



## TUITION PROGRAM HELPFUL HINTS 2009/2010

Here are some pointers to help you complete the Tuition Program application and make the Tuition Program conversation more productive and efficient.

### **Your budget is a snapshot in time.**

The income and expense numbers in the form should represent your best estimate for the coming year (starting August 1). You may base your estimates on past numbers but make adjustments to account for what changes you expect to see in the coming year. As the new school year unfolds, should your actual income or expenses differ significantly from your forecast, you must contact the school to re-adjust your monthly tuition payment.

### **Each budget item should be counted only once.**

If you feel an expense or income item could belong in more than one place, choose only one line to report it. You may document your choice to remember what you did during the conversation.

### **You must fill in the “Amount of tuition you propose to pay” box at the end of the form.**

In the spirit of our Tuition Program process, the school will not decide for you how much you should pay and we are unable to schedule your conversation without your proposal.

### **You must include all required attachments.**

In particular, the entire tax return (including all Schedules) must be provided in order to participate in the Tuition Program. Also, please do not forget to provide a copy of your most recent pay stub.

### **How should I treat credit cards?**

A credit card can be used as a means to obtain credit or as a means of payment. For instance, if you pay off your entire credit card bill every month, you are using your credit card as a means of payment and do not carry any credit card debt. In the WSP form you should report the amount of debt you carry month to month (i.e., do not pay off at the end of each month) in the field credit card debt (asset and liability, line 13a). Other expenses you charge to your credit card and pay-off at the end of the month should only be shown in the appropriate monthly expense section. If you are working to reduce your credit card debt by making an additional payment every month, it should be included in loan/credit card payment (line 19). Let's look at a few examples:

**Example 1:** Mark has accumulated \$3,000 of credit card debt that he does not expect to be able to repay next year. He will only make the minimum payment required by the credit card company (\$100). He has decided not use his credit card anymore. He will report:

Credit card debt: \$3,000

Loan/Credit card payments: \$100

**Example 2:** Joan pays her groceries using a credit card. She expects to spend an average \$200/month in groceries. Over the years she accumulated \$1,600 in credit card debt. Her credit card balance averages \$1,800/month. She plans on making credit card payments of \$350 so as to pay for the groceries, interest on the debt and reduce the debt. She will report the following on the Tuition Program form:

Credit card debt: \$1,600 (that is the credit card debt at the beginning of the year)

Loan/credit card payments: \$150 (interest and pay down debt)

Food and household supply: \$200 (amount charged and paid off each month)

**Example 3:** Kate carries an average monthly balance of \$2,600 on her credit cards which she pays off at the end of each month. She will report:

Credit card debt: \$0

Loan/credit card payments: \$0

The \$2,600 a month should be divided among the appropriate monthly expense categories.

**Some of my income is variable (bonuses, etc.) – should I only report the fixed amount?**

Since this is a forecast exercise, you should enter the amount that you reasonably expect to make (fixed + variable) based on past experience. The variable should be provided as an average monthly amount (e.g., divide an annual bonus by 12; a quarterly payment by 3). If your estimate does not materialize as expected (either you end up with a higher or lower income), you should notify the Business Office to revise the contracted tuition amount.

**How should I calculate “Net wages (line 1b)”?**

This is your monthly net pay (the amount of money you actually get from your employer). Any optional contributions you make such as to a 401K and ESPP are then added (lines 2b, 3b and 4b) so that the total monthly income on line 14b represent your total income. These optional paycheck deductions should be reported as monthly expenses in *Savings and investments (line 31)*. You should also add in the average monthly net income from bonuses or other irregular compensation as discussed in the question above.

**Example:** For the upcoming year, Kurt expects to receive the following paycheck every two weeks:

Earnings	Current
Total Gross	\$2,000
Taxes (total)	\$250
Pre-Tax Deductions	
401K Deduction	\$230
HSA Employee Contribution	\$100
After-Tax Deductions	
Employee Stock Purchase Plan (ESPP)	\$200
W2 Gross	\$1,550
Net pay (transferred to checking account)	\$1,220

On line	Kurt will report	Explanation
1b	Net Pay * 26/12 (\$2,643)	Net Pay is the Money received by Kurt every two weeks. There are 26 two week periods during the year and 12 months, so the equivalent monthly salary is \$1,220 *26/12
2b	401K withholding: * 26/12 = \$498	
3b	ESPP withholding: *26/12 = \$433	
4b	HSA Contribution: *26/12=\$216	

**Note:**

- (1) The same calculations can be done by using annual numbers and divide them by 12 (12 months in a year)
- (2) Only take into account the FSA/HSA amount that represent an employee contribution (i.e you have control over its amount). Do not include contribution mandated by your employer in order to participate in a plan such as a healthcare plan.

The amount on line 2b, 3b and 4b are then reported as an expense on line 30 (they are expenses directly deducted from the paycheck)

### **What if I am self-employed?**

If you are self-employed, enter in your anticipated average monthly income from your business. If your business is based out of your home and you split certain expenses between home and business (e.g., a telephone line), please be careful to only count the expense once, either as a business expense or as a personal expense. Please report your net income/profit after subtracting your monthly business expenses and don't include business expenses on the application.

### **My child requires some specialized therapies (e.g. vision therapy, audio training) - how should I report it?**

Assuming these services extend into the next year, you should include these fees as an expense as part of the *tutoring* item (line 23).

### **My 4th or 5th grader is required to take private/semi-private string classes – how do I report that expense?**

In *tutoring*. However, any strings classes taken before 4<sup>th</sup> grade or after 5<sup>th</sup> grade would be reported as *extracurricular activities (line 22)*.

### **My child attends aftercare and/or summer camps, how should I report that expense?**

If you are working and your work schedule requires that your child attends aftercare and/or summer camps, you should report the expense in *childcare (line 24)*. Otherwise, it should be reported in *extracurricular activities (line 22)*.

### **How do I report Stock options and Stock grants (line 8a)?**

You should report the total value of vested, unrealized stock options or stock grants, net of purchase costs. Do not report underwater (negative value) grants.

#### **Example:**

Grant #	Expected Status at end of school year	Number of shares	Stock Fair Market Value (FMV) per share	Purchase Cost (per share)	Unrealized Gain (loss)
1	Vested	1,000	\$12	\$5	$(12-5)*1000=\$7,000$
2	Not Vested	500	\$12	\$3	$(12-3)*500=\$4,500$
3	Vested	100	\$12	\$13	$(12-13)*100=(\$100)$

You should report on line 8a \$7,000 (from Grant #1). Grant #2 will not vest during the school year and grant #3 has no value (it would cost more to exercise it than to purchase the stock out right).