

Estimating College Costs - Part 1

This lesson is designed to help students understand the factors that contribute to their Expected Family Contribution (EFC) and learn about the difference between federal student aid and financial aid offered by a college or university.

OBJECTIVES

Students will:

1. Learn how colleges and universities use the EFC to calculate the amount of financial aid a student is eligible to receive
2. Use information from a sample student to practice calculating an EFC using the EFC Estimator
3. Evaluate the EFC of their sample student and brainstorm ways they could pay for college if they were the sample student
4. Research information required to complete their own EFC for the next lesson

ACTIVITIES

PART 1

Content Knowledge

Warm-up: On a piece of paper, respond to the following journal prompt:

How do you think colleges and universities determine the amount of financial aid granted to you?

Discuss student answers after giving them enough time to respond to the question in writing.

Defining the Terms: In response to student thoughts about aid, fully define financial aid (federal and non-federal). Also define Expected Family Contribution (EFC) and the factors that contribute to it.

1. **Financial aid:** A term for monetary resources that help pay for a college education. Most students use at least one of these three types of financial aid:
 - Gift Aid:** Scholarships and grants, which do not have to be repaid
 - Student Loans:** Money you borrow and typically start repaying after graduation
 - Federal Work-Study:** Part-time employment that helps pay for college costs
2. **Federal aid:** Financial aid from the federal government to help you pay for education expenses at an eligible college or career school; grants, loans, and work-study are types of federal student aid.
3. **Non-federal financial aid:** Financial aid that can come from the state in which you live, the college you attend, or a private/nonprofit organization.

NOTE: You might want to use the video and some of the text resources from this [Types of Aid website](#)

Grade Level: 10 - 12

MEFA PATHWAY LINKS FOR LESSON:

- EFC Estimator

SUBJECT AREAS:

- Personal Finance
- Economics

MATERIALS NEEDED:

- Notes on EFC, Federal Aid, Financial Aid, Income, and Tax Returns
 - [Types of Aid website](#)
 - [FAFSA Video](#)
- Internet connection to work with the MEFA Pathway website
- Sample student information for EFC Estimator (attached)
- Expected Family Contribution (EFC) Research handout (attached)

ADDITIONAL RESOURCES:

[Types of Aid website](#) distinguishes federal and nonfederal aid. There is a video as well as text resources and additional links. (optional)

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LESSON PLAN

4. **FAFSA:** Free Application for Federal Student Aid; The FAFSA is required to apply for Federal Pell Grants, federal loans, and work-student programs, as well as aid from states and some colleges and universities. Filing it gives you automatic consideration for federal and state, as well as many college-based, grants. Filing out the FAFSA online is the quickest, most accurate process; you will receive a Student Aid Report (SAR) by email after you complete the FAFSA that summarizes your FAFSA information. You will fill out the FAFSA during your senior year of high school.

NOTE: The FAFSA will be explored in more depth in the following lesson.

5. **Expected Family Contribution (EFC):** Your Expected Family Contribution (EFC) is the number that's used to determine your eligibility for federal, state, and some college-based financial aid. It is intended to represent the amount your family can pay for one year of college costs. This number results from the financial information you provide in your FAFSA. Your EFC is reported to you on your SAR.

NOTE: Factors that contribute to the EFC include parent age, number of people in the household, number of students attending college, student annual income, total value of student assets, total value of parent assets, student federal income tax payment, parent annual income, parent federal income tax payment, and parent marital status.

PART 2

Applying Information

Split students up into groups of three or four and distribute one sample student to each group. Using the information provided about their sample student, ask the groups to calculate the EFC for their sample student using the EFC Estimator.

PART 3

Evaluating Information

Using the calculated EFC for the sample student, groups need to brainstorm ways they could pay for college if they were the sample student. How would they cover the amount of the EFC yearly? They should discuss their ideas as a group.

PART 4

Critical Thinking/Creative Application

Students should complete the EFC Research handout in preparation for completing their EFC during the following lesson. They will need to talk with their parents about some of the information. Remind them that their parents do not need to be exact for this class assignment; estimates of numbers will be accepted for the purposes of this assignment. However, also remind them that when they fill out their FAFSA during their senior year, their numbers need to be exact in order to qualify for and receive financial aid.

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Sample Student Information

Student A: Michael

Michael is one of three children and his parents are married. His mother is 42 years old, and his father is 44 years old. Michael will be the first child in his family heading off to college. He has never had a job as he's been incredibly busy playing competitive tennis. Michael currently has \$8,600 dollars in savings (thanks to birthday presents and gifts of inheritance), which are his only assets to date. His father works as a physician's assistant and makes \$102,000 (before taxes) per year; his mother no longer works. Last year he paid roughly \$11,000 in federal taxes. Between the two of his parents, their total assets equate to roughly \$120,000.

Student B: Evelyn

Evelyn is an only child and lives with her mother, who was widowed several years ago. Her mother is 46 years old. In order to pay for her own entertainment and recreation, Evelyn works a part-time job as a cashier at a grocery store. Last year she made \$7,000 before taxes. Last year she paid \$80 in federal taxes. She currently has \$3,500 in savings, which are her only assets to date. Her mother works as a corporate administrator and makes \$78,000 per year before taxes. She paid \$7,000 in federal taxes. Her total assets equate to \$55,000.

Student C: Robert

Robert is the youngest of two and will be the second child to go to college; his sister is currently a sophomore in college. His parents are divorced, and he spends the majority of his time with his father. Both of his parents are 44 years old, but his mother is 7 months older than his father. Robert works soccer camps in the summer and on spring break. Last year he made \$3,000 before taxes. Last year he paid \$0 in federal taxes. He currently has \$3,000 in savings and \$1,500 in checking, which are his only assets to date. His mother works as an office assistant and makes \$55,000 per year before taxes. She paid \$7,000 in federal taxes. Her total assets equate to \$35,000. Robert's father works in the insurance industry and makes \$83,000 per year before taxes and pays \$11,500 in federal taxes per year. His total assets equate to \$100,000.

Student D: Mary

Mary is the middle of five and will be the third child to go to college; her sister is currently a junior in college, and her brother is a recent graduate. Her parents are married. Her father is 54, and her mother is 46. Mary works part time at the local steakhouse as a hostess. Last year she made \$6,500 before taxes. Last year she paid \$30 in federal taxes. She currently has \$1,000 in savings and \$1,500 in checking, which are her only assets to date. Her mother works as a kindergarten teacher and makes \$52,000 per year before taxes. Mary's father works in construction and makes \$76,000 per year before taxes. Together they pay \$13,000 per year in federal taxes. Their total assets equate to \$65,000.

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Expected Family Contribution (EFC) Research

Conduct research in preparation for calculating your EFC. You may need to talk with your parents/guardians about some of the information. The numbers they provide you can be estimates for the purposes of this assignment. However, when you fill out your FAFSA during your senior year, your numbers need to be exact in order for you to qualify for and receive financial aid.

1. What is the age of your oldest parent?
2. How many people are in your family?
3. How many children in your family will be in college when you attend college (include yourself)?
4. What is your total annual income?
5. What is the total value of your assets? (include money in any checking accounts, savings accounts, cash, and stocks)
6. What is the total value of your parents' assets? (include money in any checking accounts, savings accounts, cash, stocks, second homes, and rental homes)
7. What is your most recent FICA contribution amount?
(multiply your gross income (money before taxes) by 7.65%)
8. What was your most recent federal income tax payment?
9. What is the total value of your business or farm-related assets?
10. What is your parents' total annual income?
11. What was your parents' most recent FICA contribution amount?
(multiply their gross income (money before taxes) by 7.65%)
12. What was your parents' most recent federal income tax payment?
13. What is the total value of your parents' business or farm-related assets (if any)?
14. What is your parents' marital status?

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CATEGORY	EXCELLENT 4	GOOD 3	SATISFACTORY 2	NEEDS IMPROVEMENT 1
Sequencing of Information	The information is organized in a clear, logical way.	Most information is organized in a clear, logical way.	Some information is logically sequenced.	There is no clear plan for the organization of information.
Effectiveness	The response includes all material needed to give a good understanding of the topic.	The response is lacking one or two key elements.	The response is missing more than two key elements.	The response is lacking several key elements and has inaccuracies.
Font Choice & Formatting	Font formats (size, bold, italic) have been carefully planned to enhance readability and content.	Font formats have been carefully planned to enhance readability.	Font formats have been carefully planned to complement the content. It may be a little hard to read.	Font formatting makes it very difficult to read the material.
Conventions. Student uses proper grammar, punctuation, and spelling.	The response has no misspellings or grammatical errors.	The response has 1- 2 misspellings, but no grammatical errors.	The response has 1- 2 grammatical errors but no misspellings.	The response has more than 2 grammatical and/ or spelling errors.

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