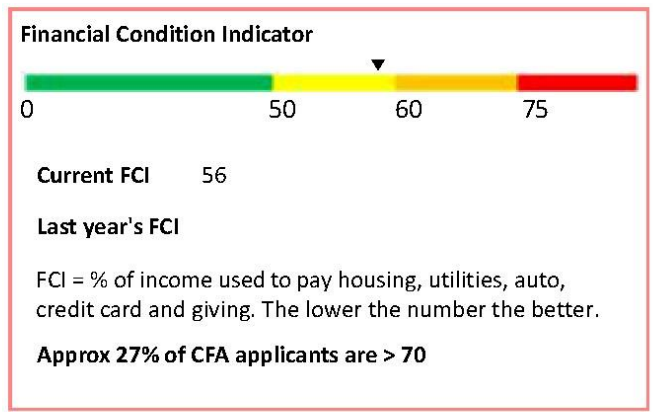
CFS
CONFIDENTIAL FINANCIAL SERVICES

Financial Condition and Enrollment

by John Shelhamer

CFS's affiliate, Crown (formerly Crown Financial Ministries), has simple guidelines for family budgeting. Below, you can try with your own budget and see what they recommend for you.

With this in mind, you can use CFS's Financial Condition Indicator® can help you understand a family's finances. CFS's FCI provides a numeric rating, on a sliding scale, of a family's current condition. Try your own budget! To determine the rating, add together these critical ratios:



Credit cards. There are over 600,000,000 credit cards issued in the US. The average family has 3.5 cards. The average grant applicant spends 12% of their income on CC payments. Crown recommends 5% of a family's budget be used for short-term debt payments.

Housing. Recommendations hover around 31% of a family's net income (depending on income). Average household income in the US is just shy of $50,000. This means an average family can afford a home with about a $145,000 mortgage. The typical CFA applicant has a mortgage balance of $154,000 with payments at 33% of their income.

Auto. Crown recommends 10%. The US average is 14%. Grant applicants are at 13%.

Utilities. Crown recommends 4% (incl. cable and phone). Average grant applicant: 9%.

Giving. Crown recommends 10% of a family's gross income. Typical grant applicant: about 5%.

Our thresholds are slightly different than Crown's because the "net income" Crown uses already withholds 10% for giving. Try your own finances and see how you rate.

So, what does this have to do with paying tuition?

You may feel "these things don't really matter as long as they pay their tuition bill." Not so. Your goal with tuition aid is graduation, not this year's enrollment.

If you take a financially stressed budget with an FCI that is already 10% over recommended levels, and add in another 10% for tuition payments, where is the extra 20% going to come from?

The areas usually sacrificed are: savings, retirement, entertainment, and miscellaneous (recommended 21%). Families who don't reduce their spending must put it on a line of credit. What this means in reality is that entertainment, emergencies and miscellaneous are put on credit cards with a revolving balance. When a family's FCI reaches 75% their budget is in a downward spiral. Dis-enrollment is on the horizon.

As you can see, the typical tuition aid applicant is living on the edge. How long can a family maintain this budget before they have a major bill that ends their commitment to Christian education? This is why the financial wellness of your aid recipients is so important – if your goal is to see them through to graduation.

CFS's FWB2.0 has addressed this issue by redefining tuition aid for Christian schools to maximize long-term enrollment and the success of your tuition aid program.

Give a family a grant and you help them for a year.
Teach them biblical financial principles and you'll help them for a lifetime.

Try Crown's budget calculator with your own finances:
http://www.crownmoneymap.org/MoneyMap/ASP/budgetguide.asp