SSS Methodology

SSS’s Estimated Family Contribution (EFC) provides an objective and reliable baseline for schools’ financial aid decisions.

The method they use to calculate family contribution is considered the industry standard for comprehensiveness and fairness. They use information provided on the Parents’ Financial Statement (PFS) as well as national data to determine the Estimated Family Contribution (EFC). Here’s how it works:

First, SSS uses the information a family has reported on the PFS to determine the total funds the family has available.

FAMILY INCOME that is not being spent on obligatory (nondiscretionary) expenses:

- Total Income = all taxable + nontaxable income reported on the PFS
- Total Allowances or all obligatory expenses the family reports on its PFS = taxes, employment-related expenses, medical expenses, unusual expenses, etc.
- Effective Income = Total Allowances - Total Income

OTHER FUNDS AVAILABLE that can supplement income

- Net Worth = Debt - Total Assets

Assets include any residence equity, other real estate equity, etc., that the family has. Debts include any money the family owes on mortgages as other debt it has reported on the PFS. Vehicles and other consumer debt are specifically excluded.

- They assign a portion of that Net Worth and call it the Income Supplement, or, in other words, the amount of additional net assets a family has available that can supplement its income.

The portion assigned varies depending upon the age of the older parent. The reason they consider age is that they calculate how many more years of working income and asset generation the family can expect to have to support itself.

- They add this Income Supplement to the Effective Income to calculate the family’s Adjusted Effective Income, or its total available funds.
Step 1: We use the information on the PFS to determine a family's total available funds.

- **Total Income**
  - Taxable Income
  - NonTaxable Income

- **Total Allowances**
  - Taxes
  - Employment-related Expenses
  - Medical Expenses and Unusual Expenses

- **Effective Income** = Total Income - Total Allowances

- **Total Assets**
  - Residence Equity
  - Other Real Estate Equity
  - Business or Farm Share
  - Bank Accounts
  - Other Investments

- **Net Worth** = Total Assets - Debt

- **Income Supplement** = Net Worth \times a percentage

- **Adjusted Effective Income** = Effective Income + Income Supplement

Step 2: We use national data to determine how much of the family’s total available funds can be expected to be used for educational expenses.

- **Adjusted Effective Income**

- **Income Protection Allowance**
  - Represents household expenses needed to cover a basic standard of living, based on family size.

- **Discretionary Income** = Income Protection Allowance

- **Parent Contribution to Educational Expenses** = Discretionary Income \times a percentage of discretionary income

Step 3: We determine the family contribution for each applicant.

- **Parent Contribution** / Number of children in tuition-charging institutions

- **Per-Student Parent Contribution**

- **Student Asset Contribution**

- **Estimated Family Contribution** = Parent Contribution + Per-Student Parent Contribution + Student Asset Contribution
Next, using national data, SSS determines how much of the family’s total available funds can be expected to be used for educational expenses.

Here’s how they make that assessment:

• Adjusted Effective Income - an amount called the “Income Protection Allowance (IPA).”

  The IPA is not a figure pulled from the PFS. Rather, it is a figure they determine each year using data from several national sources such as the U.S. Bureau of Labor Statistics’ Consumer Expenditure Survey. The IPA essentially accounts for the fact that a family of a particular size can be expected to spend a certain amount of money each year on basic necessities. Each family spends its discretionary income differently; using the IPA sets a level playing field and ensures that schools’ financial dollars are being allocated to the families who are most in need.

  This calculation of Adjusted Effective Income minus Income Protection Allowance gives SSS the family’s Discretionary Income, or in other words, the total funds that are available after the family has taken care of its obligatory expenses and basic day-to-day needs.

• SSS determines the portion of a family’s Discretionary Income that can be used to pay educational expenses.

  That portion varies depending on the family’s Discretionary Income; SSS assess an increasing proportion as Discretionary Income Increases. This amount is the total Parents’ Contribution.

Finally, SSS determines the family contribution for each applicant.

• Based on the number of children the family has who are enrolled in tuition-charging institutions, SSS determines the estimated per-student Parents’ Contribution.

  Note: The contribution for a boarding student will be $1,770 higher than that for a day student to reflect a nine-month allowance for food that the parents will save at home while the student is away at school.

• Using information supplied in the PFS, SSS calculates the Student Asset Contribution, which is the amount the student himself or herself has to contribute.

• For each student, we add the Parents’ Contribution for that student plus the student’s own Asset Contribution to determine the per-student Estimated Family Contribution.