



## How Much Is Enough?

by John Shelhamer

*“There are parents who willingly sacrifice their careers so they can be together as a family. I want these families in my school ... but they just can’t afford it.” Have you ever felt that way?*

Most schools lose families when they raise tuition. Well, they don’t drop in enrollment, they lose lower & middle-income families and gain high-income families.

In fact, middle-income families (\$50,000 - \$100,000) currently represent the fastest shrinking group of families in Christian School enrollment. Why? Inadequate tuition aid.

### **SO, HOW MUCH IS ENOUGH?**

#### ***Rule of thumb #1***

*When tuition exceeds 7-10% of a family’s net monthly income it becomes difficult for them to pay.*

#### ***What does this mean?***

We will assume your school’s tuition is around \$5,000. Single-child families making less than \$4,500 monthly are going to need help paying tuition (\$60K annual gross / \$75K if housing is expensive).

#### ***Now here’s the stickler:***

If you increase your tuition, many of these lower and middle income families may still re-enroll. Why? 1. They are strongly committed to a Christian education for their children, and 2. They probably don’t know how much they can really afford.

So when a board member says, “See, we didn’t need more tuition aid,” what really happens? These families will pay a higher tuition until someone gets sick, or their car breaks down, or their house needs a new furnace. Then they’ve got to make a choice. The point is – they will eventually leave.

Many of clients conduct our Parent & Employee Opinion Survey every 2, 3, or 4 years. We have seen repeatedly that schools that do not make adequate increases in tuition aid when they raise tuition have fewer and fewer middle income families and more and more higher income families. This is tragic.

## HOW DO YOU KNOW HOW MUCH TO BUDGET?

### ***Rule of thumb #2***

*The typical family applying for tuition aid needs 30-50% of their tuition paid.*

This means that if 20% of your families make under \$60,000, you should set aside 6 - 10% of your budget for tuition aid. 30% under \$60,000 means 9-15% of your budget for aid.

**Now, we do need to stop and say something here.** The amount we quote for tuition aid is only for families who have demonstrated an actual need through an objective qualification process, not families with multiple children enrolled, or families who are employed at the school.

### ***Rule of thumb #3***

*Accurate evaluation of a family's ability to pay is critical.*

If your current method of evaluation either a) only looks at a family's income, or b) uses last year's 1040/AGI as the basis, then it is not accurate.

An accurate, comprehensive assessment a) incorporates all possible sources of income, basic living expenses and assets, and b) verifies these entries.

CFS's *Information Verification*® clients voted their assessments accurate for their families 93% of the time. That kind of accuracy is what you need!

## BUDGETING TUITION AID WHEN YOU RAISE TUITION.

### ***Rule of thumb #4***

*Increase your tuition aid 2X over what you increase your tuition.*

Illustration: Let's say your tuition is \$5,000 and your tuition aid budget is 7% of your budget. If you increase tuition by 10%, to \$5,500, then you should increase your tuition aid budget by 20%, from 7%, to 8.4% of your budget. This is because every time you increase tuition, the percentage of your school's families who will need help paying tuition will increase.

## WHAT SHOULD YOU DO NOW?

1. Determine how much of your scholarship budget is actually going to qualified needy families.
2. Determine what percent of your families need help (utilizing our parent/employee survey).
3. Commit to a) providing adequate aid for need-qualified families and b) increasing your tuition aid budget by a factor larger than you increase your tuition every year.
4. Make use of Confidential Financial Services in evaluating your families' actual ability to pay.