

PROFESSIONAL JUDGMENT TIP SHEET

Topic: Voluntary Leave of Employment

What?

Employees sometimes leave the workforce completely or change to another job for reduced pay. Possible reasons for such a voluntary leave of employment may include:

- Sabbaticals
- Non-mandatory retirement
- Family Care
- Medical Health and/or disability
- Hostile work environment
- Transition to self-employment and/or business start-up
- Return to school

Why?

Institutional and Federal Methodologies' standard treatment uses base year income. When there is a voluntary leave, income may be reduced and additional expenses may be incurred, limiting the resources available to pay for college. Depending on the timing of the voluntary leave, this reduction in resources may be captured in the base year. If the income from the base year is no longer representative of the current financial situation, a professional judgment may be considered.

How do I...

Collect information?

The CSS Profile collects three years of parent income—the base year used in the analysis, the recent year, and the anticipated year¹. Families can also explain differences in income in special circumstances.

Depending on the circumstance, the aid administrator may want to collect:

- The base year tax return and W-2 wage statements and pay stubs, along with any more recent documents.
- Institutional form explaining the reason for the appeal.
- Itemization of expenses related to the reason for leaving employment, such as dependent or medical care.
- Other supporting documentation related to their reason for change in employment status:
 - Sabbaticals - Documentation from the parent's employer verifying the length and terms of the sabbatical, including income, grants or other resources received during this time.

¹ Profile Lite applications collect only the base year of income.

- Non-mandatory retirement - Documentation of the retirement income they will be receiving (pension, etc.) and an explanation as to why the parent is retiring.
- Dependent Care - Documentation of the reason full-time care is required for a dependent, the length of time, and any potential subsidy they may be receiving to help pay for this care.
- Health/disability - Documentation from a doctor or appropriate disability paperwork, confirmation of start and end dates, and any disability payments.
- Hostile work environment - Depending on the situation and action taken, any documentation showing the nature of the hostile work environment and copies of any legal action taken.
- Self-employment/Business startup - Documentation of expected income for first year, including estimated business equity by the end of the first year.
- Return to school - A statement on the reason for returning to school at this time and the anticipated change in earnings during the schooling.

Analyze the information?

Institutional policies may provide guidance on evaluating the reason for the parent leaving employment. Is the leave of employment reasonable considering income changes and the timing of their child's education? How long will the parent remain unemployed? Would the parent contribution decrease significantly given any income change? Will the family receive outside support (such as from the student's grandparents) during this time?

Treatment in IM and FM

IM Standard Treatment

IM can be adjusted to use different income from the CSS Profile, or information from an Estimated Year Income Worksheet. (See the Parents' Estimated Year Income tip sheet for a sample.) Additional allowances for increased expenses could be provided against income.

FM Standard Treatment

FM could be adjusted in the same way as IM.

IM Options

The Anticipated Year Option in your software could be used to consider the most recent year of income.

PROFESSIONAL JUDGMENT CASE STUDY

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Case Study 1

Nate is a returning sophomore. During his first year, Nate qualified for modest financial aid as his parents earned a comfortable base year total income of \$235,000. The parents reported modest cash and investments with \$100,000 of home equity.

When Nate applied for financial aid for his sophomore year, his parents' base year total income rose steadily to \$240,000. This resulted in a similar aid package to what Nate received his first year.

After receiving his sophomore year financial aid offer, Nate appealed by supplying his parents' prior year income tax returns and a note that his father had retired at the age of 55 at the end of the base year, thus launching his new career as a part-time baggage handler at the local airport. After many years of hard work, he decided to focus more on his work-life balance. As reflected on the provided recent year tax return, this change in employment slashed the family's total income during the prior year to \$90,000, a reduction of \$150,000. The family reports that they expect this reduction to continue into the future.

Decision

Institutional policy dictates that the base year be used when evaluating a family's eligibility for institutional aid. Since the family earned considerable income in prior years and the job change was voluntary, no adjustment to the award will be made. If the reduced income continues in subsequent years, then future aid would be based on the lower income.

The institution would consider the reduced income for federal aid.

Treatments in Methodologies

IM Treatment

No adjustment was made to the IM award.

FM Treatment

Using professional judgment, the financial aid administrator used the provided recent year tax returns to update FM and increase the student's subsidized loan eligibility.

PROFESSIONAL JUDGMENT CASE STUDY

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Case Study 2

Zuri is an incoming first year student. Zuri's initial financial aid package was based on her parents' combined base year income of \$190,000. In the base year, Zuri's mother, Leta, made \$140,000 and Zuri's father, Jabari, made \$50,000. They reported that they rent their home and have \$20,000 in cash and investments.

Zuri has contacted the financial aid office as her parents' income information has drastically changed since the base year. Unfortunately, Zuri's sister, Uzima, has developed a degenerative disease and now needs long-term, full-time care. Leta and Jabari have decided they cannot afford to pay for a full-time in-home assistance and Jabari has left his job to take care of Uzima full time. He left his job at the end of the year prior to the current academic year.

Leta's income has not changed since the base year and is now the only income in the household.

Decision

Institutional policy does not consider removing a parent's income when they voluntarily leave their job and become a stay-at-home parent. The aid package was based on the parents' base year income of \$190,000.

Zuri is appealing to remove Jabari's income from the equation that determines her financial aid package. The financial aid counselor has decided to bring this case to the appeal committee/supervisor to see if an exception can be made.

Upon a second review, the appeal committee/supervisor decided to approve the appeal as a Professional Judgement since the sibling required full time care and it is reasonable based on their financial situation that they cannot afford in-home assistance.

Treatments in Methodologies

IM Treatment

Jabari's income was removed from consideration and the option to calculate federal taxes was turned on.

FM Treatment

Jabari's income was removed from consideration and federal taxes were manually calculated to replace in parent data.