

Financial Aid Strategies to Maximize Tuition Revenue

No matter what the economic climate, private K-12 schools need essential tools to get the most out of student tuition. One critical point to address involves maximizing net tuition revenues. This is something you can do as part of your overall strategy to maintain your operational budget balance. There are key strategies you can plan for and employ when it comes to keeping your year-to-year school budget stable and growing.

Not all students at your school pay the same tuition, so your revenues diminish with the amount of financial aid you award. You may need to adjust your discount rate or find ways to leverage your aid to boost revenues. Or you may need to work with all the stakeholders involved to find other opportunities to help you maximize tuition revenues while continuing to provide and enrich quality of your educational programs. Your school can implement six valuable strategies to make the most of the money you receive. We will cover those more in-depth in this whitepaper and help you seize the day on tuition revenue educational programs.



Do You Know Your “Adjusted Tuition” by the Numbers?

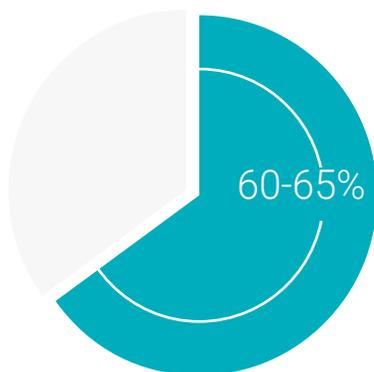
What percentage of need do most schools meet?

It's common for 25% of a student body to receive discounted or adjusted tuition. Most schools, however, are unable to meet 100% of their students' financial aid needs.

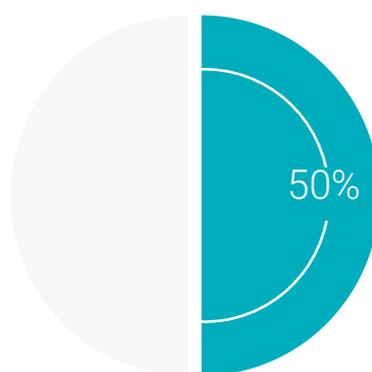
Consider some additional statistics:

- Schools meeting 100% of need typically have a lower percentage of their population needing adjusted tuition.
- Schools with higher tuition of \$30,000 per year or more tend to award aid that covers 60% to 65% of need.
- Schools with tuitions between \$10,000 and \$30,000 per year usually meet approximately 50% of need. Schools with higher tuitions in this range tend to meet more need, while schools with lower tuitions tend to meet less.
- Schools with tuition under \$10,000 per year typically award financial aid that meets 25% to 30% of need. Schools with higher tuitions in this range tend to meet more need, while schools with lower tuitions tend to meet less.

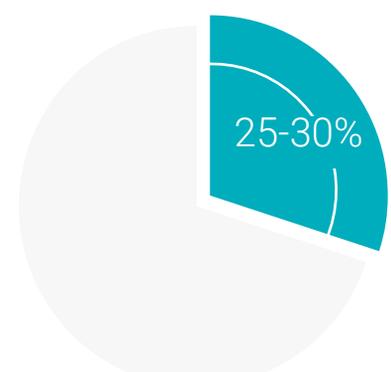
Many schools are also moving away from non-need-based discounts such as multi-child discounts, parish member discounts, employee discounts, clergy discounts and merit aid. The reasoning behind this trend is that awarding these discounts gives assistance to pupils who may not genuinely need it. However, discount policies often take several years to adjust, and the shift may require some grandfathering of existing families.



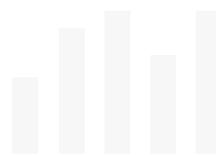
Need met for schools with **\$30k +** Annual Tuition



Need met for schools with **\$10 - \$30k** Annual Tuition



Need met for schools with **< \$10k** Annual Tuition



How do schools usually fund these discounts?

Most, though not all, schools set aside money for financial aid via a fixed line in their institutional budgets. If a school has a \$12 million operating budget and maintains a line item of \$600,000 reserved for financial aid, it would then operate on the \$11.4 million remaining in its budget. Some schools use contributions or earnings to cover the costs of financial aid, but these sources of revenue are frequently insufficient to provide the large sums necessary for fair, adequate financial assistance packages. Most schools therefore use their operating budgets to subsidize financial aid expenses.

The funds for financial aid may also come from sources like these:



School fundraising events



A benefactor committed to annual funding



An outside agency like a diocese or state tuition agency



The sale of empty seats to raise the return on these spots above 0%



6 Financial Aid Strategies to Maximize Your Net Tuition Revenue

Strategy 1: Change the Discount Rate Conversation

Tuition costs at private schools have climbed steadily over the past three few decades. In fact, over the past 10 years, tuition at private day schools has risen by 50%, and at boarding schools, it has risen by nearly 70%. Because schools' operating expenses have risen simultaneously, and because many students pay less than full price to attend, these tuition increases do not always translate into comfortable tuition revenues.

The National Association of Independent Schools (NAIS) reports that in the 2019-2020 school year, the median tuition and fees income for private schools stood at \$27,951 per student. The median financial aid award was \$4,856 per student. When we divide the median financial aid amount by the median tuition and fees income per student, we get a median discount rate of approximately 17%, though rates can vary substantially among schools and students.

The good news is by shifting the discount rate conversation, schools can attract more students who can pay all or part of tuition without needing as much financial aid.

We can examine net/gross tuition in three distinct areas:



Families paying 100% of gross tuition:

Higher-income families typically pay full price for their children's tuition. Schools generally need as many of these families as they can get to ensure their financial security.



Financial aid families paying less than 100% of gross tuition:

Most schools need to balance offering financial aid to promote equitability and student diversity with receiving sufficient tuition funds to maintain financial stability.



Empty chairs amounting to 0% of gross tuition:

This category includes unsold, open places at the school that bring in no tuition funds. Not every school contends with the challenge of attracting paying families, but many do.

It can be helpful to understand schools are faced with the challenge of balancing these three areas. Schools may sometimes struggle to accommodate their families' financial aid needs, with the pressure of bringing intuition funds needed to support infrastructure, teachers, and growth of programs.



Remember that in most cases, financial aid does not equal lost revenue. The only way a school should lose money with its financial aid program is if it were turning away qualified applicants with the ability to pay full tuition. Financial aid is highly fiscally responsible, ensuring that a school can attract students who will pay at least some tuition and become valuable revenue sources.

By strategizing effectively about financial aid, schools can ensure full enrollments from year to year, making enrollment a more or less fixed variable in their forecasting. They can then focus their strategizing primarily on financial aid policies and outcomes to set themselves up better for revenue growth.

Strategy 2: Discontinue or Minimize Non-need-based Discounts

If your school focuses on making the majority of your financial aid, needs-based instead of merit-based, you can provide more help to more families, who might otherwise receive lesser funding opportunities. The money a school typically gives out to families in the name of merit/sports/academic achievements, sometimes can affect or reduce the amount of funds schools can give to families who have significant financial challenges.

If these funds are too reduced, it limits the number of students who could be enrolled at your school at a partial tuition rate. It might also affect prospective students who otherwise could not afford the school's tuition costs at all. The goal should be to continue reducing non-need-based discounts, so there are less of them overall each year. There might be some exceptions to this strategy, for instance, a tuition remission rate for students whose parents work at the school. If you are providing a partial tuition rate to those families, you are still increasing revenue that you would not otherwise would not have.

If you supply 25% of a student's funding and 75% of the amount is still paid by the parent, you have gained 75% of your revenue, instead of **zero revenue** from an empty classroom spot. For example, if your tuition rate is \$15,000.00 per year, less 25% (\$3,750) then you would still have **\$11,250.00** in tuition revenue income.

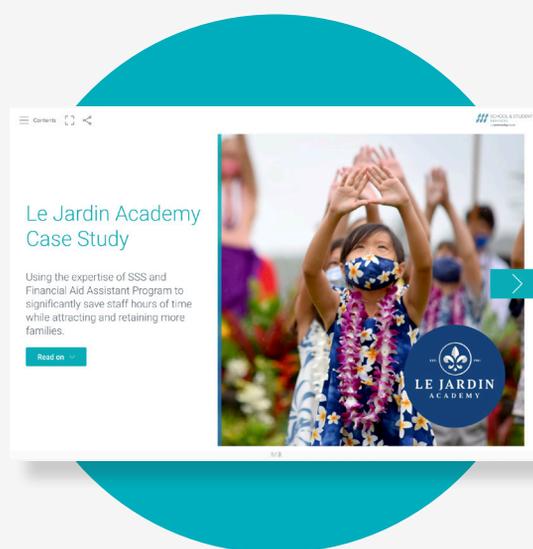
Additional funding for financial aid can come in the form of school fundraisers, events, and donations. The more transparent schools are in regard to raising funds and who the funds benefit, the more opportunity they build for supporters to give.

Being transparent about your financial aid goals and how many students you are budgeted to make aid available can help you raise additional ear-marked donations year over year.

If we look at *Le Jardin Academy* for instance, we can see a good example of transparency and goal setting to serve more families with financial aid, while ensuring your operating budget funds are not part of that new awarded aid.

Le Jardin Academy, one of our TADS schools, sets ambitious financial aid award goals each year, and at the end of the year they also post on their [website](#) how much of their student body was awarded financial aid and the goals for the next year. By doing this, they are encouraging giving, underscoring their financial aid commitment and providing families a path for their student to attend this academy.

Le Jardin – see full case study [here](#).



Strategy 3: Work on Overcoming Challenges to Offering Financial Aid Discounts

Schools sometimes face recruitment issues when qualified families fail to apply because of their hesitancy about financial aid. When too few of these families apply, you end up with several empty spots that bring in zero tuition. Developing strategies to take the hesitancy out of receiving financial assistance will help in encouraging families to apply. You can often easily do this by changing the terms of the financial aid conversation — reframing your financial aid program to emphasize the tuition payments and de-emphasizing the aid amounts.

Here are a few strategies to help your school solve for empty chairs and get more from your financial aid programs:

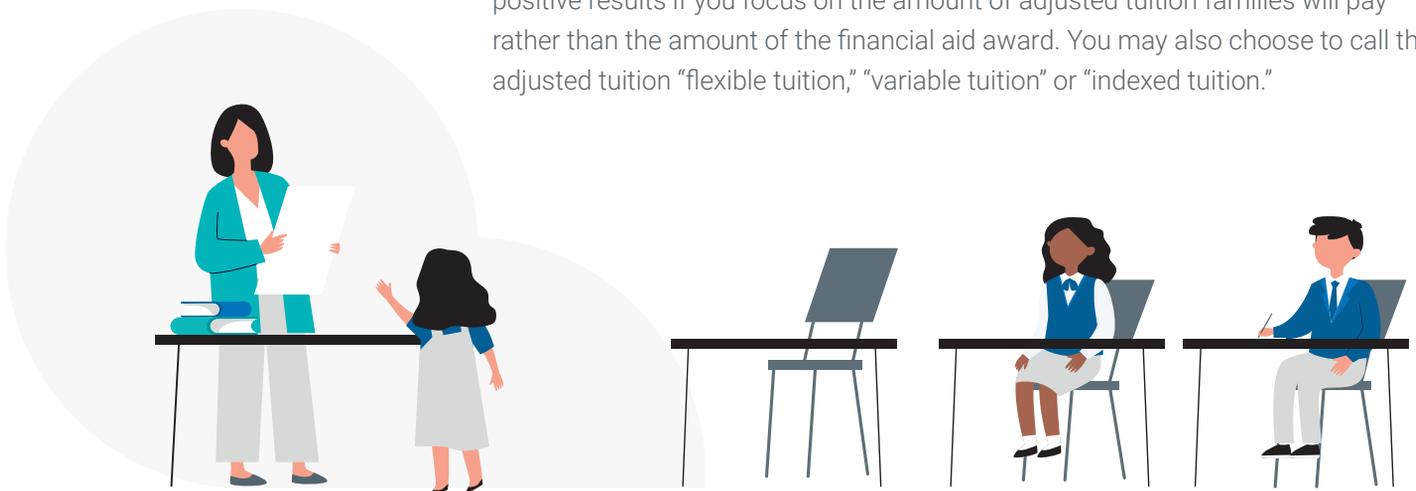
Create simple, straightforward messaging

Be clear and direct about your financial aid program and how to apply. Some families may avoid requesting financial aid because they think the process will be time-consuming and frustrating. Or they may not believe they qualify for financial assistance at all. Clarifying the requirements for financial aid and developing a straightforward application process can make applying for financial aid a more attractive option.

Focus your messaging on “tuition” rather than “aid”

The language of receiving “aid” and “awards” may deter some families who fear the stigma associated with taking a handout. Schools can often circumvent this issue by rephrasing their communications to focus on “adjusted tuition,” emphasizing that financial aid recipients pay tuition just like everyone else. This step is also easy to implement — you can start changing your terminology today without creating any special programs.

Emphasize tuition amounts instead of award amounts Similarly, when your school informs families of their expected contributions, you will likely see more positive results if you focus on the amount of adjusted tuition families will pay rather than the amount of the financial aid award. You may also choose to call the adjusted tuition “flexible tuition,” “variable tuition” or “indexed tuition.”



Strategy 4: Analyze Discount Rates Using Real Data

Analyze your school's tuition and aid data to maximize your net tuition revenues. By doing this during the year on a quarterly basis, you can see where you have variances in funding and plan appropriately. Distribution charts and data-grounded reports provide an excellent way to start your analysis. Your school can also track historical net tuition revenues and how they correlate with various financial aid strategies to stay aware of the most profitable approaches.

Collecting and analyzing data enables you to improve financial aid strategies overall by tracking and revealing patterns that may not have been evident to the casual eye. The good news is that your school likely has a wealth of data to work with, and you can analyze from numerous directions to gain statistical insights to inform your future planning.

You might consider using your school's data like this:

Comparing revenues by grade level

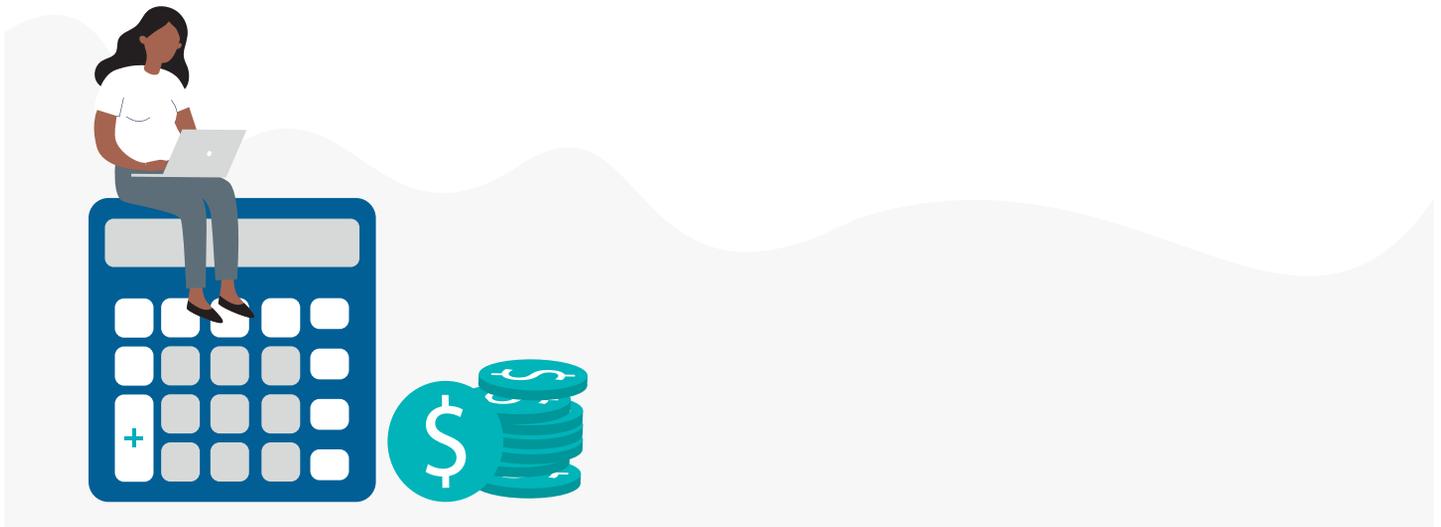
Try comparing your gross tuition revenues and net tuition revenues side by side for each grade. This strategy enables you to tell at a glance which grades bring in the most profits and in which grades you might need to adjust your discount policies.

Calculating profit percentages

Along with calculating your overall discount rate, you may want to calculate other percentages, such as what percentage of your revenues comes from family contributions. Digging into these figures can give you valuable information to help tailor your approach to discounts and family contributions.

Reviewing distribution breakdowns

Your school may gain insight by creating charts that display the distribution of tuition payments and financial aid discounts by family income at your school. That way, you'll be able to see where your discounts are going and map out ideas for improvements.



Strategy 5: Allow for Rising Cost-of-living Adjustment Values

SSS Schools have access to an EFC (Expected Family Contribution) Simulator to help them easily determine what at income level their tuition is affordable. This means they can quickly identify where to set the bar for needs-based awards. [Request a demo](#) today to learn more about the EFC Simulator with SSS.

As cost-of-living increases, more need is created within higher-income groups. Even living expenses can themselves act as a barrier to private/independent education. It's a good idea to take this into account when setting the limits for what your school considers "needs-based".

A family's decision to pay tuition is a battle for its discretionary income. Spending less on discretionary choices such as dining out and vacations is the most frequently cited method of finding room to pay tuition, with 82% of families saying so.

[In a recent NAIS study](#), nearly two-thirds of respondents (64%) stated they spent less or put off spending on major household purchases such as appliances and furnishings. Saving less for retirement (60%) or for college (58%) were the next most-cited sacrifices. Cutting costs and saving less for other priorities are far preferable to finding ways to supplement income with just 28% saying a parent took a second job or increased work hours and only 12% saying a stay-at-home parent took on employment outside the home.

Strategy 6: Educate your Key Stakeholders

Educating your stakeholders about aligning your tuition policies with your school's enrollment strategies financial needs is essential. It gets everyone on the same page, allows you to develop more cohesive, thorough plans and keeps your primary stakeholders invested in your policies and their outcomes.

At your educational institution, you likely know many of the facts and figures about the gaps between tuition and net tuition revenues. For instance, the NAIS reports that the net tuition revenue is [growing more slowly](#) than the cost of tuition. In the 25 years between the 1988-1989 school year and the 2013-2014 school year, schools saw an average 2.9% annual increase in tuition but only a 2.6% increase in net tuition. One contributing factor to this disparity is the rising cost of financial aid. Across the same period, the cost of financial assistance rose 4.5%. Your stakeholders may not have access to this data or to specific, more crucial data from your school.



One of the best strategies for educating your primary stakeholders about alignment is to develop and distribute financial aid performance reports. These reports enable you to impart a clear understanding of your financial assistance program's impact.

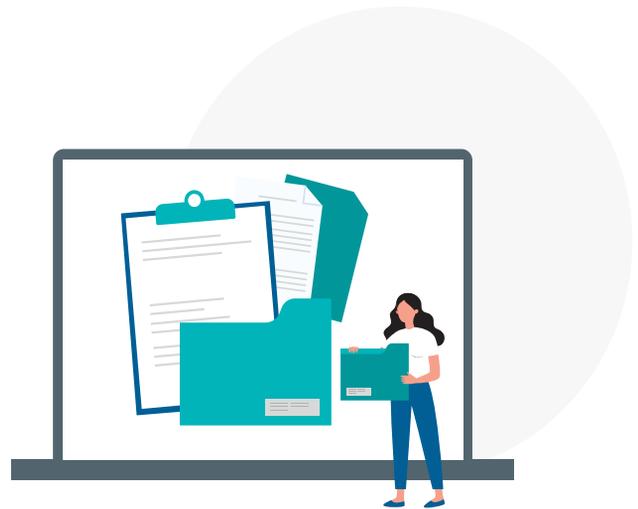
The financial aid performance reports should include elements like these:

- An annual report detailing your financial aid program's successes over the past year.
- A chart showing the distribution of contribution to education. This would illustrate the breakdown of the family contribution amounts among the student body, usually by family income range. These charts may also include average family income and the average family contribution to education as a percentage of income.
- Historical reports detailing your financial aid program's impacts and improvements through the years

Over time, you will begin to see the emergence of financial need trends from year to year. You will be able to adjust your strategies to align with them. These trends might arise because of income changes or various other factors impacting financial need.

Just as schools' partner with families, we partner with schools. Our goals are to help you maximize enrollment and revenue goals for growth. Our schools turn to TADS and SSS, our proven software solutions to manage the journey from admissions and enrollment to financial aid, tuition management and beyond.

We manage your student process so you can grow your relationships with families and expand your student body.



Contact Us To Learn More

Community Brands: A Trusted Leader in School Management Solutions

We offer a the most robust solutions in this area are customizable solution, where schools offering various services schools can choose from to gain choose the functionalities and formulas they need. Our solutions automate and streamline workflows, improve accuracy, and provide greater control. Contact [TADS](#) or [SSS](#) to find the right financial aid solution for your school.