

Using Net Price Calculators When Seeking the Best Prices

In this lesson, you'll learn . . .

- **what a net price calculator is.**
- **how you can discover what the real price at a college will be for your family before applying.**
- **how to play detective with the calculators to weigh the price impact on such things as grades and test scores, as well as home equity.**

One of the most infuriating aspects of the college admission process is this: Most parents don't know what any college is going to cost until their children receive their financial aid or merit award package. Even worse, sometimes the award offers don't arrive until the spring, which gives families little time to select a school by the deposit deadline that is often May 1.

Don't Be Blindsided by the Price

Applying to colleges, however, doesn't have to be a financial crapshoot if you use *net price calculators*. Net price calculators can help you identify more generous schools and steer clear of stingy ones BEFORE your child applies anywhere. If you want to avoid budget-busting schools, it's critical to know what the actual prices of a specific school will be for YOUR FAMILY before your child falls in love with them. And the best way to do that is to use the net price calculator for each institution.

IMPORTANT

Parents have traditionally allowed students to apply to whatever colleges they want and then they have waited, sometimes months, to discover what the financial aid and/or merit aid package is. When money is an issue, applying blindly to schools is a terrible idea. If the packages that a student receives are woefully inadequate or nonexistent it has often been too late to apply to schools. Ultimately, families can face choices that are all poor, which can cause a financial crisis for the household.

Students should not be allowed to send off applications to any schools without parents running each institution's net price calculator first. If the results show the schools are too expensive, then the hunt for more reasonably priced colleges should continue.

Turning to these online calculators could ultimately save you tens of thousands of dollars or more by focusing your efforts on schools that are more realistic financially.

Getting Started With Net Price Calculators

To squeeze the most value out of a net price calculator, here are eight things that you need to know about this online tool:

1 A calculator will generate your own net price estimate.

The aim of a net price calculator is to provide a family with a personalized estimate of what a particular college or university will really cost them. This is important because a school's sticker price is usually meaningless since most families pay less than the published price. When using a calculator, some families will discover that the cost of a \$60,000 university will be \$30,000 or \$20,000 or even lower. For other families, the cost really will be \$60,000.

The net price represents what a student will have to pay after scholarships and grants from the federal and state governments and the school itself are subtracted.

NET PRICE EXAMPLE

Cost of attendance	\$35,000
State grant + college merit award	\$12,000
Net price	\$23,000

The net price equals the true price of a college for a family because it only considers free money and disregards loans when calculating the cost of a school.

REAL LIFE EXAMPLE

You can see just how many different prices you can generate when using net price calculators by reading about the experience of a mother in Washington State that I shared a few years ago on my blog at The College Solution: [Case Study: What 66 Schools Would Cost This Family](#)

2 Nearly all schools must offer net price calculators.

Every college and university that participates in the federal financial aid system—and that's almost all of them—must post a net price calculator on its website for freshman applicants. Some schools also provide a calculator for transfer students. It can be hard, however, finding these calculators. Some schools don't want you to use them because you could discover how stingy they are. An easy way to look for a school's calculator is to Google the name of the institution and net price calculator.

You'll need to gather documents to use a net price calculator

To assess a student's financial need, a calculator will ask questions about the family's finances. A barebones net price calculator (you'll learn how to identify this type shortly) will require this information:

- Age of applicant
- If student intends to apply for financial aid
- Annual household income within a range
- Size of household
- Number in family who will be in college
- Where student plans to live (off campus, on campus, with parents)
- Student's marital status
- Student's dependents (if any)

QUESTIONS THAT SUPERIOR CALCULATORS ASK

A thorough and more accurate net price calculator will ask far more questions such as these:

Parents' Information

- Marital status of parents
- Age of oldest parent
- State of residency
- Earnings from work for each parent
- Adjusted gross income
- Federal income tax paid
- Interest and dividend income
- Amount received from untaxed income*
- Total cash and bank accounts
- Nonretirement investment accounts
- Equity in primary home
- Date of purchase and price
- Equity in investment real estate
- Ownership of business and/or farm
- Student

Child's Information

- Earnings from work
- Student's adjusted gross income
- Federal income tax paid
- Amount received in untaxed income*
- Total cash and bank accounts
- Student's nonretirement investments

You can find tax figures such as your adjusted gross income, your earnings from work, and your interest/dividend income on your tax return.

**Untaxed income, which can stump some people, includes such things as:*

- Contributions to tax-deferred retirement accounts including traditional IRAs, 401(k)s,

- and 403(b)s
- Child support received
- Tax-exempt interest income such as from municipal bonds
- Money received or paid on student's behalf. This would include money grandparents spent on a child's college costs.

Using a good calculator will require parental and child income tax returns and bank/investment statements.

MERIT SCHOLARSHIP QUESTIONS

If a school provides merit scholarships, a helpful calculator will ask questions about the child's academic performance. Questions such as these:

- Cumulative unweighted GPA on 4.0 scale
- High school class rank
- Number in graduating class
- Scores on ACT and/or SAT
- Extracurricular activities

A good calculator could take you 15 or 20 minutes to complete.

Example of net price calculator results

Below you'll see an example of what the results of a net price calculator can look like. I generated this hypothetical net price by using Fordham University's in-depth calculator.

University Charges:	
Tuition and Fees	+ \$49,073
Room and Board	+ \$16,845
Total University Charges ⓘ	\$65,918
Estimated Personal Expenses	
Books and Supplies	+ \$1,012
Other Expenses	+ \$2,778
Total Estimated Personal Expenses	\$3,790
Total Cost of Attendance ⓘ	\$69,708
Your Estimated Grants and Scholarships:	
Federal Pell Grant	- \$5,765
Fordham Scholarship and Grant Awards	- \$30,400
Total Grants and Scholarships ⓘ	\$36,165
<small>The net price <i>estimate</i> is based on the experience of the Fall 2016 entering class. For 89% of those students the estimate was within \$5,000 of the actual net price. Fordham reviews each family's circumstances individually so your actual net price will depend on the official data you provide as well as the costs and packaging rules in place at the time the actual awards are made.</small>	
Your Estimated Net Price ⓘ	\$33,543

This is a thorough calculator and what I find especially helpful is Fordham sharing this fact:

For 89% of students in the 2016 entering class, the net price estimates for 89% of students was within \$5,000 of the actual price.

TIP: It's an excellent idea to ask a school for statistics that indicate how accurate its calculator is. After all, you wouldn't want to base important college decisions on faulty calculator estimates.

4 Many net price calculators are inaccurate.

A robust calculator like Fordham's can be invaluable, but unfortunately about half of the net price calculators in this country are inferior and will often produce inaccurate price estimates. These weak calculators rely on a calculator template that the federal government provides free to any public or private colleges.

Using a calculator that is powered by the federal template, these are the barebones calculators that I referred to earlier, could take less than a minute to complete! The questions that this calculator asks are minimal. These federal calculators are only meant to provide personalized cost estimates—faulty or not—to families seeking need-based aid and not merit aid. And even then, the need-based aid answers are simply averages.

Many schools using the federal template are state universities, but some private schools have embraced this inferior calculator too. Private institutions that rely on the federal inspired calculators include:

- American University
- Bennington College
- Berklee College of Music
- Boston Conservatory at Berklee
- Brigham Young University
- Duquesne University
- Gonzaga University
- New York University

Fortunately, most selective private universities and colleges have developed their own calculators that should be more reliable.

A LOOK AT THE BAREBONES CALCULATOR

I am providing the screenshots of the calculator for American University in Washington D.C., so you can spot a federal calculator, as well as appreciate how flawed the results can be.

TIP: If you see a green notebook/calculator icon on the first screen of the school's net price calculator, it's a sure sign that it's the federal calculator.

American University's net price calculator

Net Price Calculator

Please read. This calculator is intended to provide *estimated* net price information (defined as estimated cost of attendance — including tuition and required fees, books and supplies, room and board (meals), and other related expenses — minus estimated grant and scholarship aid) to current and prospective students and their families based on what similar students paid in a previous year.

By clicking below, I acknowledge that the estimate provided using this calculator does not represent a final determination, or actual award, of financial assistance, or a final net price; it is an estimate based on cost of attendance and financial aid provided to students in a previous year. Cost of attendance and financial aid availability change year to year. The estimates shall not be binding on the Secretary of Education, the institution of higher education, or the State.

Students must complete the Free Application for Federal Student Aid (FAFSA) in order to be eligible for, and receive, an actual financial aid award that includes Federal grant, loan, or work-study assistance. For more information on applying for Federal student aid, go to <http://www.fafsa.ed.gov/>

Note: Any information that you provide on this site is confidential. The Net Price Calculator does not store your responses or ask for personal identifying information of any kind.



Net Price Calculator

Step 1: Please provide the requested information. Your responses will be used to calculate an estimated amount that students like you paid - after grant aid and scholarships but before student loans - to attend this institution in a given year.

Financial aid:

Do you plan to apply for financial aid?

Yes No

Age:

How old are you?

Living arrangement:

Where do you plan to live while attending this institution?

- On-campus (in a residence hall, dormitory, or on-campus apartment)
 Living on my own or with a roommate
 Living with my parents or other family members

PREVIOUS

CONTINUE



Step 3: For the purposes of this calculator, an independent student is one who is at least 24 years old, married, and/or has legal dependents other than a spouse (e.g., children). A student who does not meet any of the above criteria is considered dependent.

Based on the information you provided in previous steps, your dependency status is estimated to be **Dependent**. Please provide the following information and then click Continue.

Number in Family:

How many people are in your family's household?

(Count yourself, your parent(s), and your parents' other dependent children.)

- Two
- Three
- Four
- Five
- Six or more

Number in College:

Of the number in your family above, how many will be in college next year?

(Count yourself and your siblings; do not count your parents.)

- One child
- Two children
- Three or more children

Household Income:

What is your annual household income after taxes?

- Include income earned by yourself and your parent(s).
- Include income from work, child support, and other sources.
- If your parent is single, separated, or divorced, include the income for the parent with whom you live.
- If the parent with whom you live is remarried, include both your parent's income and his/her spouse's income.

- Less than \$30,000
- Between \$30,000 - \$39,999
- Between \$40,000 - \$49,999
- Between \$50,000 - \$59,999
- Between \$60,000 - \$69,999
- Between \$70,000 - \$79,999
- Between \$80,000 - \$89,999
- Between \$90,000 - \$99,999
- Above \$99,999

As you can see, the federal calculator only asks six questions (!) and doesn't bother to inquire about the actual income, much less the adjusted gross income of the parents or the child. The calculator also doesn't ask any questions about assets.

Based on the answers that I provided in the previous screenshots, I generated the following cost estimate for American University:

Academic Year: 2014-15	
Estimated tuition and fees	\$41,833
+ Estimated room and board charges (Includes rooming accommodations and meals)	\$14,408
+ Estimated cost of books and supplies	\$800
+ Estimated other expenses (Personal expenses, transportation, etc.)	\$1,179
Estimated total cost of attendance:	\$58,220
- Estimated total grant aid: (Includes both merit and need based grant and scholarship aid from Federal, State, or Local Governments, or the Institution)	\$26,950

After answering the six questions, I learned that the estimated cost of American University would be \$31,270. Based on the dearth of information provided, it's very difficult to believe that this cost estimate would be accurate. In addition, the prices are based on 2014–2015 prices even though families would now be using these calculators for the 2018–2019 school year or beyond.

TIP: When using calculators check to see how old the prices are. Unfortunately, schools that use the federal template will be relying on cost-of-attendance figures that are at least two years old. I've found schools sharing much older cost data.

MERIT AID AND FEDERALLY INSPIRED CALCULATORS

The federally inspired calculators are worthless if you are seeking merit awards. The federal template was not designed to address the question of merit aid and can only produce need-based award estimates.

Any school using the federal template will ask just three questions if a family is only seeking merit scholarships. Families in this situation would answer "no" to the question of applying for financial aid. Here are the only questions that the federally inspired calculator asks if you aren't seeking need-based financial aid:

Net Price Calculator

Step 1: Please provide the requested information. Your responses will be used to calculate an estimated amount that students like you paid - after grant aid and scholarships but before student loans - to attend this institution in a given year.


Financial aid: Do you plan to apply for financial aid?
 Yes No

Age: How old are you?

Living arrangement: Where do you plan to live while attending this institution?
 On-campus (in a residence hall, dormitory, or on-campus apartment)
 Living on my own or with a roommate
 Living with my parents or other family members

How could any university provide an accurate net price when all it knows about a teenager is his/her age, the preferred living arrangement, and the decision not to apply for need-based aid!?

Based on the information I provided for American University's calculator, I received the following result, which could hardly be relied upon:



Academic Year: 2014-15	
Estimated tuition and fees	\$41,833
+ Estimated room and board charges <small>(Includes rooming accommodations and meals)</small>	\$14,408
+ Estimated cost of books and supplies	\$800
+ Estimated other expenses <small>(Personal expenses, transportation, etc.)</small>	\$1,179
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Estimated total cost of attendance:	\$58,220
- Estimated total grant aid: <small>(Includes both merit and need based grant and scholarship aid from Federal, State, or Local Governments, or the Institution)</small>	\$10,000
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Estimated Net Price After Grants and Scholarships:	\$48,220
<small>Grants and scholarships do not have to be repaid. Some students also qualify for student loans to assist in paying this net price; however, student loans do have to be repaid.</small>	

WHY USE INFERIOR CALCULATORS?

Why would schools use a [mediocre calculator](#)?

Here are two potential reasons:

1. Creating an accurate calculator isn't a priority for some schools, which may also believe that applicants aren't interested in them.
2. Private schools may favor mediocre calculators because the tools can mask the true cost of their schools. Admission officers may advise applicants to ignore worrisome calculator results and apply anyway because the calculator results are unreliable.

5 Use net price calculators to test academic scenarios.

Parents should use a good net price calculator to get a handle on what it takes to capture merit awards at an institution. What kind of grade point averages or test scores, for instance, does it require for a student to win a greater award from a specific school?

To illustrate what we're talking about, let's look at the experience of a father whose son is now a junior at Northeastern University in Boston. When the dad initially used the net price calculator and plugged in his son's SAT score of 1300 (out of 1600), the calculator estimated his grant at \$20,000 for the first year. After his son earned a 1340 score on the SAT, the dad retried the calculator and discovered that the teenager's award had jumped to \$34,200!

With this tool, you can manipulate the figures to see answers to these kinds of questions:

- Would it be financially worth it for your child to take the SAT or ACT again?
- Would a higher test score boost your child's potential package?
- Could a child's ACT score generate more money than the student's SAT score?
- Would a slightly higher GPA matter?

With so much money at stake, it's worth taking the time to use these calculators strategically.

6 Use net price calculators to weigh impact of assets.

These calculators can also be handy when you want to figure out how a school assesses assets for financial aid purposes, such as:

- Investment accounts
- Equity in primary home
- Equity in rental property
- Small business assets
- Annuities
- Cash value life insurance

Schools can be particularly hesitant to share how they assess home equity when calculating financial need. Schools that just use the Free Application for Federal Student Aid don't consider the equity of a primary home at all, but the nearly 230 schools that also use the CSS/Financial Aid PROFILE typically do.

I wrote an eye-opening blog post a few years ago that illustrates how differently schools treat home equity. You will learn in this class that private schools that use the PROFILE financial aid application can assess home equity in different ways. In contrast, schools that only use the FAFSA don't ask about primary home ownership.

[Will Your Home Equity Hurt Your Financial Aid Chances? A Case Study](#)

In the blog post, I shared the story of an unemployed New Jersey dad/engineer, who inadvertently discovered how two dozen institutions including Boston College, Dartmouth, Villanova, University of Rochester, Dickinson College, and Georgetown treated his home equity in significantly different ways that resulted in estimated awards that would have had the family pay anywhere from \$0 to more than \$40,000 for one year of college!

7 Net price estimates are not guarantees.

The price that a net price calculator spits out is not necessarily what you will pay. While the goal of these calculators is to provide families with solid cost estimates, the figures aren't binding. For instance, I previously mentioned the case of the dad using the Northeastern University calculator. The initial award the son received was lower than what the calculator suggested and the dad aggressively appealed the lower amount and eventually received more money. Not all families would do this or be successful if they push the issue.

Northeastern, by the way, no longer calculates merit awards via its net price calculator and will only generate need-based aid figures. This is a disappointing development.

In general, the net prices generated by schools that have developed their own calculators should be much more accurate and these institutions should be more willing to stand behind their estimates. Ask schools about the accuracy of their calculators.

8 Double-check your figures.

Be careful when inputting your information into a net price calculator. If the outcome seems wrong, try again. Ask a school's financial aid office if you aren't sure what information is needed.

Bottom Line

1. Use net price calculators before your child finalizes his/her college list. There is no point in letting your child get excited about particular schools if their costs will be exorbitant.
2. Use these calculators strategically. See how assets and a child's test scores/GPA could change awards.
3. Ask a school how accurate its calculator is.
4. Check how old each school's cost figures are.
5. Use the results of net price calculators to develop a list of schools that will be financially doable.

