

Show Them the Money

By Donna Davis



Six trends in managing financial aid and the families who request it. Many of today's parents place less value on "the frills" of traditional independent schools, complicating the relationship between price and willingness to sacrifice lifestyle.



The pressures remain the same — rising tuition and rising requests for financial assistance — but independent schools' approaches and even terminologies are changing. Thanks to persistent price sensitivity and a widening variety of lower-priced or free disruptors, many schools face no choice but to rethink how they package financial aid and explain their decision-making and allocation process.

"We have very sophisticated parents today," said Heather Hoerle, executive director and chief executive officer of The Enrollment Management Association. "Everyone wants a discount." In a recent survey by the association, 62 percent of all families and 44 percent of international families cited finance as a concern in deciding on an independent school education. She noted a particular softening at the lower-school levels. "There are enough students, but they don't want to pay the price tag. As a result, there are a lot of schools doing a lot of thinking about changing their models."

In addition, many of these parents — especially millennials — carry significant college debt and simply don't want to pay the price of an independent school education, even if their children are accepted and they have the means. "They're the tiny-house people. They don't want the frills or the rolling hillsides; they want efficiencies," Hoerle said. That attitude complicates the relationship between price and a family's willingness to sacrifice lifestyle for tuition.

MORE COMPELLING MESSAGING

The 2017 joint study by NBOA, ISM and Measuring Success, "Effects of Tuition Increases on Enrollment Demand," found little if any correlation between tuition increases and changes in enrollment. Instead, schools with a distinct value proposition — a well-defined and well-executed mission — were shown to be able to raise tuition without harming enrollment. However, if families did not perceive that value proposition, not even flat or reduced tuition could stem enrollment declines.

"The schools that do the best are saying to the family and community, 'This is our mission and this is why you should come here,' not because we are going to give you \$1,000 more than the school down the street," said Clint Losch, regional account manager and head of sales and training for FAST, ISM's tuition and enrollment management system.



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FORWARD-LOOKING PRICING TRANSPARENCY

Transparency regarding families’ long-term financial commitments can help allay worries. At Princeton Academy of the Sacred Heart in Princeton, New Jersey, leaders discovered families were anxious about making multi-year investments in education without knowing the future costs. A letter from the head of school promised a commitment to keeping tuition increases between 2 and 3 percent at the K–8 boys’ school. “There is going to be a requirement that we are more transparent about cost and that we are not going to surcharge them with additional fees,” said Hoerle, a member of the NBOA Board of Trustees who also serves on the board at the school. “There is a lot of economic anxiety, and we add to it when we have huge increases.”

MORE ACCURATE FINANCIAL ANALYSES

Gathering and analyzing data that is accurate, complete and relevant to a school’s budget and mission supports that commitment to transparency. “Schools don’t like the nebulous answer, ‘Our internal algorithm tells us that,’” when they ask how a family’s aid is calculated, said Ted Fluck, ISM’s director of sales. Some schools might elect to add retirement savings contributions, ownership of a vacation home or detailed business income to their financial aid applications. The result might mean trimming the aid you provide to some families who can manage with less, and flexibility in offering more aid to the families that need it most.

RISING MERIT AID

School administrators and trustees report spending more time discussing merit aid, Hoerle noted, especially among secondary schools whose tuition might seem high compared to what families may have paid for lower school. Savvy parents looking for a discount know to ask about merit aid. “The key is to use it strategically and not let the parents dictate,” she said.

There has been a slight increase in the number of schools awarding merit aid and in the amount schools are spending in the aggregate, affirmed Mark Mitchell, vice president at SSS by NAIS. He added, though, that the amount of merit aid per student has not risen much in the past five years.

GREATER PAYMENT FLEXIBILITY

Financial pressures are also changing how families pay for tuition, according to Dan Hughes, senior vice president of FACTS Management, which provides tuition management, grant and aid assessment, and school payment processing. “Across the board, the number of families that pay in full is decreasing. More are doing install pay.” That trend dovetails with the increasing number of middle-income and higher families applying for aid.

See Risk & Compliance, page 10, for related information about TILA compliance.

EVOLVING TERMINOLOGY

While most independent schools still use the familiar terms of financial aid or tuition assistance, others have recast their programs, using terms like “indexed,” “sliding scale,” “flexible” and even “individualized” tuition.

While the ideas behind many of these tuition-pricing models have existed for decades, their increasing popularity reflects a desire to present price in more user-friendly and transparent ways, said Mitchell. “Families, especially in the upper-middle or upper incomes, find that terminology more approachable. Schools are saying we can be flexible. If you follow these steps, we will determine the tuition price that is right for you.”

At FACTS, Hughes noted seeing an additional trend in which faith-based schools are moving toward tuition that more closely mirrors the ‘true cost’ of education. “They are publishing the true cost as \$9,000 and charging \$5,000 and calling it a grant — something that you are being given versus aid, which is something that is calculated,” he said.

Whatever the term, be sure it matches your school’s culture. “Some schools explicitly say they prefer ‘financial aid’ because it sends more of a message of helping people, not about bargaining,” said Mitchell. “But no matter what a school calls it, a lot of the steps are the same — families still have to show that they are eligible to get a lower tuition price.” **N**

Donna Davis has contributed to Net Assets since 2008.

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