRIBUTION FROM ASSETS If negative, enter zero.	=	

Expected Family Contribution

EXPECTED FAMILY CONTRIBUTION		
CONTRIBUTION FROM AI (from line 17) May be a negative number.		
CONTRIBUTION FROM ASSETS (from line 26)	+	
27. Contribution from AI and assets	=	
28. Number in college in 2018–2019 (FAFSA/SAR #96)	÷	
29. EXPECTED FAMILY CONTRIBUTION for nine month enrollment. If negative, enter zero.**	=	

Expected Family Contribution for less than 9 month period

Note: Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for Campus-Based aid or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.

REGULAR
WORKSHEET
Page 2 **B**

Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months		
Expected Family Contribution (standard contribution for nine-month enrollment, from line 29)		
Divide by 9	÷	9
Expected Family Contribution per month	=	
Multiply by number of months of enrollment	×	
Expected Family Contribution for less than nine-month enrollment*	=	

Case 3 – Ama Lerner, husband Also Lerner, and kids Future and Early Lerner (2018-19 formula)

- Household info:
 - 4 in the Family, 2 in college (Ama and Also)
 - Ama is 31, Also is 35, Future is 3 and Early is 5
 - All live in FL
- Prior-prior year income and current assets:
 - Ama earned \$28K and Also earned \$21K. Earned \$5,000 rental income (after rental expenses). AGI is \$54K and taxes paid (Fed) is \$3,300.
 - Home is a two-family. They rent ½ of it out. Asset value of home is \$375,000 with debt of \$300,000.
- Now, you try it on your own first (using Formula C)

Student Income

- **Untaxed income**
 - 401-K contributions
 - Child support received
 - Nontaxable pensions, IRA or annuities
 - Tax-exempt interest
- **Income exclusions**
 - Taxable financial aid
 - Child support paid
 - Combat pay

STUDENT/SPOUSE INCOME IN 2016		
1.	Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.	
2.	a. Student's income earned from work (FAFSA/SAR #39) 28,000	
2.	b. Spouse's income earned from work (FAFSA/SAR #40) + 21,000	
	Total student/spouse income earned from work =	
3.	Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)	
4.	Total untaxed income and benefits (Sum total of FAFSA/SAR #45a. through 45j.) +	
5.	Taxable and untaxed income (Sum of line 3 and line 4.) =	
6.	Total additional financial information (Sum total of FAFSA/SAR #44a. through 44f.) -	
7.	TOTAL INCOME (Line 5 minus line 6.) May be a negative number. =	

Allowances Against Income

- **Common mistakes:**
 - Using wrong state %ge against income
 - Using the higher employment expense (capped at \$4000)
- **Items of Note:**
 - IPA is much higher with children
 - Employment allowance is back for single parent working

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8.	2016 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	
9.	State and other tax allowance (Table C1) If negative, enter zero. $54,000 \times .02 = 1,080$ +	
10.	Student's Social Security $28,000 \times .0765 = 2,142$ +	
11.	Spouse's Social Security $21,000 \times .0765 = 1,607$ +	
12.	Income protection allowance (Table C3) +	
13.	Employment expense allowance: <ul style="list-style-type: none"> • Student and spouse both working: 35% of the lesser of the earned incomes, or \$4,000, whichever is less $21,000 \times .35 = 7,350$ • One-parent families: 35% of earned income, or \$4,000, whichever is less • Student or spouse working (not both): zero + 	
14.	TOTAL ALLOWANCES =	

Available Income

AVAILABLE INCOME		
TOTAL INCOME (from line 7)		
TOTAL ALLOWANCES (from line 14)	-	
15. AVAILABLE INCOME (AI) May be a negative number.	=	

Student Contribution from Assets

- Common mistakes
 - Not including ½ of primary residence used as rental income property.
 - Not simple needs – greater than \$50K and rental income.
- Items of Note:
 - The asset conversion rate is 7% (it was 12% for parents of dependent students).

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS		
16. Cash, savings & checking (FAFSA/SAR #41)		
17. Net worth of investments** (FAFSA/SAR #42) If negative, enter zero.	+	
18. Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero.	+	
19. Adjusted net worth of business/farm (Calculate using Table C4.)	+	
20. Net worth (Sum of lines 16, 17, and 19.)	=	
21. Asset protection allowance (Table C5)	-	
22. Discretionary net worth (Line 20 minus line 21.)	=	
23. Asset conversion rate	×	.07
24. CONTRIBUTION FROM ASSETS If negative, enter zero.	=	

Expected Family Contribution

- Common mistakes
 - Table C6 calculation
 - Remember that a student's spouse is counted in # in college (parent for dependent student is not).
- Items of note:
 - Table C6 uses the exact same values as the table for parents of dependent students.

EXPECTED FAMILY CONTRIBUTION	
AVAILABLE INCOME (AI) (from line 15)	
CONTRIBUTION FROM ASSETS (from line 24)	+
25. Adjusted Available Income (AAI) May be a negative number.	=
26. Total contribution from AAI (Calculate using Table C6.) If negative, enter zero.	
27. Number in college in 2018–2019 (FAFSA/SAR #96)	÷
28. EXPECTED FAMILY CONTRIBUTION for nine month enrollment. If negative, enter zero.***	=

Where to go for more?

- Federal Student Aid Handbook – Chapter on Needs Analysis
 - <https://ifap.ed.gov/fsahandbook/attachments/1819FSAHbkAVGCh3.pdf>
- Overview of the Institutional Methodology
 - <https://learn.collegeboard.org/higher-ed-institutional-methodology/>
- A History of Student Aid
 - <https://publications.nasfaa.org/jsfa/vol44/iss1/4/>
- Congressional Research Service – “Federal Student Aid: Need Analysis Formulas and Expected Family Contribution”
 - <https://fas.org/sgp/crs/misc/R44503.pdf>

Credits

- Jim Slattery and Julie Shields-Rutyna, “The History of Need Analysis”, presented by the College Board.
- F. Duane Quinn and Sally Donahue, “Financial Aid 102”, Presentation at the Harvard Summer Institute on College Admissions.
- Elizabeth Hicks and Daniel Barkowitz, MIT Needs Analysis Handbook

Thanks and Questions?

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