# Helping Families Evaluate Affordability

*by Jane Klemmer, M.B.A., IECA (New York)*

What is an independent educational consultant's (IECs) responsibility when it comes to advising families on college affordability? As IECs, we often put "financial safeties" on a college list the same way we ensure that students apply to schools where admission is likely. However, understanding a family's price point is not as simple as asking if they have the resources and future earning power to afford a particular college, or knowing whether they will qualify for need or merit based aid. The simple reason is that a family's view on affordability takes multiple factors into account, beyond mere dollars and cents.

The elusive and often emotional concept of "value" figures prominently into what families deem affordable and what, for them, merits the price. An expensive, well-recognized school that will necessitate going deep into debt may be perceived by some as worth every penny and a better value than the affordable state option. The bottom line is we cannot define someone else's value system. Yet I do believe that in our role as IECs who help students identify the right fit, we should provide tools for evaluating affordability from multiple perspectives, taking into account financial as well as emotional factors.

There are easy to use Web site tools to which we can direct families in order to help them understand the longer-term cost implications of the borrowing students take on today. The ultimate decision will still be made in the context of a family's more complex value system, but we can feel confident that we have equipped them with the resources to make an informed choice.

The best way to get families thinking about affordability is to encourage them to consider a few basic questions:

- Given our assets and income, how much financial aid might our son or daughter receive?

- After any available financial aid, what will four years of college likely cost and how much of this will have to be borrowed?

- How much will our child have to pay back annually in student loans and for how long?

- Is this a reasonable debt load, given our child's likely career choice?

Online calculators that simulate the FAFSA are a good place to start. Families can go to the federal government Web site (*www.fafsa4caster.ed.gov*) to get an idea of their Expected Family Contribution. While this provides an estimate only, it will give them a sense of what they will be expected to contribute towards college in a given year. Subtracting the EFC from the cost of attendance will net a number that theoretically shows the amount of aid they should receive. However, families should be aware that some of the aid package may be in the form of student or even parent (PLUS) loans. As we know, not all aid packages are the same and "gapping" is the norm rather than the exception. Additional Web resources can further refine a family's understanding of what they might expect to pay. The College Navigator (*www.nces.ed.gov*) has a net price feature that can be searched by college and is another beneficial tool for gauging the likely cost to a family based upon their annual income range. This can be a useful supplement to the data provided by the EFC forecaster.

*"The bottom line is we cannot define someone else's value system."*

An important component in any discussion on affordability is how much debt is too much. A good resource for understanding the implications and cost of borrowing is Mapping Your Future (*www.MappingYourFuture.org*). Clicking on the menu option "Managing Your Money" will provide access to "Calculators." One of my preferred calculators is the Student loan debt/salary wizard tool. Self-explanatory and easy to use, it allows users to estimate the minimum salary they would need given a certain borrowed amount, interest rate, and number of years of debt repayment. Alternatively, one can start with an expected salary, and the calculator will determine the maximum amount of debt the student can reasonably afford. The assumption here is that student debt payments should not exceed 8% of one's gross earnings.

Lastly, families, and students in particular, should be encouraged to research potential salary ranges by occupation and region, information that is accessible through the Bureau of Labor Statistics (*www.bls.gov*). Putting this together with the cost of college, borrowing expectations and the likely repayment requirements will enable families to evaluate affordability in a purely pragmatic way. While the emotional component may drive the final decision, we will have given them the resources to add the pure cost evaluation to their college value system.

*From IECA's Independent Educational Consulting blog, www.IECAonline.com/blog*