



## **Ron Lieber in Conversation with Melissa Korn**

February 10, 2021  
Zoom Webinar

Parents Council of Washington President, Frazier Schulman, opened the event, welcomed attendees, and provided an overview of the organization. PCW Vice President, Suzanne Dowd, introduced the program's speakers:

- **Ron Lieber, *New York Times* personal finance columnist and best-selling author of *The Price You Pay for College: An Entirely New Road Map for the Biggest Financial Decision Your Family Will Ever Make*.**
- **Melissa Korn, reporter for the *Wall Street Journal* and co-author of *Unacceptable: Privilege, Deceit and the Making of the College Admissions Scandal*.**

More information is available at <http://www.RonLieber.com> about Ron Lieber, his newsletter, and books. Learn more about Melissa Korn at <http://www.wsj.com/news/author/melissa-korn>.

Ron Lieber reports that he has never come across a consumer decision that inspires more confusion and emotion than this one. He likes to write about decisions where:

1. There is significant money involved: \$100,000 to over \$300,000 for selective private colleges.
2. There is an element of confusion or complexity.
3. There are emotions or feelings to consider.

There are two types of aid:

1. *Need-based financial aid* requires completion of the Free Application for Federal Student Aid or FAFSA and, at some schools, the College Scholarship Service or CSS Profile.
  - a. For this purpose, there is more focus on income than assets.
  - b. There is no penalty for amassing college savings accounts.
  - c. The average parental income of FAFSA filers in colleges recently surveyed was about \$110,000. If you have two or more children in school, you may qualify for need-based financial aid if you earn more than \$200,000.
2. *Merit aid or non-need-based aid* usually is not based on income or earnings. Basically, a system of discounting college tuition has evolved, which may be based

on grades and test scores or could be based on calculations the school makes as to what level of discount it needs to offer to attract a certain family, or a combination of both.

- a. At some schools, everyone “gets a pony” meaning 100% of the attendees get some merit aid and no one pays the sticker price.
- b. Sometimes schools use merit aid to meet families’ demonstrated need because it appears nicer to be recognized for students’ accomplishments rather than lack of finances.
- c. Generally, completion of the FAFSA or CSS form data is not required to get merit aid offers.

How do we explain the high tuition-high discount model of college tuition? Why do schools not lower their list prices permanently or stop raising tuition each year?

1. Schools hope that some families do pay the list price.
2. Chivas Regal effect: People believe that high prices signal high quality.

What is the definition of success? What is college about?

1. Continuing education and learning; having your mind grown and blown.
2. Entering a search for kinship and mentorship.
3. Developing credentials and entering the workforce.

Consider time to completion and total cost of college education when making a decision about what to pay for college. The federal government reports that 62% of students at four-year colleges complete their degrees in six years. When evaluating merit aid packages, be aware that, on average, many large public universities have a longer time to completion than private schools. Completion data often is available in the school’s common data set (see below).

A school’s common data set (CDS) typically is a collection of hundreds of pieces of data for a school. Each school has one. Google the school’s name and “common data set.”

The CDS offers some merit aid prediction hints. The CDS is a collection of data related to a school’s programs, admissions statistics, time to completion, and financial aid data. Ron Lieber’s favorite line is H2A, which shows the number of people who did not apply for need-based aid and how much merit aid on average was received.

Families should focus on the bottom line or net price of the institution and compare that with the net price for other schools the student is considering.

The government requires each institution to have a Net Price Calculator somewhere on its website. Input your financial information (and sometimes your child’s test scores and grades), then the calculator provides an estimate of what it thinks the school would ask you to pay if your child is granted admission. In some cases, it may estimate merit aid. This is further complicated by the current test-optional formula. Some schools now will focus more on GPA and high school rigor.

Need-blind means the school admits people without any consideration about whether they applied for financial aid. Need-aware means the school does consider whether you applied for financial aid in your admissions decision. A school can be need-aware during admissions and/or need-aware when creating their waitlist.

Ron Lieber argues that binding Early Decision (ED) is classist because applying to a school in this manner does not allow a family to compare financial aid or merit aid packages. Some selective schools take 40-50% of their incoming class from ED. The odds of ED admissions are better than regular decision admissions. However, Ron Lieber points out that ED is not legally binding, so if you are offered admission without enough aid, you should “take a walk.”

Merit aid pre-read is a concierge, human net-price calculator to estimate merit aid before you apply and are granted admission. Only two colleges do it: The College of Wooster and Whitman College. Ask competitors to do the same. If they will not, write to Mr. Lieber and he will write an article about it!

A child’s college decision is a family decision that will affect your child’s life far more than it will affect yours, so let the child be in the driver seat of the college discussion. That does not mean they have the final say, but let them lead. Parents need to be in the driver’s seat of the merit aid research process. It is too complicated for the average 17-year-old to figure out.

Top pieces of advice for parents:

1. Start to talk to your partner early, when your child is in middle school, about your ability and willingness to pay for college. If you have an ex, talk to your ex once a year about finances and planning for college.
2. Talk to your student in 8<sup>th</sup> grade about the merit aid system and financial parameters.
3. Go back to colleges and ask for more money.
  - a. If your financial situation has changed since you completed the FAFSA, talk to the financial aid office and bring receipts to show changes.
  - b. If you received a better bottom-line price from a school’s competitor, call the admissions office and ask what you have done wrong, humbly, to explain the discrepancy.
  - c. The worst the school can say is no. Even if you are awarded an additional \$1,000-\$2,000 in aid, that is equal to \$4,000-\$8,000 over four years.
4. Do not take the admissions and merit aid process personally.