



KAIZEN

FINANCIAL ADVISORS, LLC

College Knowledge

Understanding your financial options



Prepared for the Puyallup School District

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About the Presenter



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- Retirement and life event planning
- Portfolio design and management
- Risk mitigation, estate planning, employee benefits, college planning, etc.
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College Planning Topics

Part 1: The Cost of College

Part 2: Lowering the Cost

- Basic Strategies
- Programs
- Scholarships

Part 3: Sources of Funds

- Financial Aid
- Savings
- Debt

Part 4: Finding a College Fit

Wrap-up with Q&A



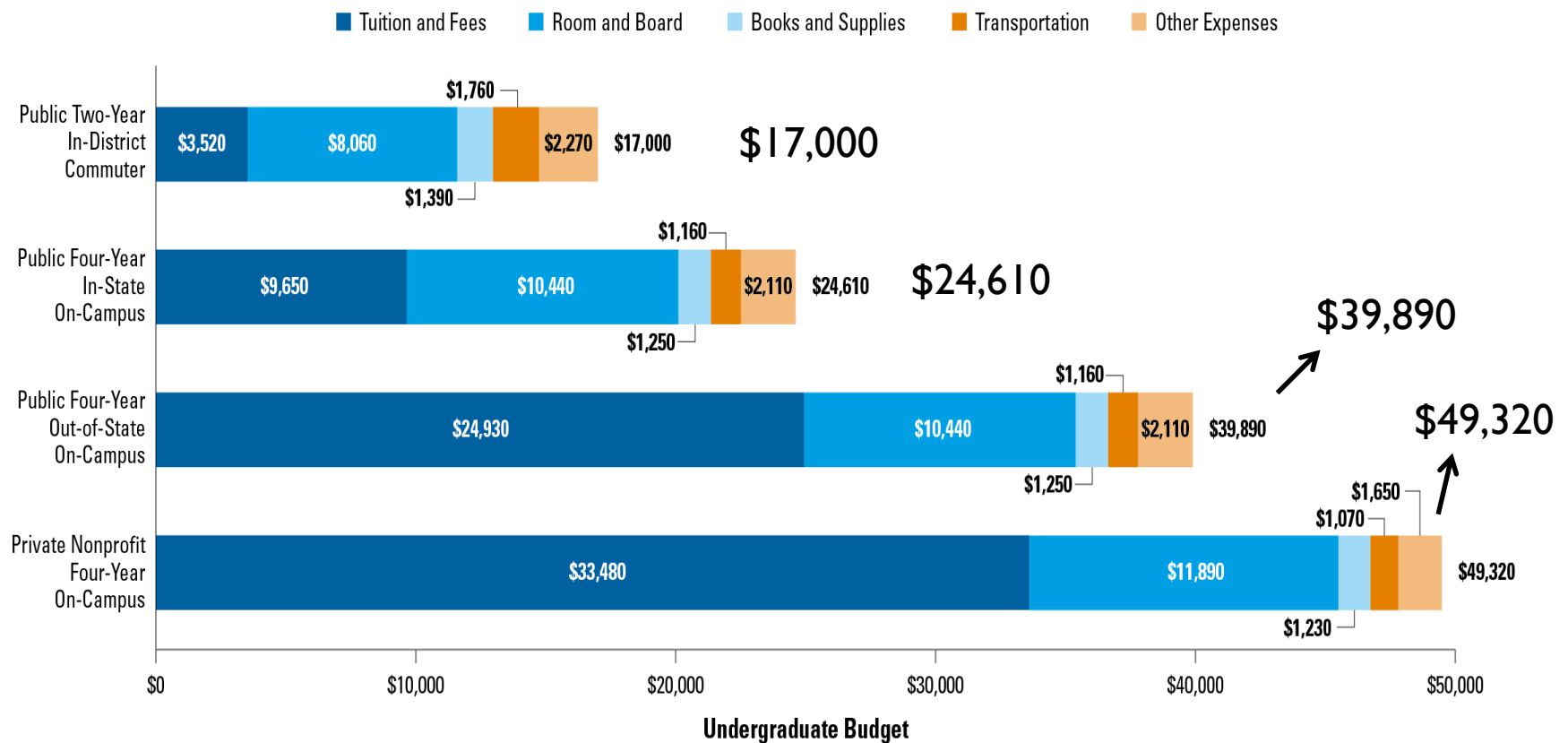
Part 1: The cost of college...



Photo Credit: collegeconfidential.com

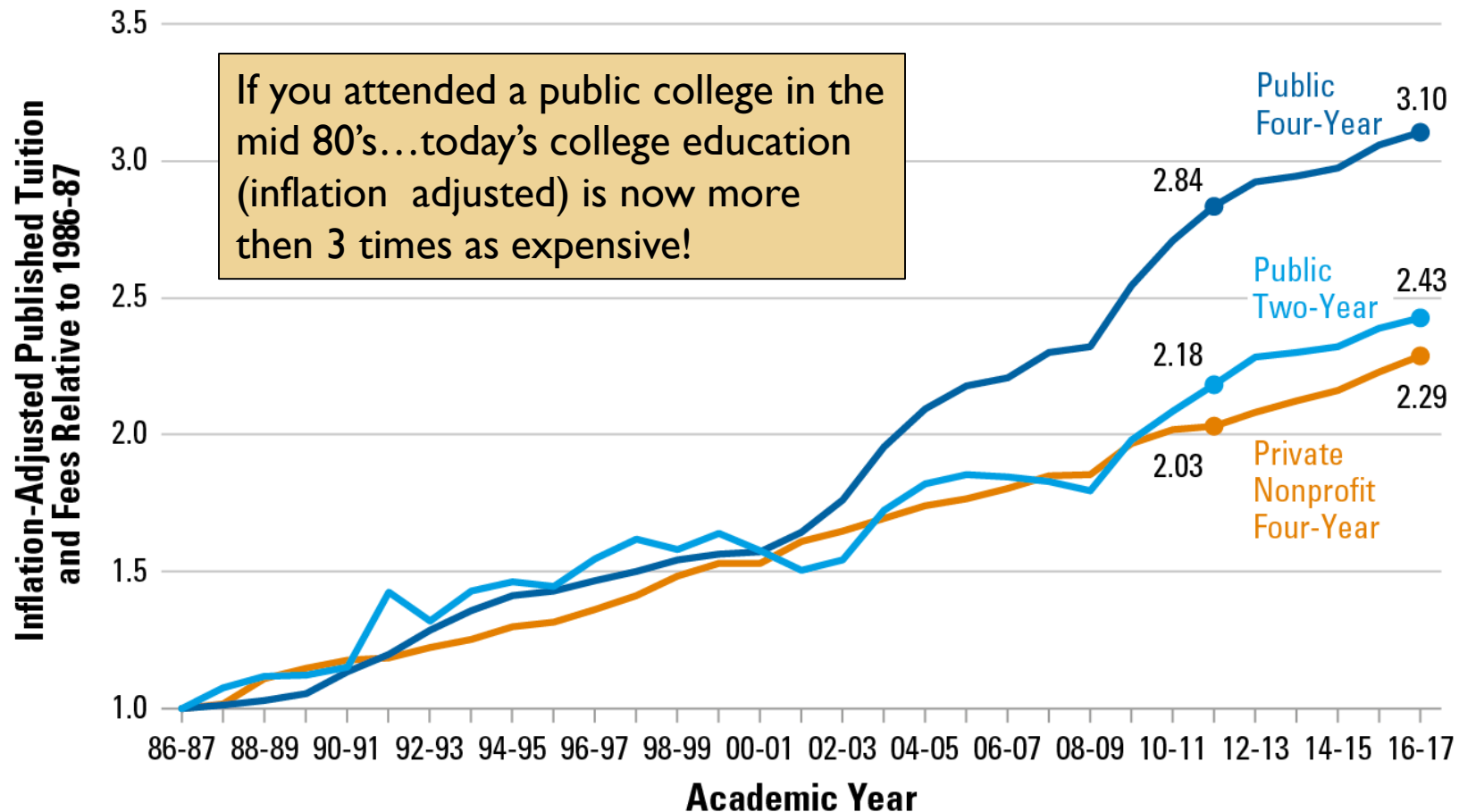
Average Cost of College

Average Estimated Full-Time Undergraduate Expenses



SOURCE: The College Board, *Trends in College Pricing 2016*, Figure 1

Inflation-Adjusted Published Tuition and Fees



What's Driving Costs

Many studies...Many conclusions.

- ✧ Growth in financial aid availability (50% to 75% of expansions ends up in tuition)...student loan growth
- ✧ Tuition discounting...financial/merit aid (non-participants pay)
- ✧ Regulatory compliance costs (Vanderbilt \$117M / \$29M / \$2,300)
- ✧ Reduced government subsidies
- ✧ Growth in non-instructional overhead (25yrs: admin-staff/stud x2)



The cost of UW and WSU



16/17 Published Costs:

Tuition and Fees	\$10,753	41%	\$9,884	38%
Room and Board	\$11,691	45%	\$11,356	44%
Books and Supplies	\$825	3%	\$960	4%
Other	\$2,679	10%	\$3,542	14%
Cost of Attendance	\$25,948		\$25,742	

WA's College Affordability Act



- ∞ Signed July 6, 2015
- ∞ UW & WSU: -5%, -10%
- ∞ Beginning in 2017-18 yr, tuition not to exceed BLS WA median wage growth
- ∞ Legislators being pressured to increase tuition beyond current law's restrictions

Part 2: Lowering Costs



Some Ideas to Reduce Costs

- ✧ Running Start / AP credits
- ✧ Consider community college
- ✧ Live at home / off campus
- ✧ Seek private scholarships
- ✧ Stay on track, graduate on time/early
- ✧ “Bunching” to max financial aid
- ✧ American Opportunity Tax credit
- ✧ Summer courses can be less expensive
- ✧ Take maximum # of credits tuition covers
- ✧ Shop for reasonable net COA



Two paths...same degree

Jack: Receives Accounting Degree from UW

Cost:

Fr Yr: UW, full COA	25,948
So Yr: UW, full COA	25,948
Jr Yr: UW, full COA	25,948
Sr Yr: UW, full COA	25,948
	103,792

Funds:

Savings	16,000
Student's summer jobs contribution \$2k/yr	8,000
Parent contributions from income \$2k/yr	8,000
Student debt	72,000
	104,000

Annual debt pmts @7% for the next 10 years	10,032
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Jill: Receives Accounting Degree from UW

Cost:

Earned 1 quarter worth of AP credits	300
Earned 1 Yr worth of Running Start Credits	600
2 Qrt of So Yr @ Cascadia CC, living at home	2,500
Jr Yr: UW, living at home	14,254
Sr Yr: UW, living at home	14,254
	31,908

Funds:

Savings	16,000
Student's summer jobs contribution \$2k/yr	8,000
Parent contributions from income \$2k/yr	8,000
Student debt	0
	32,000

Annual debt pmts @7% for the next 10 years	0
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In the end they both have the same degree, but Jack paid nearly 3x as much and graduates with a \$10k payment for next 10yrs

Government Programs

- ∞ There are a number of programs (many of which are government sponsored) to pay/lower the cost education
 - For example...the GI Bill, Federal and State Grants, College Bound Scholarships, Etc.
- ∞ My expertise and presentation are focused on the more traditional financial dimensions of college
- ∞ I **strongly encourage** you to contact your **high school counselors** to explore

Lower costs through generosity

So, your ideal school is expensive...

- ☞ Identify and target generous schools
 - Merit (if applicable)
 - Financial Aid (if applicable)
- ☞ Some schools are generous...others are not (large range)



Merit Scholarships...Deep Dive

Some key aspects of merit scholarships

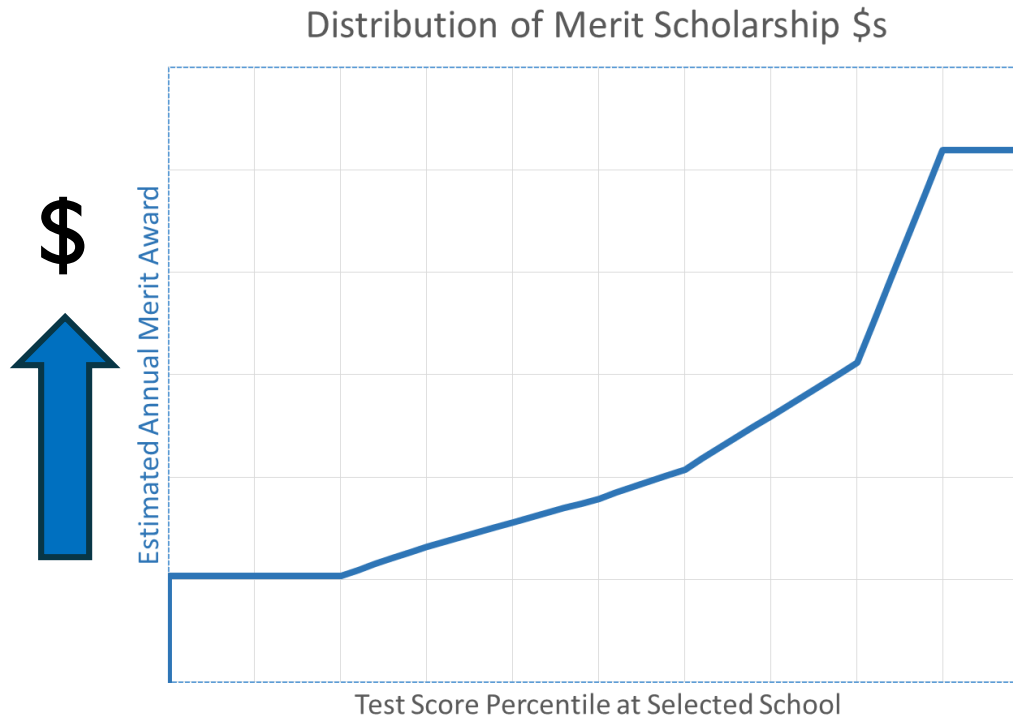
∞ Automatic vs. Application Based

- Automatic – No application required...based on grades and test scores
- Application – Must apply, may require essays, interviews, etc. ...extra-circulars often play a role, usually the largest awards with few recipients
 - Resume window dressing can help
 - Difficult to assess probability of being a recipient – research past recipients

∞ Grades less of a differentiator...favors test scores

Typical Merit Distribution

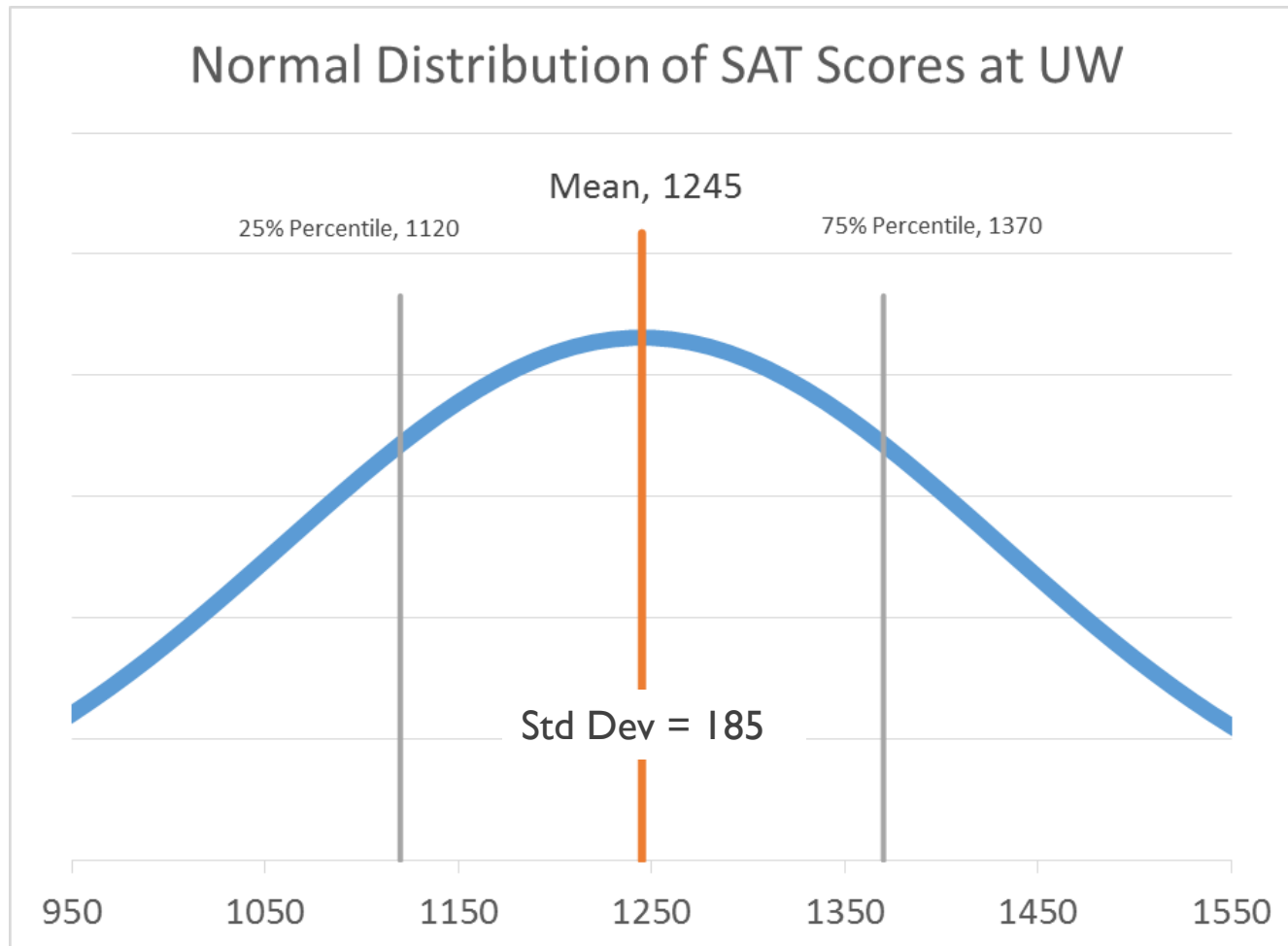
Merit awards are not linear...
They disproportionately favor top performers!



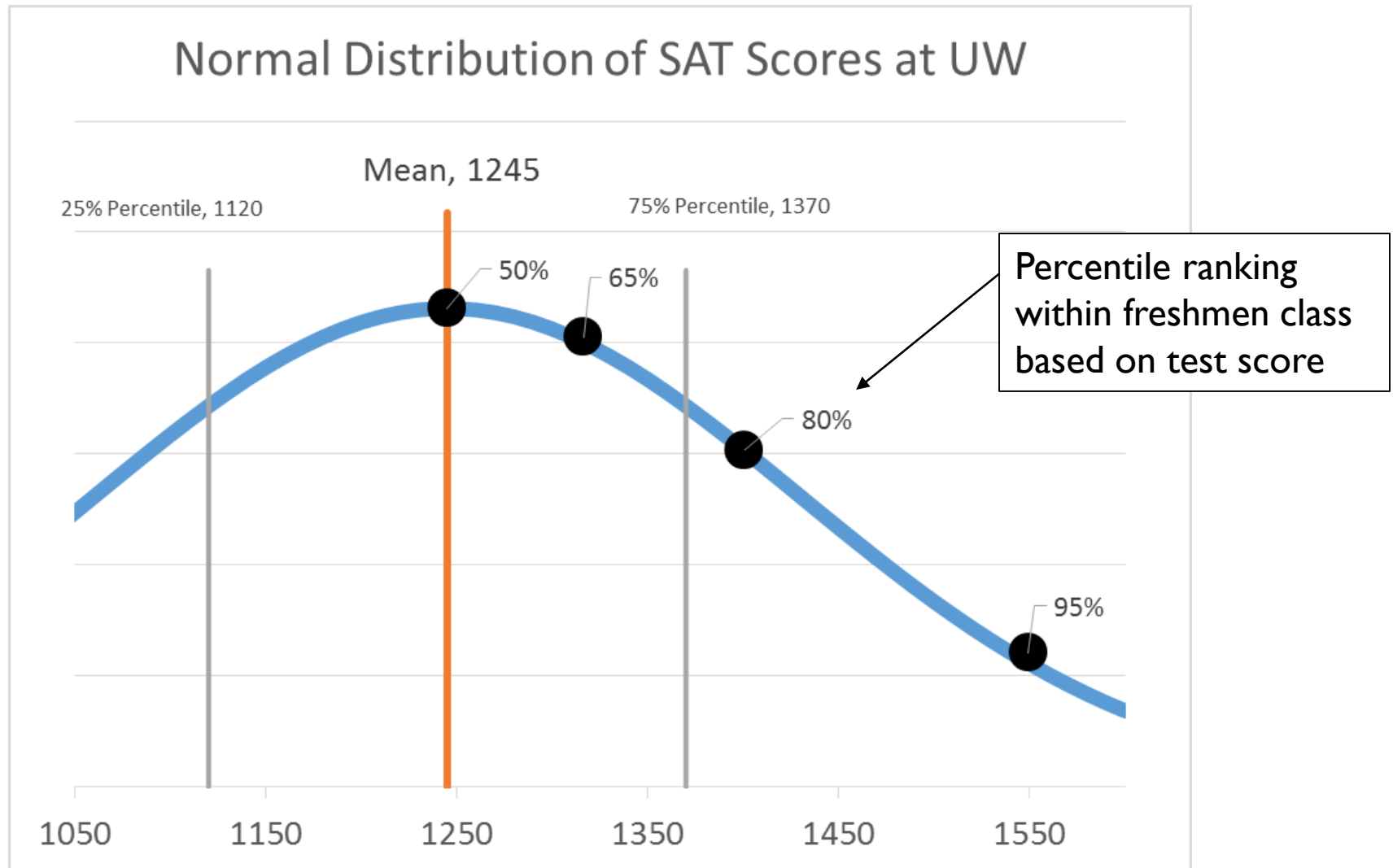
Note: I assume percentile rank is based on test scores only. Reality is that some awards will include other factors such as leadership, extracurriculars, etc.

Disclaimer Note: These figures do not represent any specific institution it only depicts what the presenter has ascertained as “typical”, every school’s actual distribution will differ from the above

Percentile Mostly Test Scores



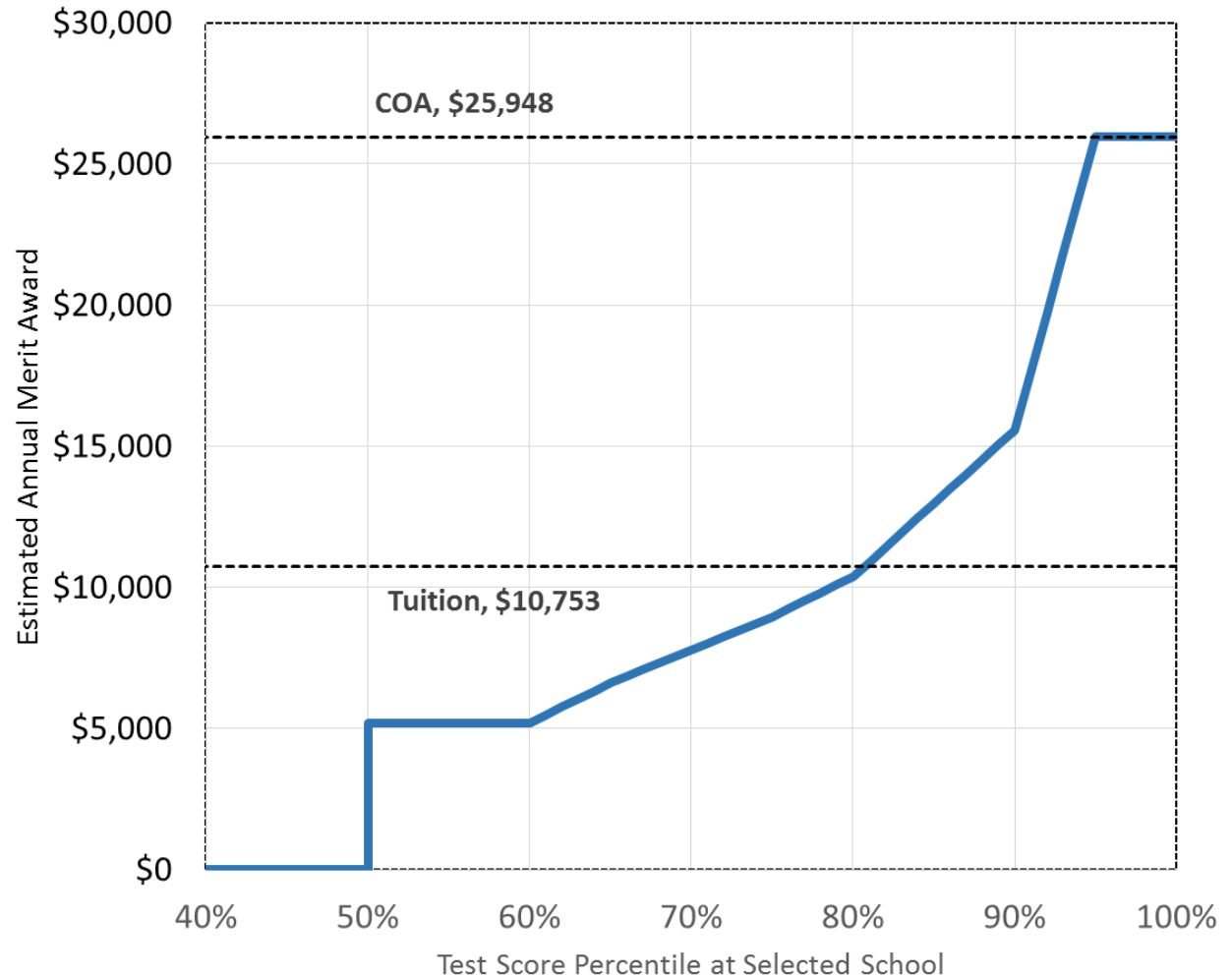
Test Score Ranking



A Hypothetical Example...

Let's assume...

1. UW in-state costs
2. 50% of students receive non-need based merit \$
3. Average merit scholarship of \$10.3k per yr

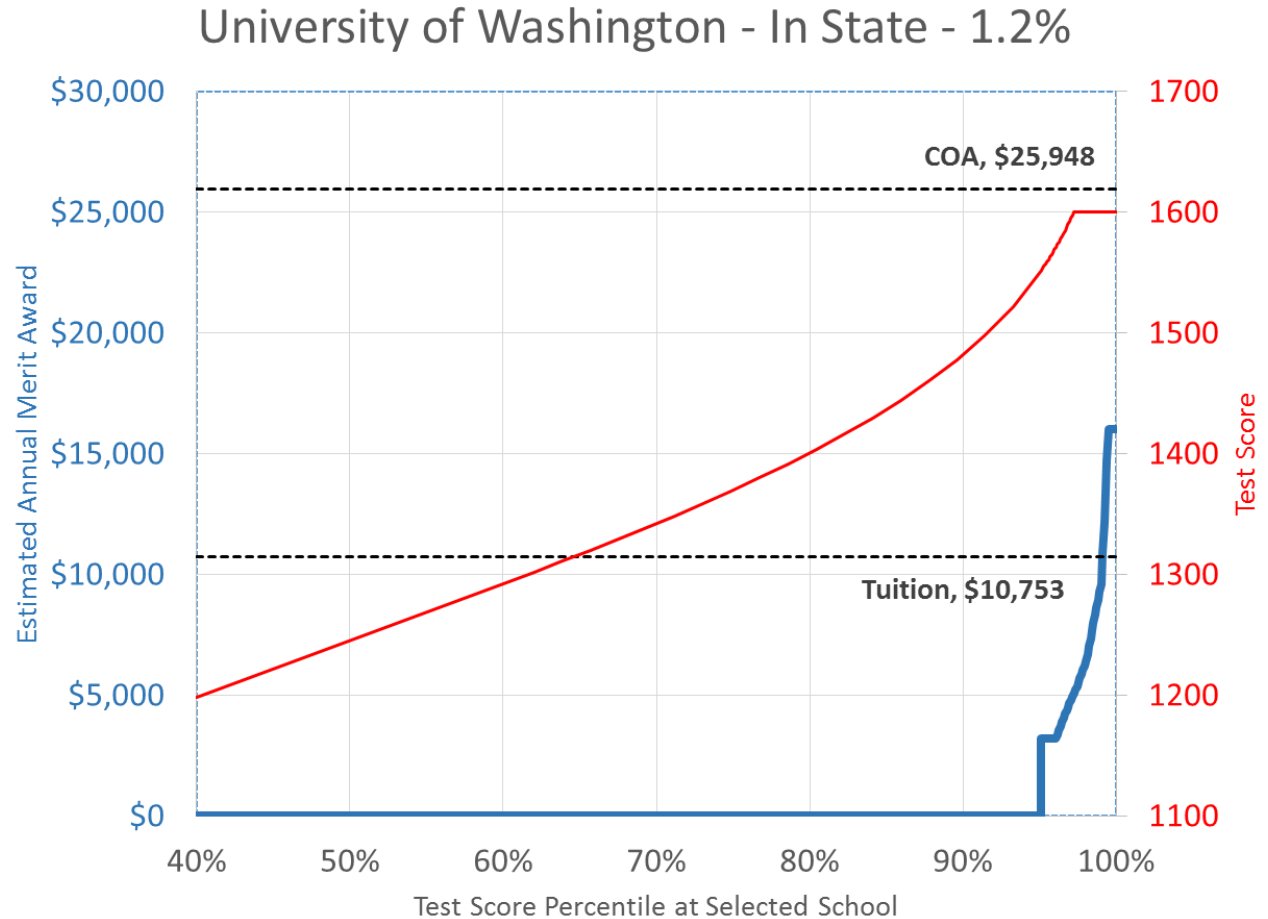


UW...The Reality

UW Stats:

4.9% of students
receive non-need
based merit

Avg recipient gets
\$6.4k per yr

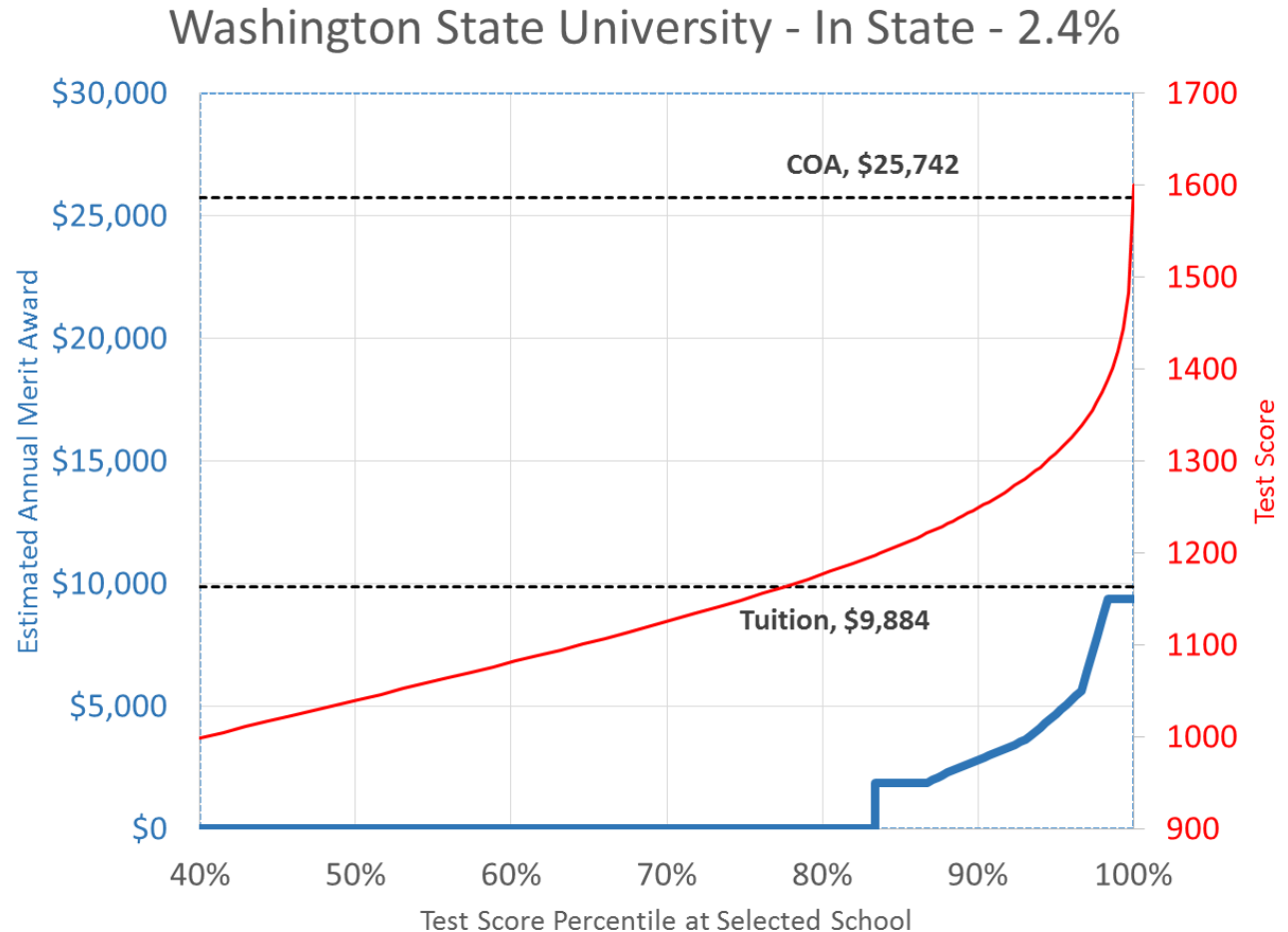


WSU Merit Generosity

WSU Stats:

16.6% of students receive non-need based merit

Avg recipient gets \$3.8k per yr

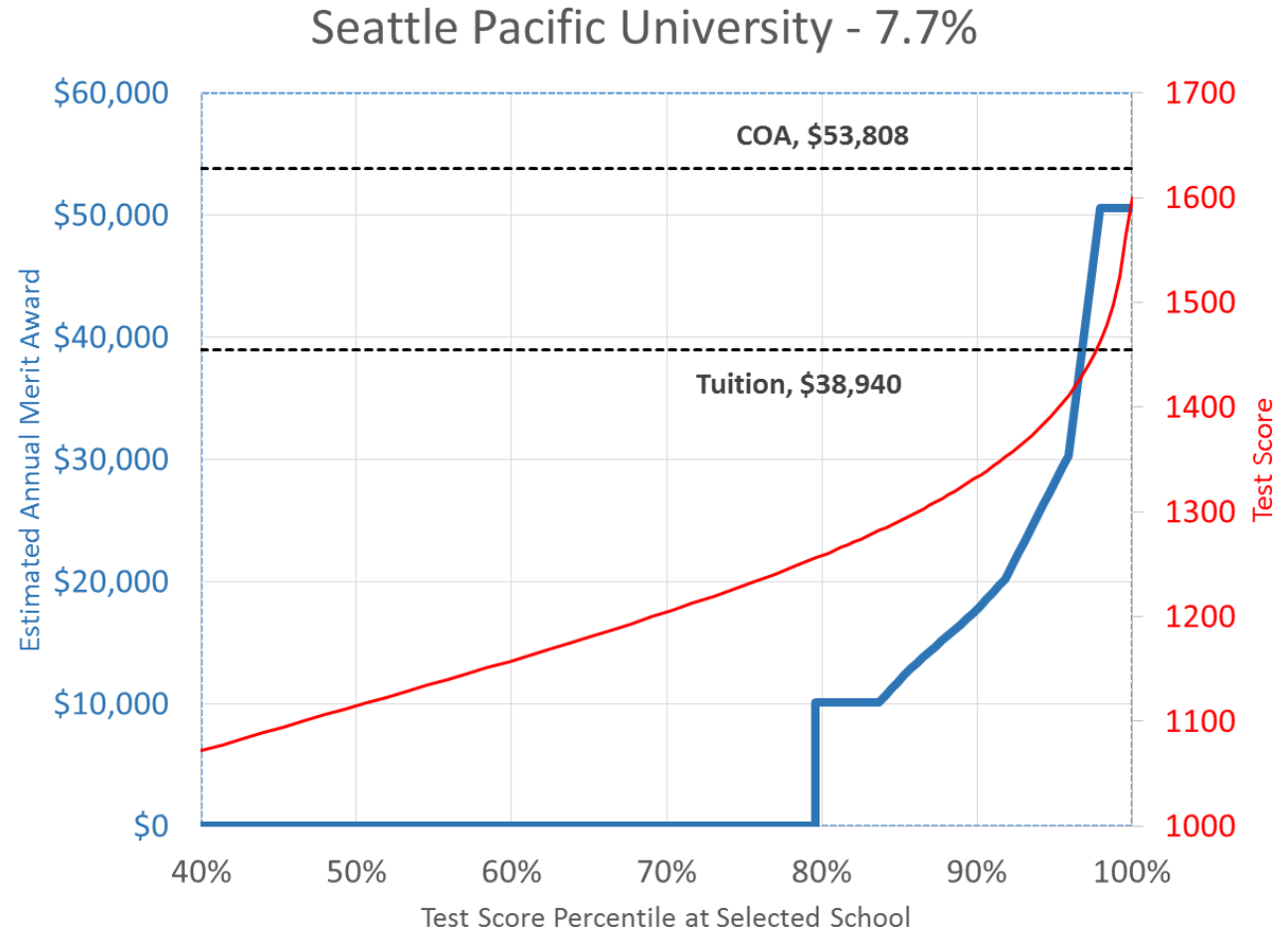


SPU Merit Generosity

SPU Stats:

20.4% of students
receive non-need
based merit

Avg recipient gets
\$20.2k per yr

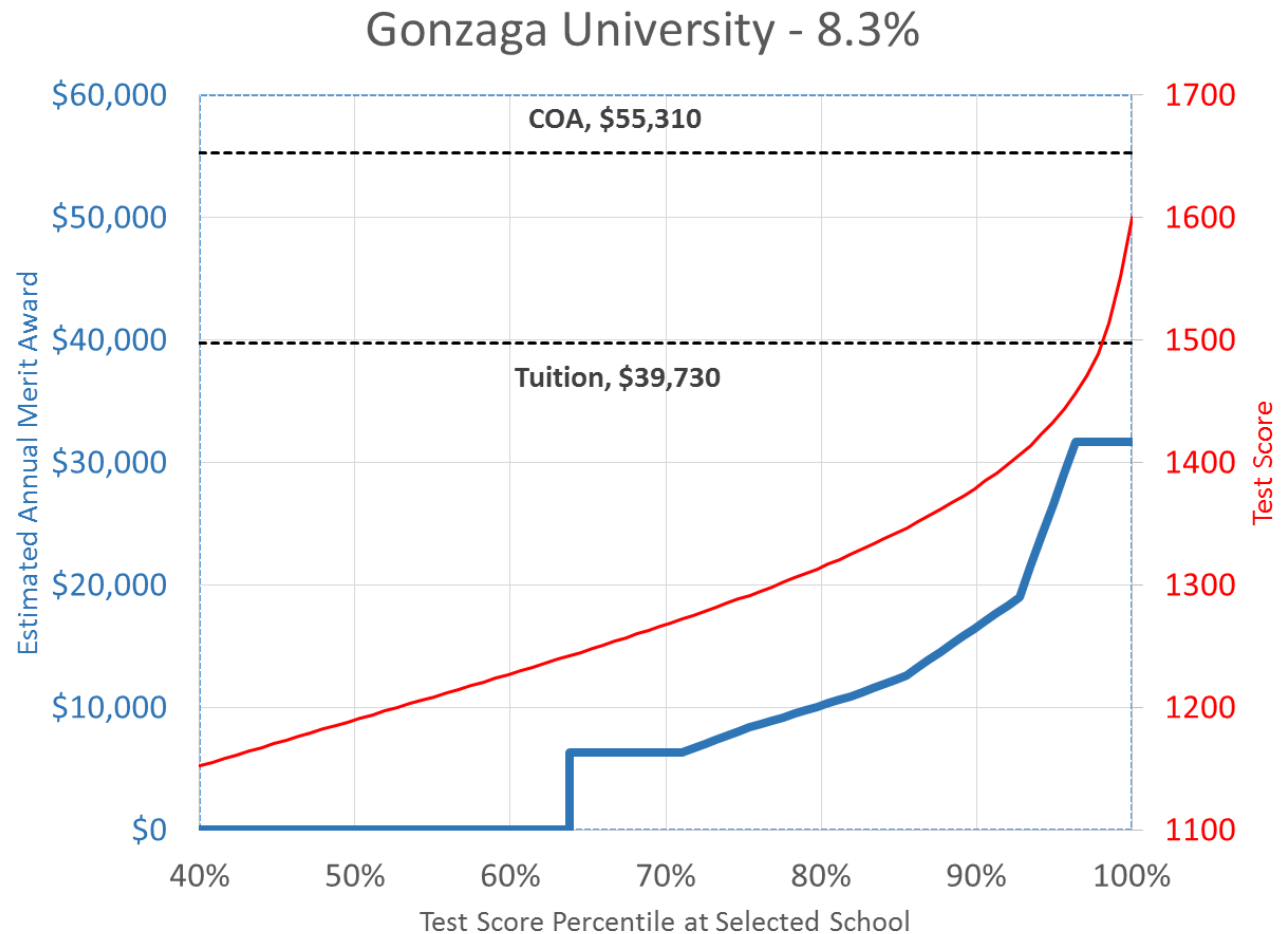


Gonzaga Merit Generosity

Gonzaga Stats:

36% of students
receive non-need
based merit

Avg recipient gets
\$12.7k per yr



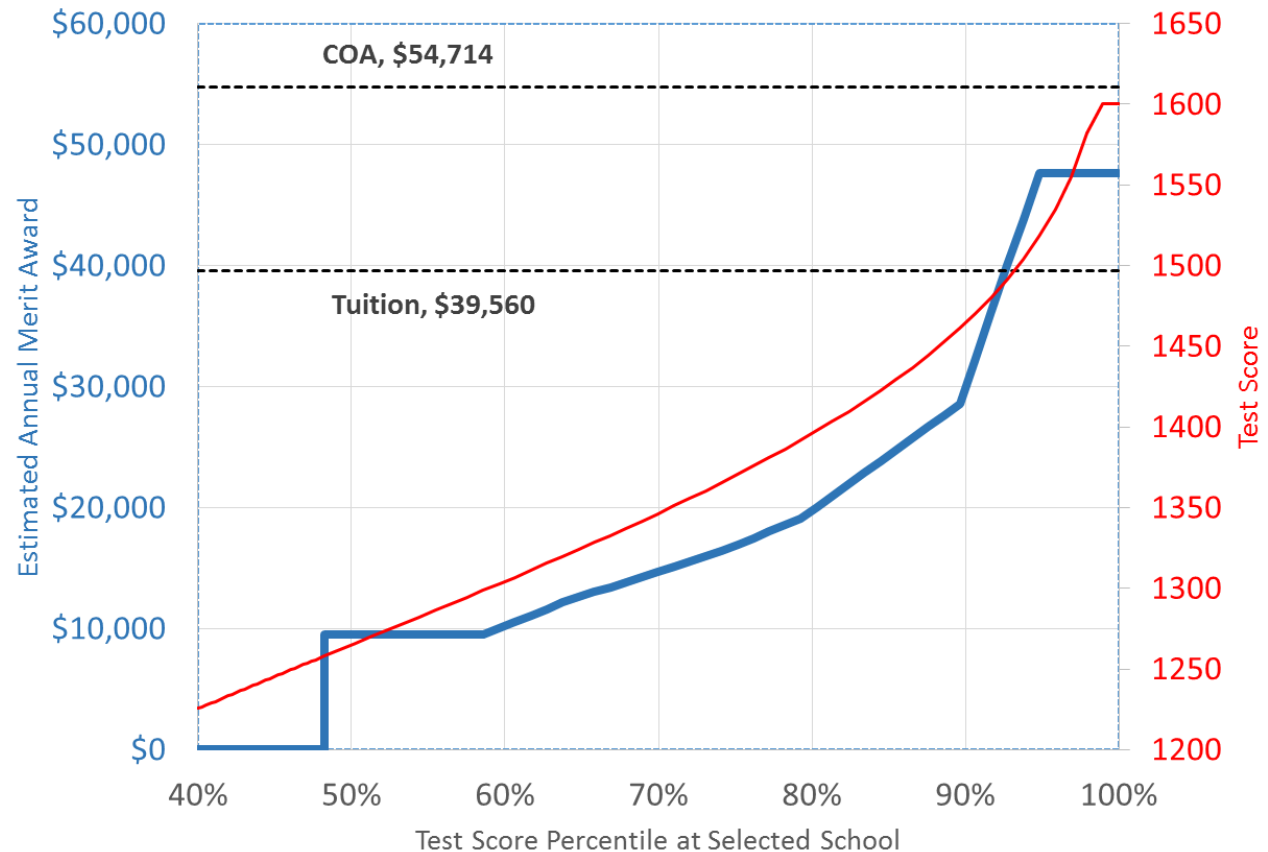
Trinity Merit Generosity

Trinity University - 18.1%

Trinity Stats:

52% of students
receive non-need
based merit

Avg recipient gets
\$19.0k per yr



Estimating Merit Awards

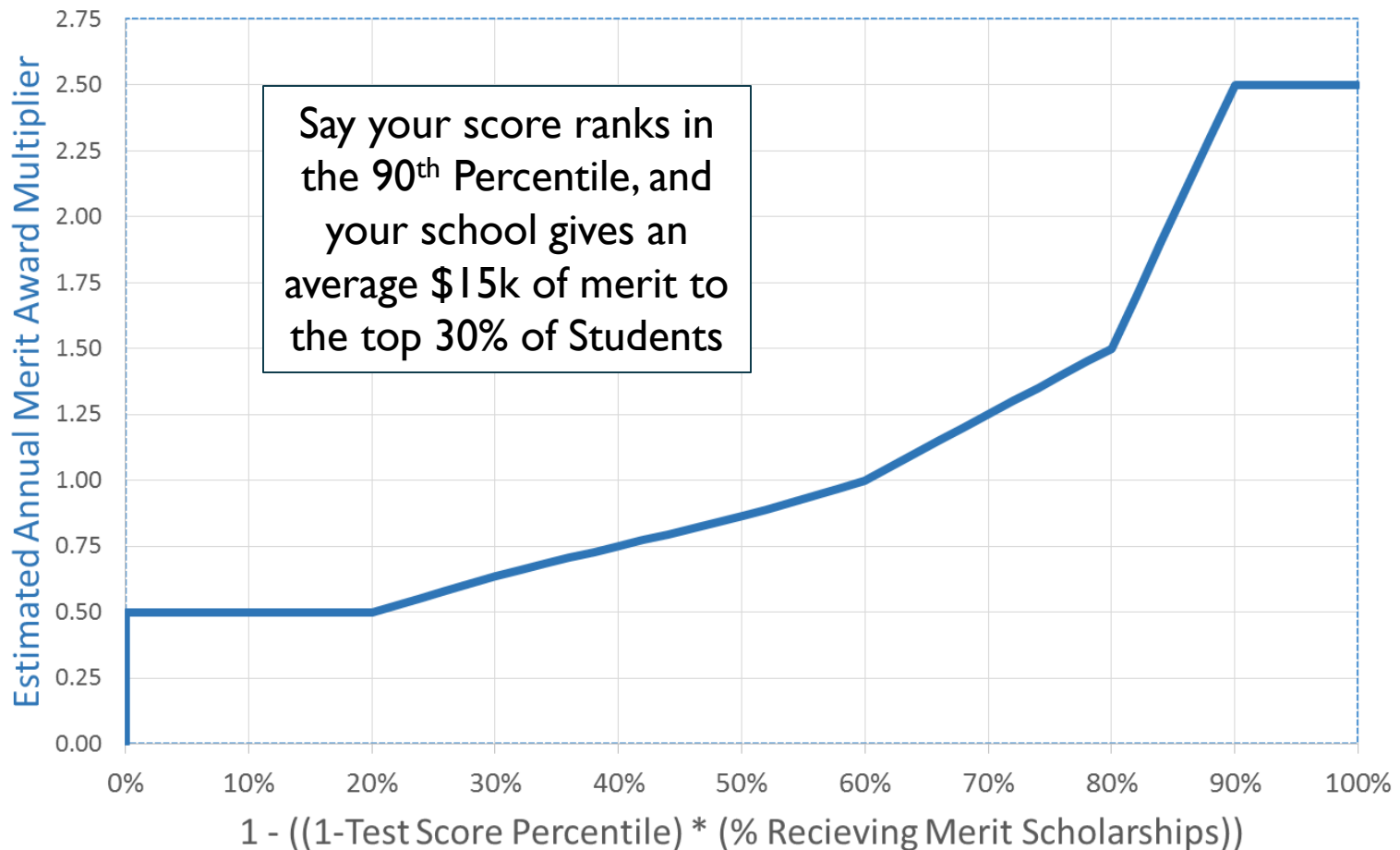
Info you need (available at www.collegedata.com)...

1. % of students receiving non-need based merit
2. Average dollar award per recipient
3. SAT/ACT scores for 25th and 75th percentiles
4. Estimate of percentile rank (use NORM.DIST formula)
 - Mean = $(75^{\text{th}} + 25^{\text{th}}) / 2$
 - Std Dev = $(75^{\text{th}} \text{ minus Mean}) / 0.675$
5. My “Merit Multiplier Grid” to obtain multiplier

Net price calculators also provides automatic merit estimation

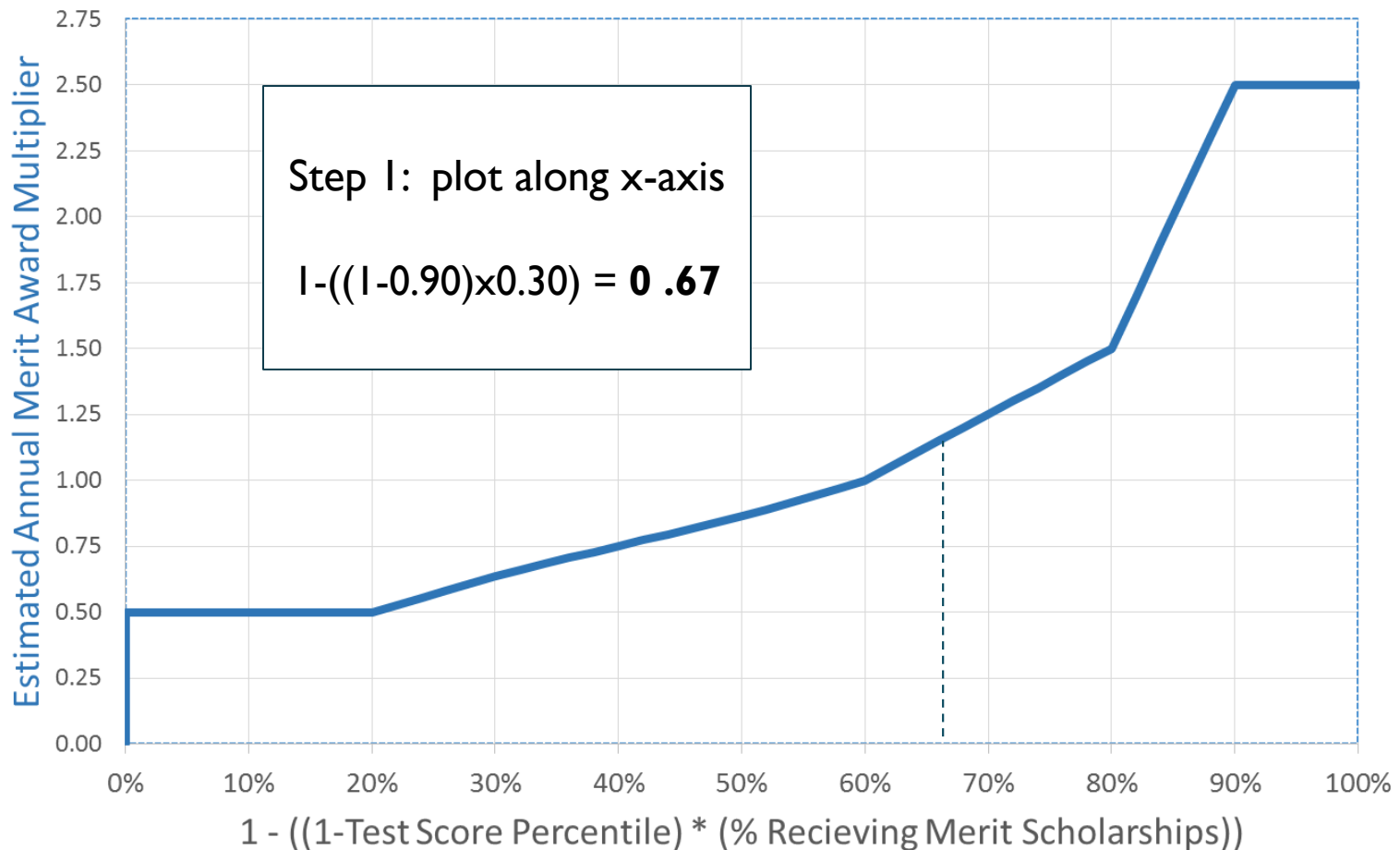
Merit Multiplier Grid

Merit Scholarship Estimator



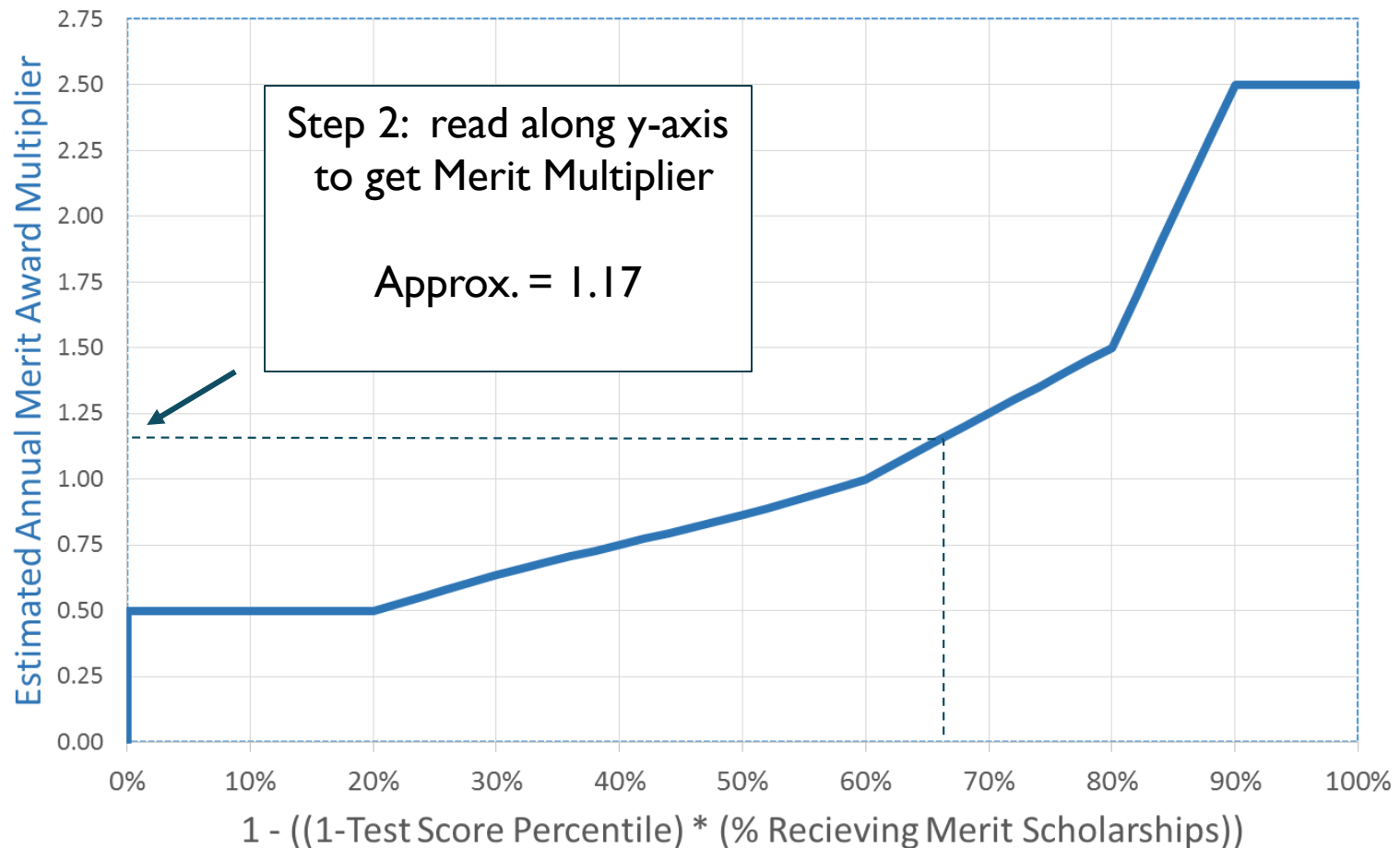
Merit Multiplier Grid

Merit Scholarship Estimator



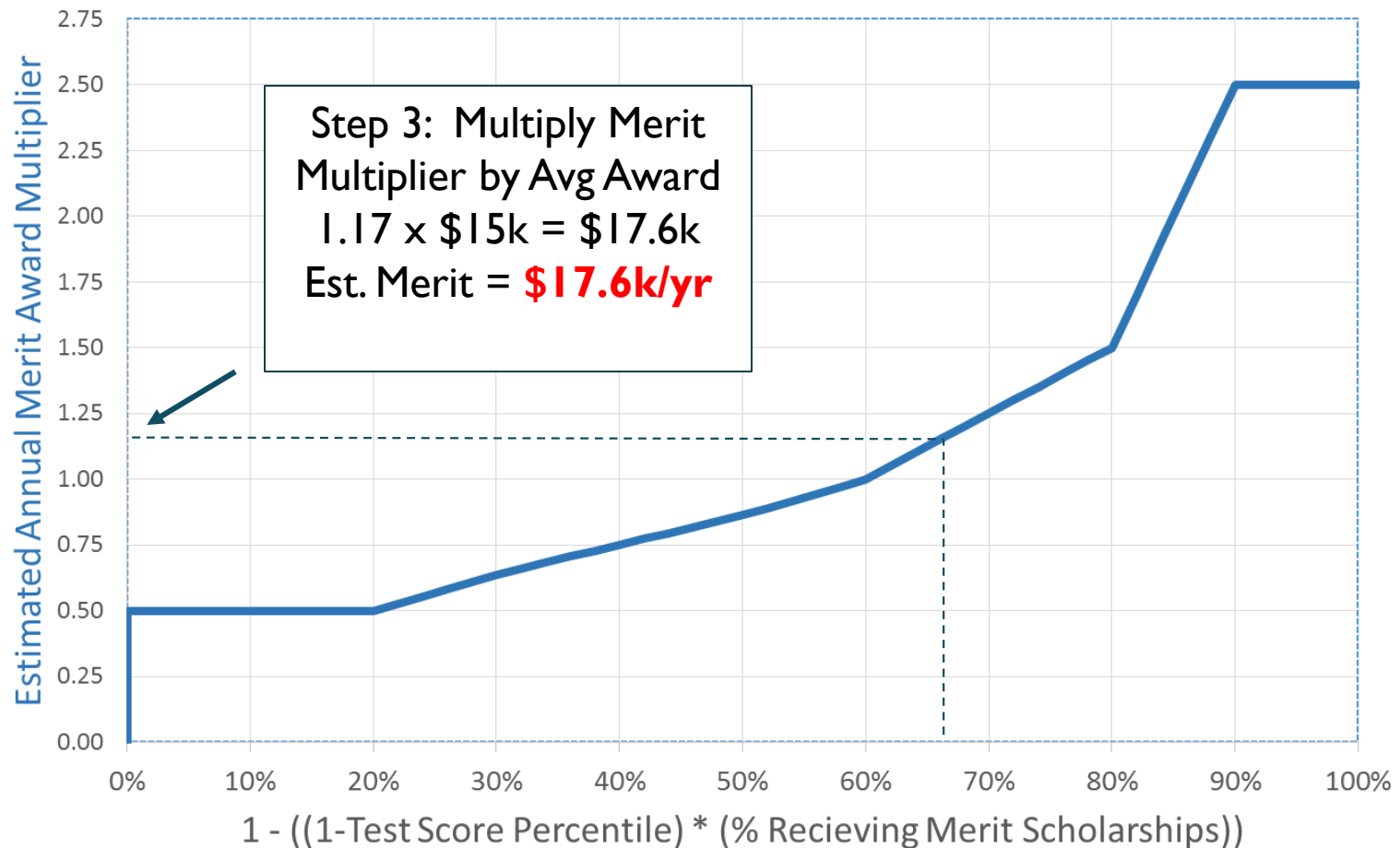
Merit Multiplier Grid

Merit Scholarship Estimator



Merit Multiplier Grid

Merit Scholarship Estimator



Strive to Improve Test Scores

		Math	Reading	Comb	Improve
6/28/2014	Practice	710	610	1320	
8/9/2014	Practice	690	690	1380	60
8/23/2014	Practice	780	670	1450	130
9/20/2014	Practice	800	610	1410	90
10/11/2014	Real	800	720	1520	200

- ∞ The results above are real...student worked with private tutor
- ∞ Student targeted a competitive but **generous** school
 - 1320 ranked in the **51st percentile – no merit** (per my estimate)
 - 1520 ranked in the **93rd percentile – \$34k/yr merit** (actual award received)
- ∞ SAT/ACT not a measure of IQ ...this is a “teachable test”

Candidates for Test Tutors

Those who see material improvements...

- ✧ High personal motivation to do well
- ✧ Puts in the adequate “quality” time
- ✧ Focused on prep, few outside distractions
- ✧ Focuses on missed practice questions

Those who see minimal improvements...

- ✧ Parents are the driver and motivator
- ✧ Student feels overly pressured
- ✧ Inadequate lead/prep time...quality time



Part 3: Paying for College



Photo Credit: <https://blogdotnicsadotorg.wordpress.com>

Monthly Saving for UW

Education Cost Inflation = 3.0% 3.0%
 Current Bal = 0 15,000
 Invest Growth Rate = 5.5% 5.5%

Grad Yr	School Yr	4yr Cost	Mo Save	Mo Save
2017	Sr	104,236	8,470	7,184
2018	Jr	105,965	4,187	3,527
2019	So	109,144	2,795	2,344
2020	Fr	112,418	2,099	1,752
2021	8th	115,791	1,681	1,396
2022	7th	119,265	1,402	1,159
2023	6th	122,843	1,202	989
2024	5th	126,528	1,052	861
2025	4th	130,324	935	761
2026	3rd	134,234	842	681
2027	2nd	138,261	765	615
2028	1st	142,408	700	560
2029	Kind	146,681	646	513
2030	4yrs	151,081	599	473
2031	3yrs	155,613	558	438
2032	2yrs	160,282	522	407
2033	1yrs	165,090	491	380
2034	0yrs	170,043	462	356



Key take away...Start early

Overview of Financial Aid



Financial Aid Forms

- ✎ FAFSA and CSS Profile (depends on the school)
- ✎ Every school asks for the FAFSA
 - It's Free and less burdensome than CSS
- ✎ Almost 400 schools also ask for CSS profile (mostly private)
- ✎ CSS administered by the College Board and imposes a nominal fee per school
- ✎ Two methodologies result in different calculated level of need

Expected Family Contribution

- ∞ Expected Family Contribution (EFC) is how much you can contribute and is primarily based on your income and assets
- ∞ High-Level EFC calculation based on 2 components...
 - **EFC = (1) Income Contribution + (2) Asset Contribution**
 - **(1) Income Contrib.** = up to 47% of After-tax AGI less an allowance, plus 50% of student income in excess of \$6.3k
 - **(2) Asset Contrib.** = up to 5.64% non-retirement assets less an allowance, plus 20% of student assets

NOTE: If income \leq \$24k, EFC is zero (eligible for max financial aid)

So...How much aid will I get?

$$\text{Financial Need} = \text{Cost of Attendance} - \text{EFC}$$

- ∞ Cost of attendance (COA) provided by school (UW is \$26k)
- ∞ If $\text{COA} \leq \text{EFC}$, then no financial aid
- ∞ COA adjustments to consider...
 - Living off campus reduces COA
 - Scholarships reduce COA

Calculator: <https://fafsa.ed.gov> → “FAFSA4caster” (lower right)

Simplified EFC Example

		Example
Contribution for Income		
Adjusted Gross Income (AGI)		120,000
Less State and Fed Taxes		-21,300
Less SS and State Taxes		-9,840
Less Income Allowance	<i>Table A3</i>	-27,000
Available Income	X	61,860

Contribution from Assets		
Cash and savings accts		10,000
Non-Retirement Investments		60,000
Educational savings		30,000
Net worth of business		0
¹ Less Asset Allowance	<i>Table A5</i>	-28,800
Discretionary Net Worth		71,200
x Asset multiplier	12%	12%
Contributions from assets	Y	8,544

Avail Inc + Contrib form Assets (AAI) **X+Y** **70,404**

EFC from Table A6 **EFC** **26,765**

Table A3: Income Protection Allowance

# of College students in household					
	1	2	3	4	5
2	17.6k	14.6k			
3	21.9k	18.9k	15.9k		
4	27.0k	24.0k	21.0k	18.0k	
5	31.9k	28.9k	25.9k	22.9k	19.9k
6	37.3k	34.3k	31.3k	28.3k	25.3k

Table A6: Parents Contribution from AAI

If parents' AAI is—	The parents' contribution
Less than -\$3,409	(\$750)
-\$3,409 to \$15,700	22% of AAI
\$15,701 to \$19,700	\$3,454 + 25% of AAI over \$15,700
\$19,701 to \$23,700	\$4,454 + 29% of AAI over \$19,700
\$23,701 to \$27,700	\$5,614 + 34% of AAI over \$23,700
\$27,701 to \$31,700	\$6,974 + 40% of AAI over \$27,700
\$31,701 or more	\$8,574 + 47% of AAI over \$31,700

¹**Note:** from table A5, based on age and # of parents

Forms of Financial Aid

Financial aid generally comes three forms (US Averages)...

1. **Grants** - cash gift to the student (US Avg. - 57% of all aid, 72% of fin aid)
2. **Loans** - must be paid back, federally est interest rates and certain beneficial features (US Avg. - 34% of all aid, 28% fin aid)
3. **Work study** - on campus employment

Financial Aid Generosity

Less than **3%** of schools cover 100% of all student's need

∞ Real Examples...

- UW: **42%** had full need met, **Average was 82% of need**, **38%** receive fin aid
- Seattle University: **12%** had full need met, **Average was 69% of need**, **67%**

∞ Remember, financial aid comes in 3 forms

∞ Example: Assume 75% of need is met, than on average...

- **Grants** (a gift to you): $75\% \times 57\%$ or **43% of cost covered**
- **Student Loans** (pay back with interest): $75\% \times 34\%$ or **25% of cost**
- **Other + Work Study**: $75\% \times 9\%$ or **7% of cost**
- **Out-of-Pocket** (you're on your own): **25% of cost (additional debt?)**

Even with typical financial aid...50% of cost may come from loans!

Sheltering Assets from FASFA

Received any flyers for free college planning presentations?...There's a good chance it's from an **insurance agent**...but why?

- ✎ Most assets reduce financial aid by 5.64% of the asset's value
- ✎ Some examples of assets that don't reduce financial aid
 - Primary home, farm, or small business
 - Retirement accounts (401k, IRA, Roth IRA, tax-deferred annuities, etc.)
 - Cash value of life insurance policies
- ✎ “Annuities” and “cash value life insurance” are insurance contracts
 - Manufactured by life insurance companies
 - Sold mostly by non-fiduciary insurance agents

Insurance? Do the math...

Say you want to shelter \$100k via insurance (improves EFC by **\$5,640**). From previous example, 43% grant aid or **\$2,425** (57% grant, 75% need).

- ∞ Commissions: annuities - 4% to 8%, whole life - 6% to 12%
- ∞ Annuity fees: M&E charges = 1.25% per yr on average, administrative and investment fees: > 1% per year
- ∞ Whole life policies includes the actuarial cost of life insurance

Beware...Fees will likely consume all benefit, and then some

College Savings Vehicles

- ☞ **State sponsored 529 plan savings accounts**
- ☞ Pre-paid 529 tuition plans (e.g. WA GET)
- ☞ Coverdell savings accounts
- ☞ Qualifying US savings bonds
- ☞ Roth and Traditional IRAs
- ☞ UGMA accounts
- ☞ Taxable investment accounts (e.g. a brokerage acct)



Comparison of Saving Plans

	WA GET	529 Plan	Coverdell Savings Accounts	Qualifying U.S. Savings Bonds	Roth IRA	Traditional IRA	UGMA/UTMA	Investment Account
Federal Income Tax	Non-deductible contributions; withdrawn earnings excluded from income to extent of qualified higher education expenses	Non-deductible contributions; withdrawn earnings excluded from income to extent of qualified higher education expenses	Non-deductible contributions; withdrawn earnings excluded from income to extent of qualified higher education expenses and qualified K-12 expenses also excluded	Tax-deferred for federal; tax-free for state; certain post-1989 EE and I bonds may be redeemed federal tax-free for qualified higher education expenses	Non-deductible contributions; withdrawn earnings excluded from income after age 59 1/2 – and five years; 10% penalty on early withdrawals waived if used for qualified higher education expenses	Deductible or non-deductible contributions; withdrawals in excess of basis subject to tax; 10% penalty on early withdrawals waived if used for qualified higher education expenses	Earnings and gains taxed to minor; first \$1050 of unearned income is tax exempt; unearned income over \$2,100 for certain children through age 23 is taxed at parents rate	Earnings and gains taxed in year realized; special lower tax rates for certain dividends and capital gains
Federal Gift Tax Treatment	Contributions treated as completed gifts; apply \$14,000 annual exclusion, or up to \$70,000 with 5-year election	Contributions treated as completed gifts; apply \$14,000 annual exclusion, or up to \$70,000 with 5-year election	Contributions treated as completed gifts; apply \$14,000 annual exclusion	No gift as qualifying bonds must be owned by the parent	No gift involved	No gift involved	Transfers treated as completed gift; apply \$14,000 annual gift exclusion	No gift involved; direct payments of tuition not considered gifts
Federal Estate Tax Treatment	Value removed from donor's gross estate; partial inclusion for death during a 5-year election period	Value removed from donor's gross estate; partial inclusion for death during a 5-year election period	Value removed from donor's gross estate	Value included in bond owner's gross estate	Value included in the owner's gross estate	Value included in the owner's gross estate	Value removed from donor's gross estate unless donor remains as custodian	Value included in the owner's gross estate
Maximum Investment	Limited to 500 Units. A unit is priced based on the tuition and mandatory fees of UW/WSU	Established by the program; many in excess of \$300,000 per beneficiary	\$2,000 per beneficiary per year combined from all sources	\$10,000 face value per year, per owner, per type of bond	\$5,500(\$6,500 for taxpayers age 50 and over)	\$5,500(\$6,500 for taxpayers age 50 and over)	No limit	No limit
Qualified Expenses	Tuition, fees, books, supplies, equipment, special needs; room and board for minimum half-time students	Tuition, fees, books, supplies, equipment, special needs; room and board for minimum half-time students	Tuition, fees, books, supplies, equipment, special needs; room and board for minimum half-time students; additional categories of K-12 expenses	Tuition and fees	Same as 529 plan	Same as 529 plan	No restrictions	No restrictions
Able to Change Beneficiary	Yes, to another member of the beneficiary's family	Yes, to another member of the beneficiary's family	Yes, to another member of the beneficiary's family	Not applicable	Not applicable	Not applicable	No; represents an irrevocable gift to the child	Not applicable
Time/Age Restrictions	10yrs from date of eligibility if not transfer to another beneficiary???	None unless imposed by the program	Contributions before beneficiary reaches age 18; use of account by age 30	Bond purchaser must be at least 24 years old at time of bond issuance	Withdraw earnings tax-free only after five years and age 59 1/2	Withdraw without penalty only after age 59 1/2	Custodianship terminates when minor reaches age established under state law (generally 18 or 21)	None
Income Restrictions	None	None	Ability to contribute phases out for incomes between \$190,000 and \$220,000 (joint filers) or \$95,000 and \$110,000 (single)	Interest exclusion phases out for incomes between \$115,750 and \$145,750 (joint filers) or \$77,200 and \$92,200 (single)	Must have taxable compensation; contribution limit phases out for incomes between \$183,000 and \$193,000 (joint filers) or \$116,000 and \$131,000 (single)	Must have taxable compensation; amount deductible reduced or eliminated for taxpayers who participate in an employer retirement plan and have income above certain limits	None	None
Federal Financial Aid	Counted as asset of parent if owner is parent or dependent student	Counted as asset of parent if owner is parent or dependent student	Counted as asset of parent if owner is parent or dependent student	Counted as asset of bond owner	Not counted as asset; withdrawals of principal and interest counted as financial aid income	Not counted as asset; withdrawals of principal and interest counted as financial aid income	Counted as student's asset	Counted as asset of the owner
Investments	Fixed benefit plan. Designed to return the cost of tuition inflation less fees.	Menu of investment strategies as developed by the program	Broad range of securities and certain other investments	Interest-earning bond backed by full faith and credit of U.S. government	Broad range of securities and certain other investments	Broad range of securities and certain other investments	As permitted under state laws	Broad range of securities
Use for Nonqualifying Expenses	Withdrawn earnings subject to federal tax and 10% penalty	Withdrawn earnings subject to federal tax and 10% penalty	Withdrawn earnings subject to federal tax and 10% penalty	No penalty; interest on redeemed bonds included in federal income	Taxable portion of withdrawal prior to age 59 1/2 also subject to 10% early withdrawal penalty	Taxable portion of withdrawal prior to age 59 1/2 also subject to 10% early withdrawal penalty	Funds must be used for benefit of the minor	No restrictions

Differentiating Saving Plans

	WA GET	529 Plan	Coverdell Savings Accts	Qualifying US Savings Bonds	Roth IRA	Trad IRA	UGMA/ UTMA Acct	Invest Acct
Federal Income Tax								
Fed Gift Tax Treatment								
Fed Estate Tax Treatment								
Maximum Investment								
Qualified Expenses								
Beneficiary Changes								
Time/Age Restrictions								
Income Restrictions								
Federal Financial Aid								
Investments Options								
Nonqualifying Expenses								

WA GET Plan (WA's 529)



What is the GET plan

- ✧ GET = “Guaranteed Education Tuition”
- ✧ Locking in future tuition costs
- ✧ 100 GET units = one year undergraduate **tuition and fees** at the most expensive WA public university.
- ✧ Purchase up to 500 units per child. (revising to 600 by e.o.y)
- ✧ Purchase all at once, or over time

Status of GET

- Temporary closed to new sales, can continue current payment plans. Estimated re-opening on Nov 1, 2017
- Unit purchase price fixed at \$151 (adj), Payout at \$117, recent premium...28% over current UW tuition cost
- One time 13.44% rebasing bonus (incr. in # of units owned)
- Allowing withdrawal w/o penalty if done by 60 days after new saving plan opens.**
- Will receive greater of equivalent lump-sum investment valuations or contributions if redeemed by deadline.

Maximizing your GET Value

Major GET Concerns...

- ✎ Will Washington Affordability Act remain as written
- ✎ Because purchase price(s) are higher than tuition prices, it's possible to **lose money** by remaining in the GET
- ✎ If you are on a monthly plan, you are also paying a **7.5% financing charge** on your unpaid balance

Know your Situation

Make decisions with full knowledge...

- ☞ Determine if you are likely to lose money on your GET
- ☞ If so, move funds to a new 529 plan
- ☞ If not, evaluate convenience of staying put vs increased return/risks of moving

Kaizen GET Assessment Tool



WA GET Conversion Calculator

Original Plan GET Payment Plan

Initiation date	4/30/2005
Child's Birthdate	1/19/2004
Duration of Contract in months	192
Contracted number of units	200
Locked in unit price	61
WA Wage Inflation	3.00%
Effective unit price	\$109.29
Monthly Payment	\$113.84
Total Contributions	\$20,984

Termination / Convert to UESP 529 Plan

Plan Termination Month	9/30/2016
Projected Asset Class Returns:	
Domestic Equity	6.50%
International Equity	7.50%
Fixed Income	3.00%
Cash Equivalents	2.00%
Contributions thru termination	14,973
Adjusted Contract Duration	137
Value of cashed out units	17,813

School Funding by Yr	Yr	W/D	Amt
Freshmen	2022	8/31/2022	6,072.35
Sophomore	2023	8/31/2023	6,254.52
Junior	2024	8/31/2024	6,442.16
Senior	2025	8/31/2025	6,635.42
Total			25,404.46

School Funding by Yr	Yr	W/D	Amt	Incr %
Freshmen	2022	8/31/2022	7,125.48	17.3%
Sophomore	2023	8/31/2023	7,292.01	16.6%
Junior	2024	8/31/2024	7,464.76	15.9%
Senior	2025	8/31/2025	7,663.09	15.5%
Total			29,545.34	16.3%

Effective Investment Rate of Return:

Projected 09/30/2016 to End-of-Plan	1.0%
Plan-to-Date	2.8%
Projected Plan through End-of-Plan	1.7%
Projected Plan through End-of-Plan (if Lump Sum)	3.9%

Effective Investment Rate of Return:

Projected 09/30/2016 to End-of-Plan	3.2%
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529 Plans



Photo credit: ABC News

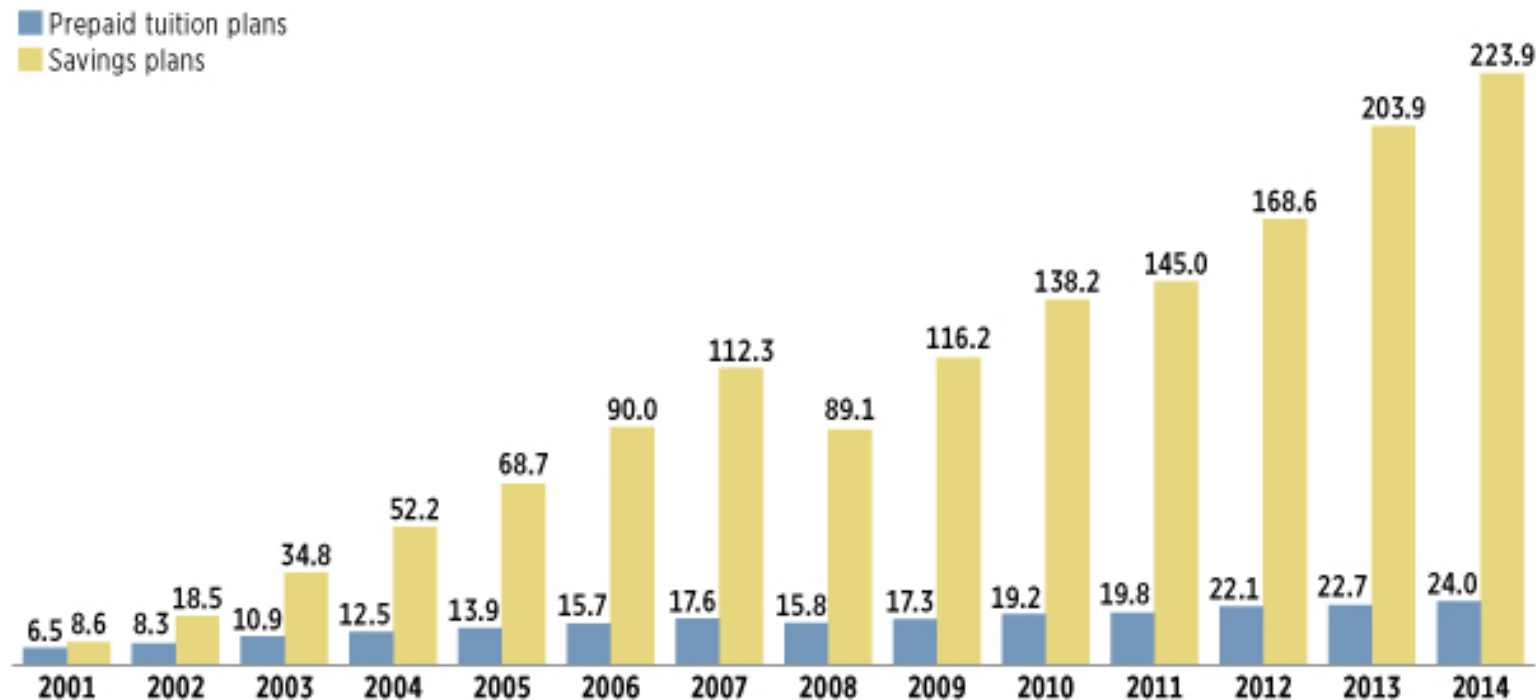
What is a 529 plan?

- ∞ Education savings plan operated by a State or Ed Institution.
- ∞ Either prepaid or savings, some states have both.
- ∞ You can buy any state's plan (except pre-paid tuition plans)
- ∞ Provides tax exempt growth
- ∞ States decide whether it will offer a 529 plan (or more than one), and state income tax treatment

529 Plans Very Popular

State 529 Plan Assets

Billions of dollars, end-of-period, 2001-2014



Note: Data were estimated for a few individual state observations in the early years in order to construct a continuous time series.

Sources: Investment Company Institute and College Savings Plans Network

Pros/Cons of a 529 plan

Pros	Cons
No Fed tax on income or gains	Reduces financial aid...parent asset
High contribution limits	Gains subject to penalty if not used for qualified expenses
Transferable	Plan administration fees
Excluded from donor's gross estate; partial inclusion for death during a 5-year election period	Plan selection important...the good, the bad, and the ugly
Diverse investment options	Allowed only 2 trades per year
No income limitations	
No age or time limitations	
Parental control of assets	

529 Impact on Financial Aid

Assets

- ∞ 529 plans are “parent assets” and reduces Fin Aid
- ∞ Includes the sum of all your 529 plans

Income

- ∞ Withdrawals for qualified expenses not counted as income

Avoid Grandparent Trap...

- ∞ Accounts owned by a grandparent do not count as an asset, but withdrawals count as student income the following year (50% reduction after allowance).
- ∞ Solution...have grandparent pay only senior year, not every year

Pay Attention to Fees...

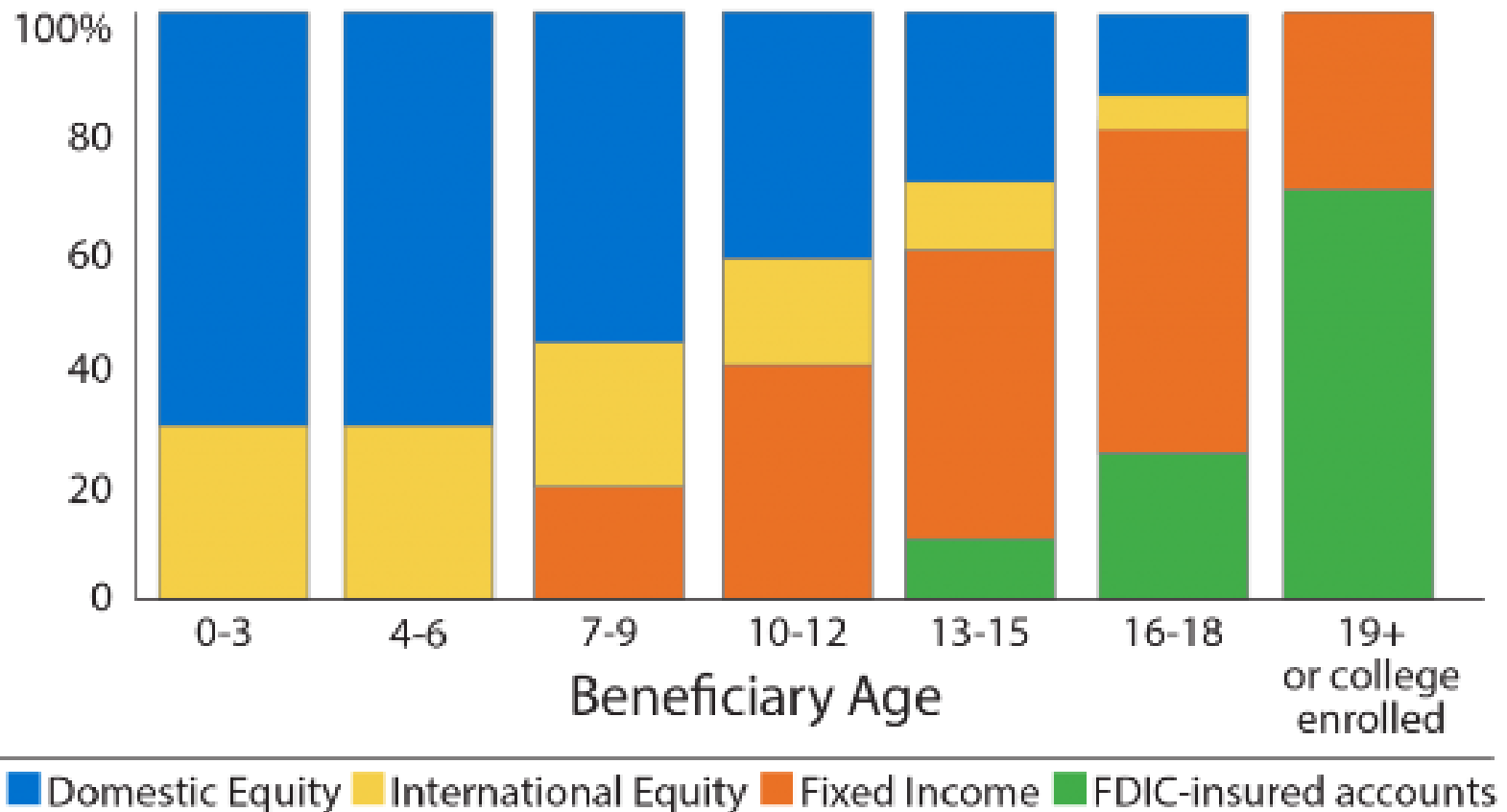
All 529 plans have select fees and expenses

- ∞ enrollment charges
- ∞ annual maintenance fees
- ∞ sales loads
- ∞ deferred sales charges paid when investors withdraw their money
- ∞ administration and management fees and underlying fund expenses.



Consider Age-based Investments

Age-Based Aggressive Global



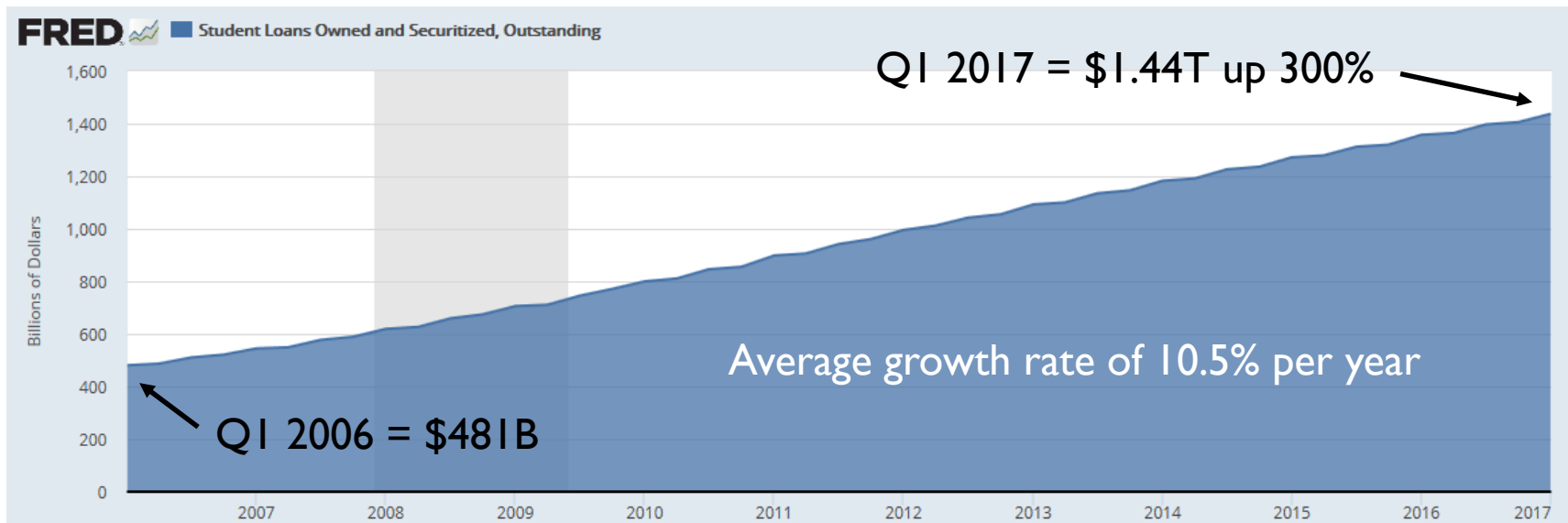
Top Rated 529 Plans

Highest Rated 529 Plans	State	Availability	Min Init Purchase	MorningStar Rating
Utah Educational Savings Plan	UT	Direct	\$0	Gold
Virginia529 inVEST	VA	Direct	\$25	Gold
The Vanguard 529 College Savings Plan	NV	Direct	\$3,000	Gold
New York's 529 Program (Direct)	NY	Direct	\$25	Silver
CollegeAdvantage 529 Savings Plan	OH	Direct	\$25	Silver
ScholarShare College Savings Plan	CA	Direct	\$25	Silver
T. Rowe Price College Savings Plan	AK	Direct	\$250	Silver
Michigan Education Savings Program	MI	Direct	\$25	Silver
MOST Missouri's 529 Plan	MO	Direct		Silver
CollegeAmerica	VA	Advisor	\$250	Silver
Maryland College Investment Plan	MD	Direct	\$250	Silver
CollegeBound Saver (Direct)	RI	Direct	\$0	Silver
Bright Directions Coll Savings Program	IL	Advisor	\$0	Silver

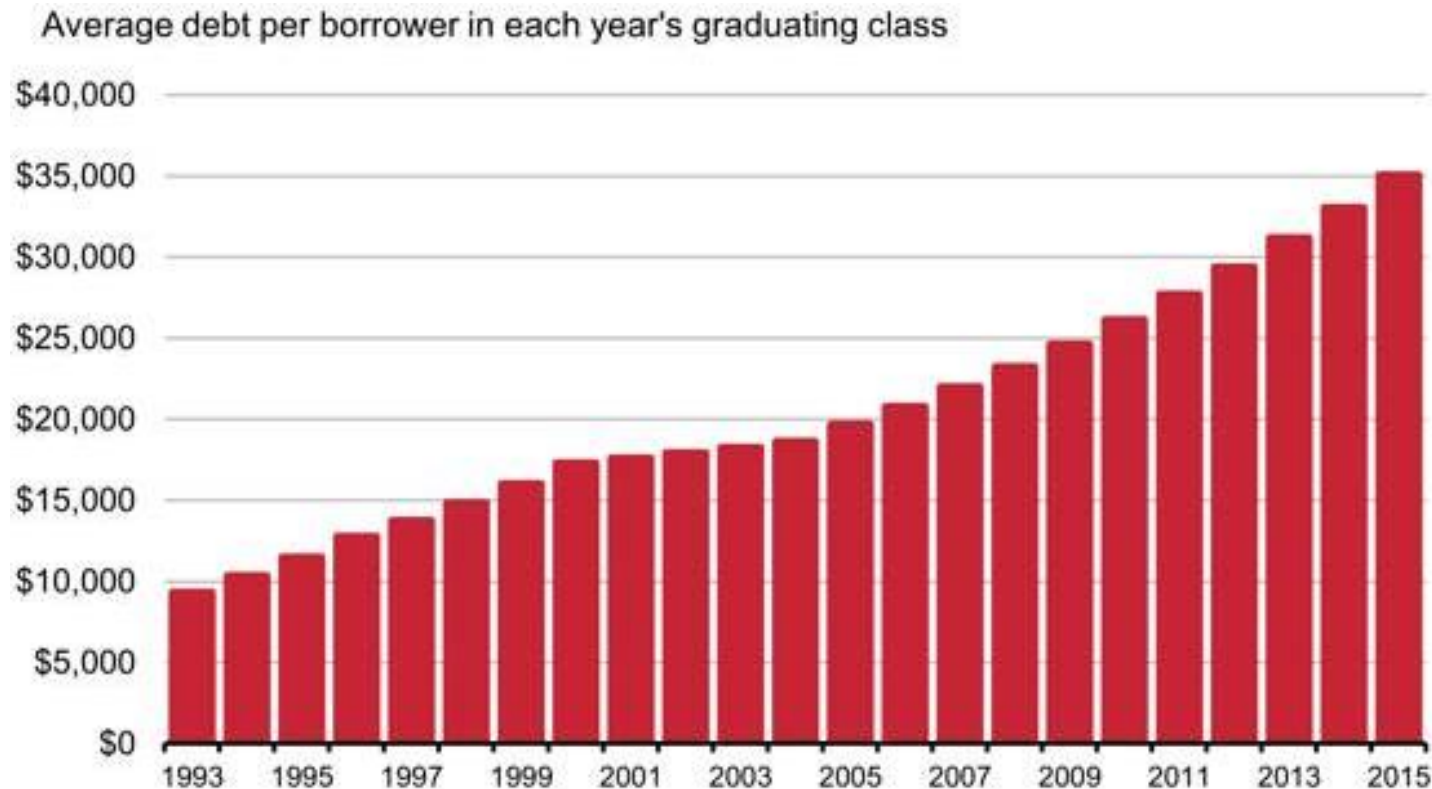
Student Debt

Some Facts...

- Total US Student Debt = \$1.44 Trillion
- Americans with Student Debt = 42.2M (nearly 1 out of 5 adults in US)
- Average Debt per Student = \$37,172 Class of 2016 (70% of graduates)
- % 90days+ Delinquent or in Default = 11.2% (up from approx. 6% in 2006)



Average Debt per Student

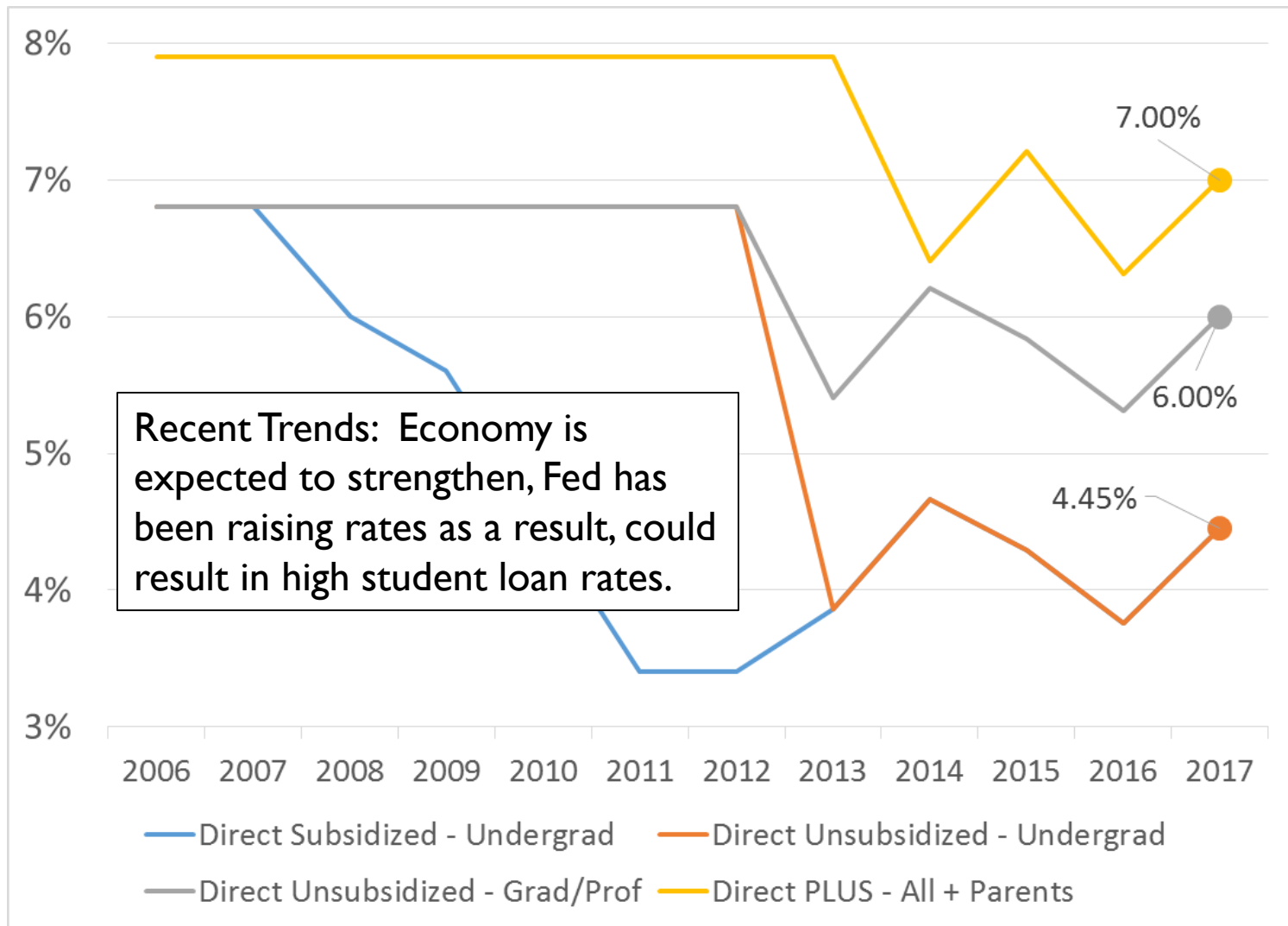


Growth in debt
per student =
375%

Growth in CPI
(inflation) =
66%

Debt/student
growing faster
than inflation by
5.7x

Federal Student Loan Rates



Should you be one of the 70%

Can taking on limited debt be financially justified...

- ∞ Look how financial institutions set limits? e.g. Mortgage guidelines...
 - Limit to 28% of pre-tax income, 36% when including all debts
- ∞ Consider earning expectations based on expected major/career
 - Computer Science, starting \$70k (\$30k debt at 7% rate = 6% of income)
 - Exercise Science, starting \$34k (\$30k debt at 7% rate = 12% of income)

Interesting fact...Individuals with student debt are more likely to acquire other debts later in life.

Candidates for Reasonable Debt

Candidates for reasonable debt...

- ∞ Ability to spend considerably less than they earn
- ∞ Willing/ability to live at home after graduation to save \$
- ∞ Able to contribute to retirement despite student debt pmts

Candidates for less debt...

- ∞ Strong desire to buy a home, new cars, material travel, etc.
- ∞ One who's income drives lifestyle (the upward ratchet)
- ∞ Determined to live in an expensive geography (one they can't afford)

College as an Investment

Viewing college as a financial investment...

- ∞ Studies have contemplated college expense vs. investing the money in the markets, and which is a better financially
- ∞ A number of financial articles have conducted analysis
 - Majority of cost/major combos still favor college...but shrinking
 - Unfortunately, a growing number of cost/major combos failed

Some additional considerations...

- ∞ Unemployment rate is higher for non-college graduates
- ∞ Career options increase and can thus increase job satisfaction

Improving College ROI

Things that Increase college ROI...

- ☞ Reducing cost (Remember Jack and Jill at the UW...)
- ☞ Obtaining a degree that yields higher earning potential

Things that Decrease college ROI...

- ☞ Debt interest expense
- ☞ Paying for school name recognition in a field that doesn't reward it
- ☞ Not graduating on time



Final thoughts on funding

Yes college is expensive...but don't let that stop you

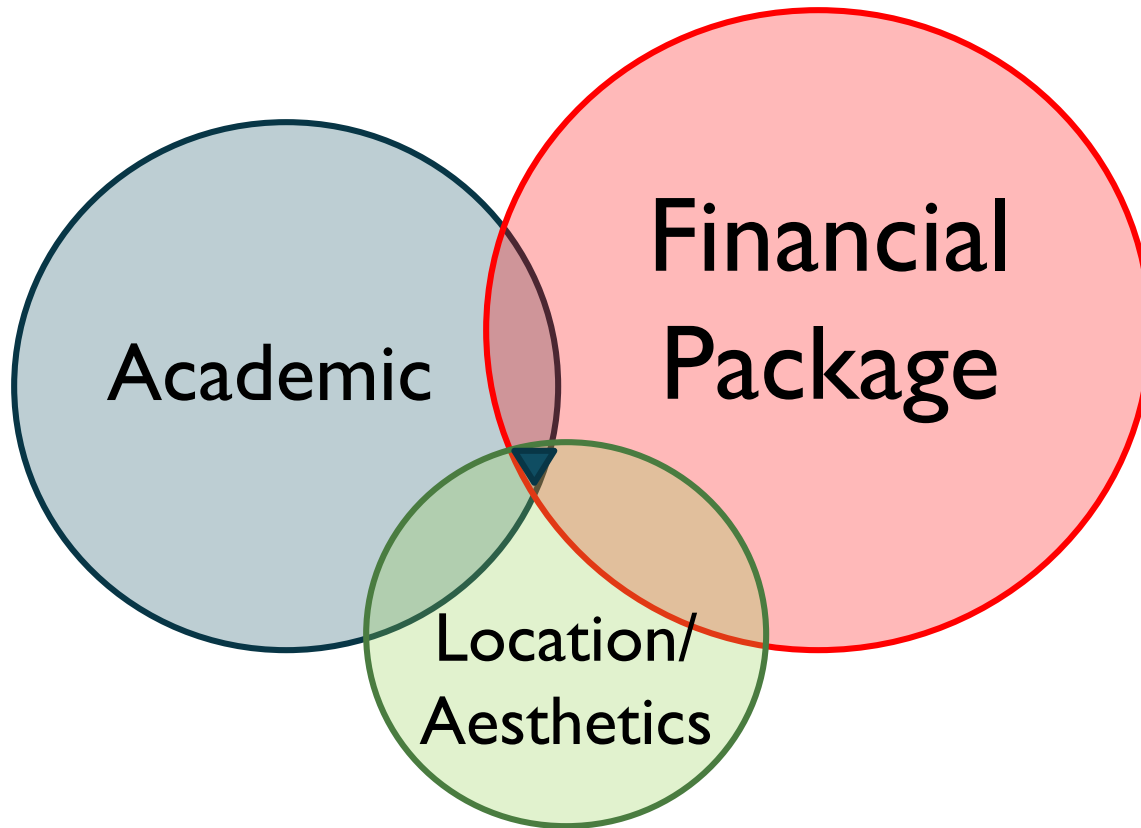
- ∞ Be creative, find a cost structure that works for you
- ∞ Take advantage of every element that is in your control
- ∞ Seek worthy advice from reliable sources
- ∞ There is likely a financially viable path for everyone



Part 4: Finding a Fit



Elements of "Fit"



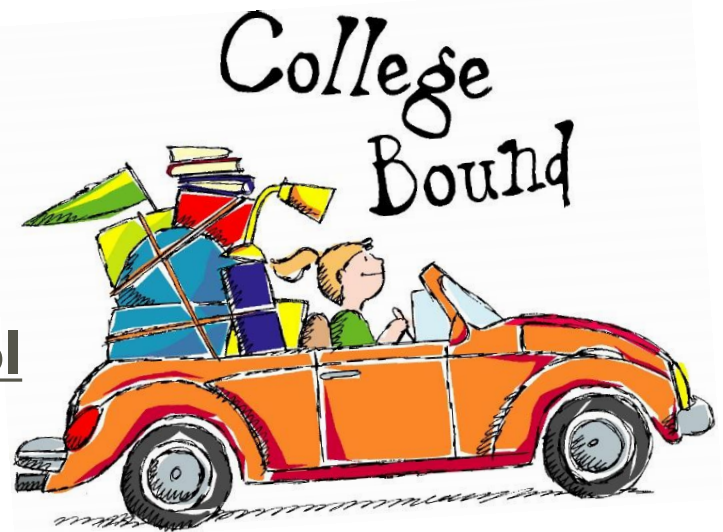
The challenge is finding the schools that align with your requirements, in proportion to their importance

Assessing School Fit

My recommended “school fit” priorities in order...

1. Financial alignment (COA after all forms of aid)
2. Academic alignment (priorities vary by family)
 - Inclusion of desired majors
 - Probability of admittance into desired program
 - School’s emphasis on desired major(s)
 - Student/teacher ratio
 - Reputation...if that is important to you
3. Size, region, location, campus vibe
4. Location...**you’re there for school**

Use good data aggregators



Data Aggregators

- ∞ What are they...
- ∞ Great aggregator is www.collegedata.com
- ∞ Multi-attribute searches
 - Attributes include: aid generosity, entrance difficulty, etc.
 - Results ranked by desired criteria



Collegedata.com

Search via "College 411"
or search bar

Navigate common data
set sections by tabs
across a schools profile

COLLEGEdata
your online college advisor

College 411 Prepare & Apply Pay Your Way College Buzz

College 411 College Match College Match Results College Profile

COLLEGE PROFILE

Southern Methodist University
Dallas, TX

Overview Admission Money Matters Academics Campus Life Students

Southern Methodist University, founded in 1911, is a church-affiliated, comprehensive university. Students seeking a well-rounded education are attracted to SMU's wide choice of majors. Classes are generally small, providing an opportunity for students to interact with faculty. SMU's parklike campus and neo-Georgian buildings provide a beautiful setting, and downtown Dallas is just five miles south, with opportunities for internships, part-time jobs and career development. With around 130 organizations, leadership opportunities abound. Study-abroad programs and a campus near Taos, New Mexico give students the chance to broaden their educational experience, as do more than 400 cultural and arts events and lectures by international figures each year. Its 163-acre, suburban campus is located in Dallas.

Web Site: www.smu.edu/
Institution Type: Private
Coaducational: Yes
Undergraduate Students: 6,391
Women: 3,227 (50.3%)
Men: 3,164 (49.5%)
Graduate Students: 4,881

Sorry, this map is not available.

Dallas 79°F
AccuWeather.com Weather Forecast

View Larger Map

ADMISSION

Entrance Difficulty: Moderately difficult
Overall Admission Rate: 52% of 11,817 applicants were admitted
Early Action Offered: Yes
Early Decision Offered: Yes
Regular Admission Deadline: January 15

Selection of Students

Factor	Very Important	Important	Considered	Not Considered
Academic GPA	X			
Standardized Tests	X			
Essay	X			
Extracurricular Activities		X		

College Chances

Will You Get In? Find Out.

REACH MAYBE GOOD BET

Estimate your chances at Southern Methodist University and see how to improve your odds.

Calculate Your Chances

College Admissions Tracker

See who got in, who didn't & who's applying now. See the qualifications and admissions decisions of real students who applied to Southern Methodist University.

CLASS OF 2020
Profile of Students on COLLEGEdata Interested in This College

	GPA		SAT		ACT
	UW	W	M	CR	W
Average	3.50	4.04	617	613	615
Low	2.15	3.00	400	390	350
High	4.00	5.00	800	800	800
YOU	?	?	?	?	?

Get Admissions Tracker Results

College Net Price Calculator

What will it REALLY cost you to attend Southern Methodist University? Get personalized results based on your financial situation.

Calculate Your Net Price

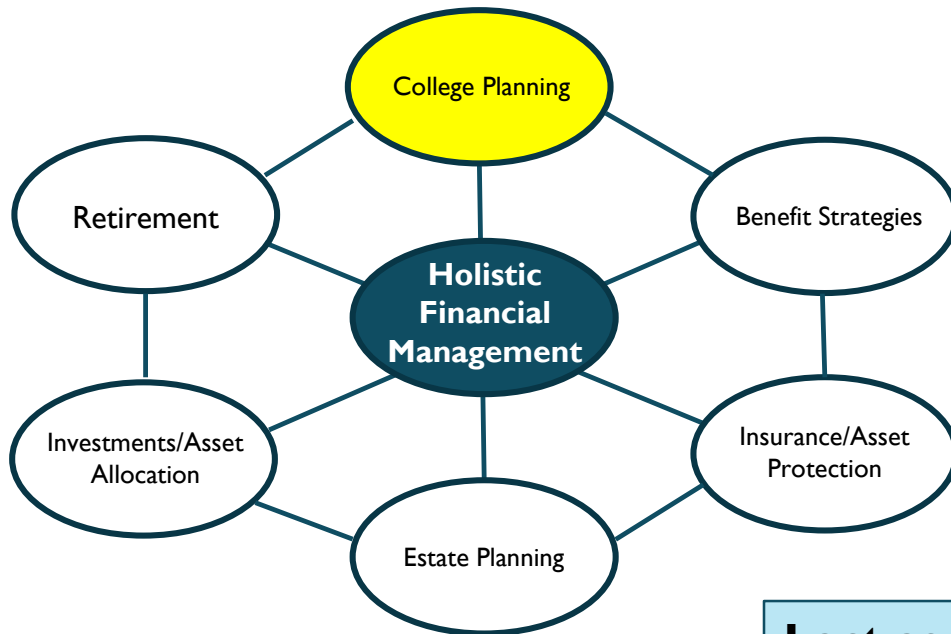
DID YOU KNOW?

- SMU's Meadows Museum offers one of the most comprehensive and acclaimed collections of Spanish art outside of Spain.
- Founded in 1911 by what is now the United Methodist Church, SMU is nonsectarian in its teaching.
- SMU's campus in northern New Mexico offers summer courses and includes the excavation of a 13th-century Indian pueblo.

Finishing Up



Final thought on planning...



College planning decisions should be aligned with your overall financial plan

I act as a personal CFO to my clients...

- Financial Planning
- Asset Management
- College Planning
- Estate Plan Reviews
- Proactive Tax Planning, etc..

Taking the right steps at the right times

Key Takeaways

- ✧ Strategize...you can finance part of an education...not a retirement
- ✧ Start early and save aggressively...it requires sacrifice
- ✧ Optimize/minimize educational expenses where possible
- ✧ Take advantage of school generosity, max financial support
- ✧ Understand and optimize your financial aid situation
- ✧ For most, a 529 is the preferred savings vehicle...Assess you GET plan
- ✧ Avoid excessive debt



Q&A



Brook Anderson

- ∞ Wealth Management and Financial Planning
 - **Kaizen Financial Advisors, LLC.**
 - **Independent RIA Fiduciaries**
 - Fee based...not commission based
 - Highest priority...your lifetime financial health
 - Providing clients life-long financial coaching

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