

## Net Price Student Activity

Lesson by Sarah Gunn, Federal Reserve Bank of Richmond

### Standards and Benchmarks

#### National Standards for Financial Literacy

**Standard 1: Earning Income.** Income for most people is determined by the market value of their labor, paid as wages and salaries. People can increase their income and job opportunities by choosing to acquire more education, work experience, and job skills. The decision to undertake an activity that increases income or job opportunities is affected by the expected benefits and costs of such an activity. Income also is obtained from other sources such as interest, rents, capital gains, dividends, and profits.

- Benchmark 3, Grade 12: People vary in their willingness to obtain more education or training because these decisions involve incurring immediate costs to obtain possible future benefits. Discounting the future benefits of education and training may lead some people to pass up potentially high rates of return that more education and training may offer.
- Benchmark 4, Grade 12: People can make more informed education, job, or career decisions by evaluating the benefits and costs of different choices.

**Standard 2: Buying Goods and Services.** People cannot buy or make all the goods and services they want; as a result, people choose to buy some goods and services and not buy others. People can improve their economic wellbeing by making informed spending decisions, which entails collecting information, planning, and budgeting.

- Benchmark 4, Grade 12: Consumers may be influenced by how the price of a good is expressed.

### Lesson Description

This activity explores the importance of using net price—the sticker price of a school minus any grants and scholarships received—to compare schools. Students will evaluate two school options by calculating the schools' annual sticker prices and net prices. Students can see how schools with different sticker prices might have similar net prices, which is important because net price is what students actually pay.

### Grade Level

9-12

### Concepts

Sticker Price

Grants and Scholarships

Net Price

## Essential Question

Why is it important to use net price to compare school options?

## Objectives

Students will be able to:

- calculate school sticker price and net price
- recognize that students are awarded different amounts of grants and scholarships
- compare school options based on net price rather than sticker price

## Time Required

30 minutes

## Materials

- Expense Essentials and Funding Fundamentals” video from *Invest in What’s Next* (<https://www.investinwhatsnext.org/home/educators>)
- Handout 1: School Comparison Sheet, 1 for each student
- Handouts 2 and 3: School Grants and Scholarships Cards, three copies of each handout cut into cards
- Visuals 1 and 2: School Sticker Price Signs

## Preparation

Post the two School Sticker Price Signs on different walls of your classroom.

## Procedure

1. To introduce the activity, ask students what they think of when they hear the term “sticker price.” (*Answers will vary, but might include a price tag on an item, gasoline prices, or a used car*)
2. Discuss that just like the items they listed, all schools (trade schools, community colleges, universities, etc.) have a “**sticker price**” which is the sum of tuition and fees, books and supplies, room and board, and other living expenses. Discuss the definitions of those items:
  - Tuition and fees: the cost of taking classes
  - Books and supplies: the materials you’ll need to take your classes
  - Room and board: the cost of housing and food
  - Other living expenses: the cost of other activities such as transportation



3. Explain that not everyone has to pay the “sticker price” because students can get grants and scholarships to reduce the cost. The lower price is called the “net price.” The **net price** is the sticker price minus **grants** and **scholarships** and is what you’d actually pay to go to that school.
4. Tell the students that because grants and scholarships are awarded based on need and merit, they vary from student to student and from school to school. Ask the students how grants and scholarships are different. (*Grants are money award for education based on the financial needs of the students, and scholarships are money awarded for education based on the merit or abilities of the student.*)
5. Show the video, “Expense Essentials and Funding Fundamentals” from the For Educator page of **Invest in What’s Next** ([www.investinwhatsnext.org/home/educators](http://www.investinwhatsnext.org/home/educators)).
6. After watching the video, ask students:
  - What is the “money going out” part of an education budget? (*Tuition and fees, books and supplies, room and board, and other living expenses.*)
  - What is the “money coming in” part of your education budget? (*Grants and scholarships, money your family puts in, any of your own personal income and savings, and student loans.*)
  - What is “net price?” (*The difference between the sticker price and grants and scholarships.*)
  - Why is it important to compare the net prices of schools rather than the sticker prices? (*The net price is the price you actually pay, and schools with different sticker prices might have similar net prices.*)
7. Tell the students they will be participating in an activity that allows them to practice calculating net price and see how net price is different for different students and schools.
8. Explain to the students that they are preparing to decide which school to attend. They have two choices: Budget Friendly and Pricey Prestige. Point to their location around your classroom.
9. Tell the students that in order to decide which school to attend, they’ll have to visit both schools by going to its location in the classroom. When they get to the school, they need record the school’s annual tuition and fees, books and supplies, room and board, and other living expenses, and add them up to calculate annual sticker price. Have the students record the information on *Handout 1: Student Record Sheet*.
10. After all of the students have visited both schools and calculated the sticker price, review the annual sticker prices of both schools (*Pricey Prestige = \$49,860, Budget Friendly = \$29,334*). Discuss which school had the higher sticker price (*Pricey Prestige*). Discuss some characteristics that might contribute to the higher sticker price (*smaller classes, student resources and amenities, private school, location, etc.*).
11. Explain to students that now they need to see how many Grants and Scholarships each school

will award them. Remind students that grants and scholarships are awarded based on need and merit, so not every student will receive the same amount.

12. Place the cards from *Handout 2: Budget Friendly Grants and Scholarships* facedown under Visual 1 and place the cards from *Handout 3: Pricely Prestige Grants and Scholarships* facedown under Visual 2.
13. Instruct the students to return to both schools to randomly pick up one Grants and Scholarships Card for each school and return to their seats. Tell students that when there are no grants and scholarships cards remaining, they should record their grants and scholarships amount as \$0.
14. Tell the students to record their grants and scholarships for both schools on *Handout 1: School Comparison Sheet* and calculate their annual net price at both schools. Then, the students should pick which school they would like to attend and explain why.

## Closure

15. Ask the students the following questions:
  - How did your net price differ from school to school? (*Answers will vary but will likely include that some are higher or lower than others.*)
  - Did the school with the highest sticker price always have the highest net price? Why? (*No, because grants and scholarships might have been higher at the Pricely Prestige school, making it more “budget friendly” based on net price.*)
  - In the activity, grants and scholarships were random. How do you think grants and scholarships are awarded in reality? (*Based on need and merit/abilities.*)
  - Have students raise their hands if they chose the school with the lowest net price. Ask that group why they chose the school they did? (*Lowest cost.*)
  - Ask the other students why they chose a school that wasn't the lowest net price? (*Answers will vary but will likely include possible characteristics that made it more desirable.*)
  - Why is it important to look at net price rather than sticker price? (*The net price is what you'll actually pay and helps you directly compare school options.*)
  - What might you do to help lower your net price? (*Apply for more grants and scholarships, work hard in school, do well in your classes, participate in extracurricular activities, etc.*)

## Extension

This lesson can be used as an extension activity for *Invest in What's Next: Life After High School* ([www.investinwhatsnext.org](http://www.investinwhatsnext.org)), an online course from the Federal Reserve Banks of Richmond and San Francisco. *Invest in What's Next* guides students to create a plan for life after high school that is right for them. As part of Lesson 2 of *Invest in What's Next*, students estimate the sticker price and net price for two schools they are interested in attending. This lesson can serve as an introduction to the concepts they will explore in the online course.

If you are not using this lesson to accompany *Invest in What's Next*, your students can estimate their individual net price for the school they are interested in attending by searching for the school on College Navigator (<https://nces.ed.gov/collegenavigator/>), clicking the “Net Price” tab on the school’s profile page, and clicking the link to “Visit this institution’s net price calculator.”

This lesson can also be used to introduce the importance of applying for grants and scholarships, and students could want more information about the grants and scholarships they might be eligible to receive. The Federal Student Aid office has information about finding and applying for scholarships here: <https://studentaid.ed.gov/sa/types/grants-scholarships/finding-scholarships>.

## Data

School expenses in this activity are meant to be representative of annual expenses for a public, 4-year institution and a private, non-profit, 4-year institution. Grants and scholarships in this activity are meant to demonstrate that different students can be awarded different amounts at the same school. To augment this activity with school expense and financial aid information for schools in your region, including for other institution types, visit College Navigator at [www.nces.ed.gov/collegenavigator](http://www.nces.ed.gov/collegenavigator).




**Handout 1: School Comparison Sheet**


Name \_\_\_\_\_

Instructions: As you visit each school, record the different school expenses and any grants and scholarships you receive. Then, using the formulas below, calculate the annual sticker price and your net price for each school. Lastly, pick your school and explain your answer below.

$$\text{Tuition and Fees} + \text{Books and Supplies} + \text{Room and Board} + \text{Other Living Expenses} = \text{Sticker Price}$$









$$\text{Sticker Price} - \text{Grants and Scholarships} = \text{Net Price}$$

 <b>Budget Friendly</b>	
Tuition and Fees	
Books and Supplies	
Room and Board	
Other Living Expenses	
<b>1. Annual Sticker Price</b>	
Grants and Scholarships	
<b>2. Annual Net Price</b>	









 <b>Pricey Prestige</b>	
Tuition and Fees	
Books and Supplies	
Room and Board	
Other Living Expenses	
<b>1. Annual Sticker Price</b>	
Grants and Scholarships	
<b>2. Annual Net Price</b>	

What school did you pick? Why?

**Handout 2: Budget Friendly Grants and Scholarships Cards**

 <p><b>Budget Friendly</b></p> <p>School Type: Public</p> <p>Grants and Scholarships: \$0</p>	 <p><b>Budget Friendly</b></p> <p>School Type: Public</p> <p>Grants and Scholarships: \$2,648</p>
 <p><b>Budget Friendly</b></p> <p>School Type: Public</p> <p>Grants and Scholarships: \$5,296</p>	 <p><b>Budget Friendly</b></p> <p>School Type: Public</p> <p>Grants and Scholarships: \$15,888</p>
 <p><b>Budget Friendly</b></p> <p>School Type: Public</p> <p>Grants and Scholarships: \$10,592</p>	 <p><b>Budget Friendly</b></p> <p>School Type: Public</p> <p>Grants and Scholarships: \$21,184</p>
 <p><b>Budget Friendly</b></p> <p>School Type: Public</p> <p>Grants and Scholarships: \$2,648</p>	 <p><b>Budget Friendly</b></p> <p>School Type: Public</p> <p>Grants and Scholarships: \$10,592</p>

**Handout 3: Pricey Prestige Grants and Scholarships Cards**

 <p><b>Pricey Prestige</b></p> <p>School Type: Private, non-profit</p> <p>Grants and Scholarships: \$0</p>	 <p><b>Pricey Prestige</b></p> <p>School Type: Private, non-profit</p> <p>Grants and Scholarships: \$5,994</p>
 <p><b>Pricey Prestige</b></p> <p>School Type: Private, non-profit</p> <p>Grants and Scholarships: \$11,988</p>	 <p><b>Pricey Prestige</b></p> <p>School Type: Private, non-profit</p> <p>Grants and Scholarships: \$35,964</p>
 <p><b>Pricey Prestige</b></p> <p>School Type: Private, non-profit</p> <p>Grants and Scholarships: \$23,976</p>	 <p><b>Pricey Prestige</b></p> <p>School Type: Private, non-profit</p> <p>Grants and Scholarships: \$47,952</p>
 <p><b>Pricey Prestige</b></p> <p>School Type: Private, non-profit</p> <p>Grants and Scholarships: \$23,976</p>	 <p><b>Pricey Prestige</b></p> <p>School Type: Private, non-profit</p> <p>Grants and Scholarships: \$5,994</p>



Visual 1: Budget Friendly School Sticker Price Sign

# Budget Friendly



**Tuition and Fees: \$13,130**  
**Books and Supplies: \$1,804**  
**Room and Board: \$11,280**  
**Other Living Expenses: \$3,120**

Visual 2: Pricey Prestige School Sticker Price Sign

# Pricey Prestige



**Tuition and Fees: \$36,620**  
**Books and Supplies: \$1,000**  
**Room and Board: \$10,120**  
**Other Living Expenses: \$2,120**