

At Private Schools, Another Way to Say ‘Financial Aid’

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SHANNON LUBIANO never dreamed she could send her children to the Duke School, an independent elementary school in Durham, N.C., where the tuition is \$15,000 for prekindergarten, rising to nearly \$18,000 for eighth grade.

But then a friend told her about the school’s indexed tuition plan — essentially a pay-what-you-can model for a private education — and that made all the difference for her.

“When I tell other people about it, they are shocked,” said Ms. Lubiano, whose husband, a chef, owns a restaurant in town. “They had looked at the Duke School in the past and got run off by the cost.”

Duke is part of a small group of independent schools, mostly in the Southeast and West, that have adopted indexed tuition as both a financial aid strategy and a way to attract people who would not otherwise apply to private school.

“We got to indexed tuition as a philosophical journey,” said Dave Michelman, head of school at Duke. “We’re committed to socioeconomic diversity. If you’re committed to that it seems a little off-putting to say if you come here we’ll give you charity. That’s what financial aid sounds like.”

Instead, he added, the school said: “We’re going to charge the right amount of tuition for you.” That range, he said, runs from \$3,000 to full tuition.

Of course, as any behavioral economist would tell you, the two approaches to assistance are exactly the same: Whether a school discounts its \$30,000 tuition with \$20,000 in financial aid or says a family’s indexed tuition is \$10,000, the family is paying the same amount.

But that difference in presentation matters: The indexed tuition rate seems to make applying to an expensive school possible for some and accepting a discount palatable to others. It is also a great way for a school to compete with other independent schools that may have larger financial aid budgets. It is an approach smaller colleges and universities have taken for years.

With acceptance letters for independent schools going out now, this is the time of year when many families who applied to the one of the 1,400 independent schools in the United States are waiting to see whether they qualify for the financial aid, which might be the only way they can send a child to private school.

The number of families receiving financial aid of some kind has grown to nearly 23 percent, from 15 percent in 2007, according to the National Association of Independent Schools, but only a handful of schools currently use indexed tuition.

While the expectation is that college students can work or get loans to pay for their education, that is not the case with elementary and secondary school students whose families are asked to stretch to pay for a private education. After all, there is public school.

For many independent schools, the process of giving out financial aid has become intertwined with the broader issue of income inequality, albeit with a twist. Wealthier families can pay full tuition. And schools have long sought out gifted and talented children from poor families.

Yet this approach has, in some cases, created a barbell affect, with the wealthy and the poor on the ends and the middle class — families that make too much for financial aid but too little to pay all the associated costs — left out.

“We were taking money from high-income families and giving it to low-income families and feeling really good about that,” said Jeff Escobar, head of Marin Preparatory School and the former director of admissions at Marin Country Day School, which has been outspoken about its use of indexed tuition. “Then we realized we were losing the families in the middle.”

He said Marin Country Day made it a policy that every family received information on indexed tuition in their application packet, not just the ones who expressed interest in financial aid.

Putting the range — as low, today, as \$750 a year — on the school’s website, Mr. Escobar said, softened the sticker shock for some families. It also served as a good marketing tool.

Indexed tuition is a different approach to making independent school more affordable, but parents still have to go through a rigorous process of revealing information to the school and then waiting and hoping that the school has money to subsidize students.

Ms. Lubiano, who now has two daughters, 6 and 3, in school, said Duke asked her for her tax returns, assets, debt and any other sources of support. In their case, her mother-in-law would pay some of the tuition.

The school then asked the family what it thought it could pay.

“They allowed us to be more personal with the explanation of certain things,” she said. “We were able to submit an explanation of our life, instead of just turning in numbers.”

Not every school has the resources to take this approach. Mark Stanek, head of Shady Hill School in Cambridge, Mass., said his school contemplated going to an indexed model but decided against it.

“We’d have needed to raise tuition to \$44,000 to make the model work and provide the range of tuition,” he said. Top tuition is currently \$34,000. “That would have put us as an outlier in the independent school market here.”

Regardless of the approach, most parents will find themselves in a trust-but-verify system.

Reed Sumida, managing director of The Independent School Performance Group, says his organization works with independent schools to make sure what a family says on its financial aid form meshes with their lifestyle. “If they drive in in their BMW with a Kelley blue book value of \$30,000, there’s a red flag,” he said. “We get two more red flags, you want to go back and reduce the award or cancel it.”

One exception to trust but verify is Manhattan Country School, a small school founded in the midst of the civil rights movement.

Parents there are simply asked what their gross income is and asked to pay a percentage of it, up to \$38,000, as they have since 1970 when the school went to what it calls a sliding-scale model. No one checks the number. Those who can pay more are encouraged to do so, for a tax deduction.

“You can’t think of the price of your one kid’s education,” said Frank Roosevelt, an economist and grandson of President Franklin D. Roosevelt who developed the model. “You have to think of the parents of all of the kids in that classroom paying for the whole process of education, of which your kid is benefiting as one child in that setting.”

That it hasn’t been widely adopted has not surprised him. “The motivation for parents to send their kids to private schools is very individualistic: I want my kids to be in a special environment and away from kids who might distract from them,” he said. “It’s an elite thing.”

Of course, what is perceived as elite for one person is another’s excellent educational opportunity.

For Ms. Lubiano, she said she understood that as her husband’s restaurant did better their family would pay more of their girls’ tuition, up to the full amount. “I don’t see it getting to the point where we don’t qualify anymore,” she said. “But if it does happen, that would be awesome, and I’d still want to keep my kids there.”