

Welcome To:

— THE —
COLLEGE FUNDING COACH®

**Little-Known Secrets
of Paying for College**



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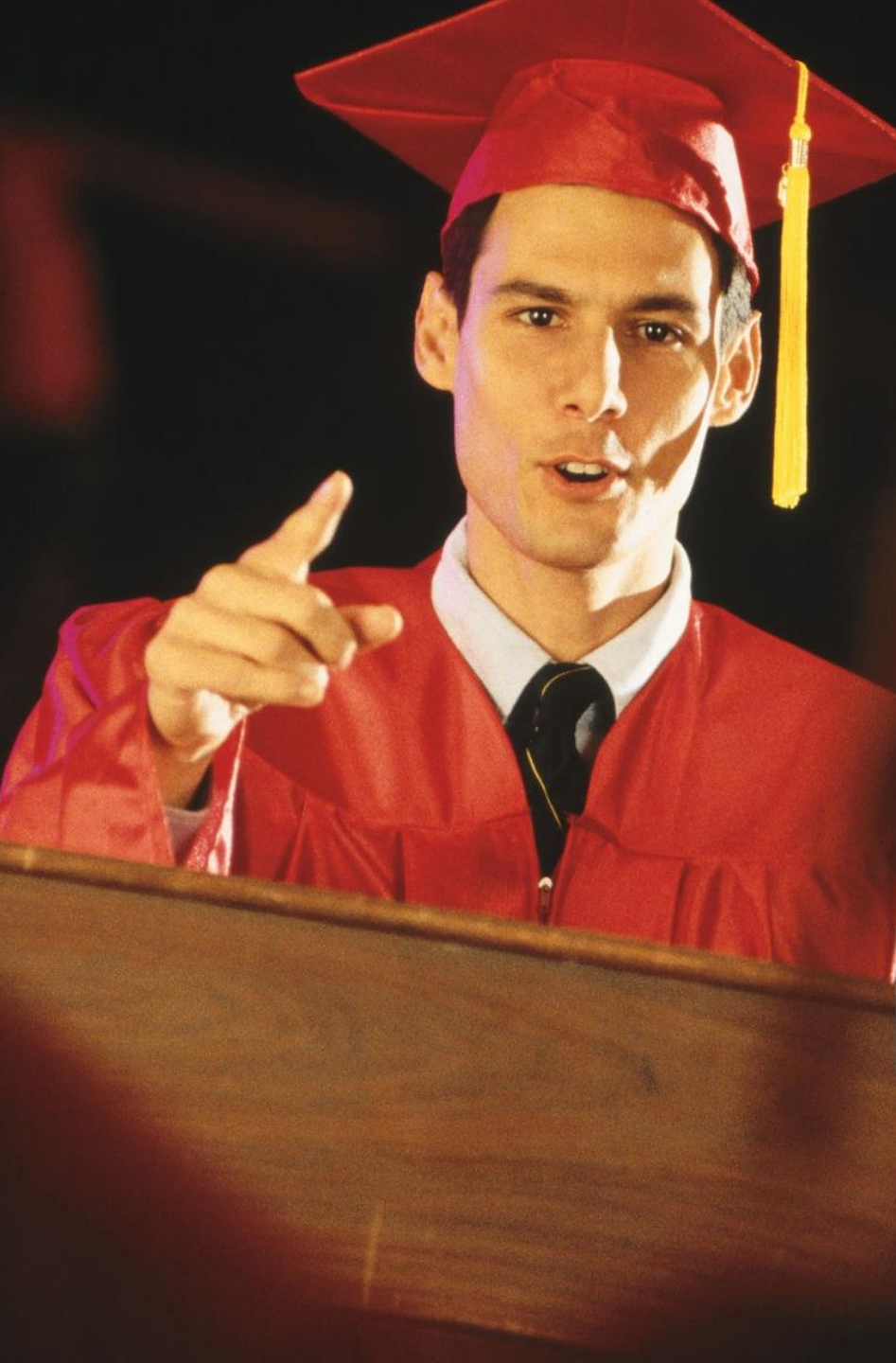


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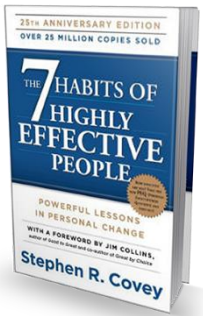
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— THE —
COLLEGE FUNDING COACH®



**Begin With the
End in Mind...**



Thanks, Mom and Dad!

WHY
ARE WE
HERE



BACKGROUND on this Class:

Most People Have Their Money in Two Places...



Great for Retirement; **Not So Great for College**

For most families, it's something like this...

A Few Thoughts Before We Dig In...

- "30,000 Foot Overview"

Three Rules:

- Please Participate!
- Don't Shoot the Messenger!
- Let's Have some Fun!

What's
Your
WHY?



Ultimate College Goal...

Student:

- Select the Right College for the Child
- Graduate in 4 Years With a Career

Parents:

Pay with Cost-Efficient Dollars

- Minimize Taxes
- Minimize College Expenses/
Increase Financial Aid
- Maximize Efficiency of Your Money
- Minimize Lost Opportunity Costs



It's coming sooner than you think!



Average Cost of Attendance (2018-2019)

Public University
\$25,890 (in-state)

Private University
\$52,500

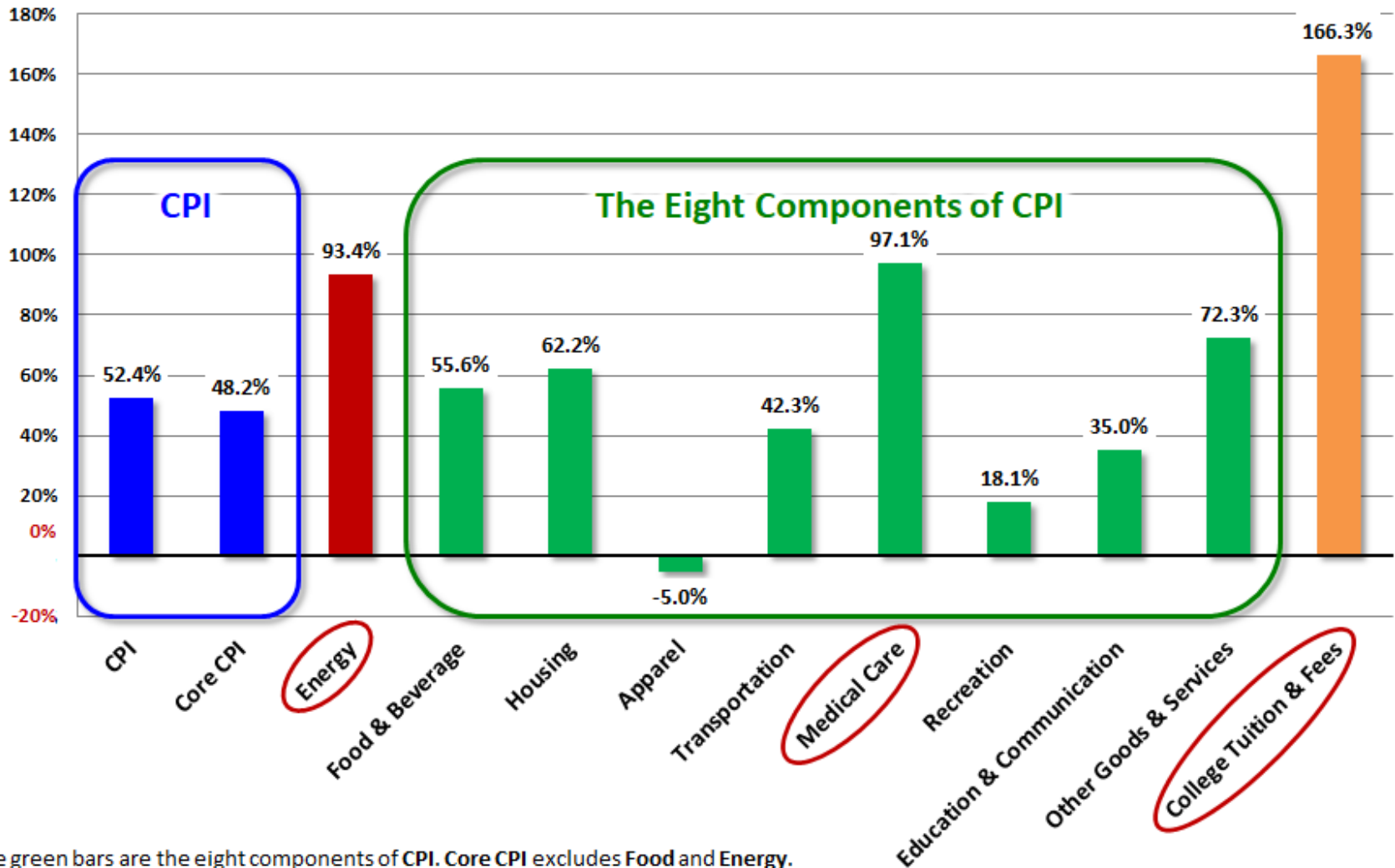
Elite/Ivy University
~\$70,000+

Source:

The College Board, "Trends in College Pricing" 2018
(<https://trends.collegeboard.org/sites/default/files/2018-trends-in-college-pricing.pdf>)

Inflation Since 2000

Inside the Consumer Price Index



The green bars are the eight components of CPI. Core CPI excludes Food and Energy. Energy is a major subcomponent of Transportation and a minor subcomponent of Housing. College Tuition & Fees is a subcomponent of Education & Communication.

How Will You Pay for College?

1. Income

- Current Paycheck
- Retirement Plan Contributions

2. Assets

- Savings/Investments

3. Borrow (Loans)

- College Loans
- Home Loans
- Retirement Plan Loans

4. Scholarships & Grants

- Other People's Money

YOUR MONEY



Income?

College is Paid for With
After-Tax Dollars

In-State Public, 24%
Federal Income Tax Rate

= **\$136,263 Before Taxes**

Ivy League, 35% Federal
Income Tax Rate

= **\$430,769 Before Taxes**

Assets?

This is the principle of Lost
Opportunity Costs:

Public School, 10 Years
Until Retirement @ 8%

= - **\$223,578**

Ivy League, 20 Years Until
Retirement @ 8%

= - **\$1,305,068**

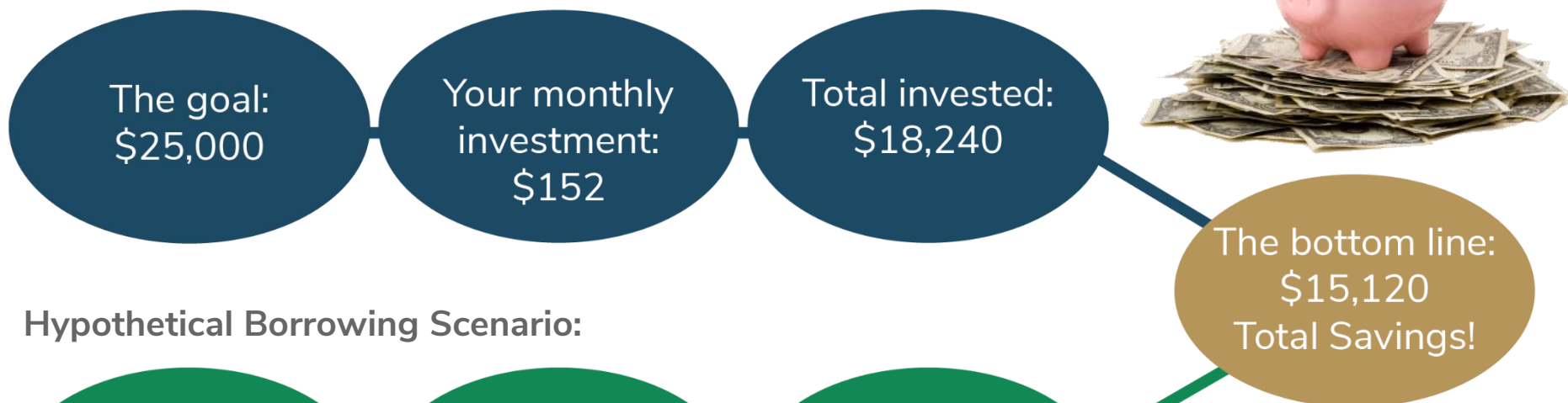
*Assumes 1 child, 4 years of school, no state taxes included, no COA increases, and...graduating in four years! This is a hypothetical example. It is not meant to represent an investment in a specific product or strategy.

Rate of return is not guaranteed.

What Are the Options: Savings by Saving

Invested Money Goes Further Than Borrowed Money

Hypothetical Saving Scenario:



Hypothetical Borrowing Scenario:

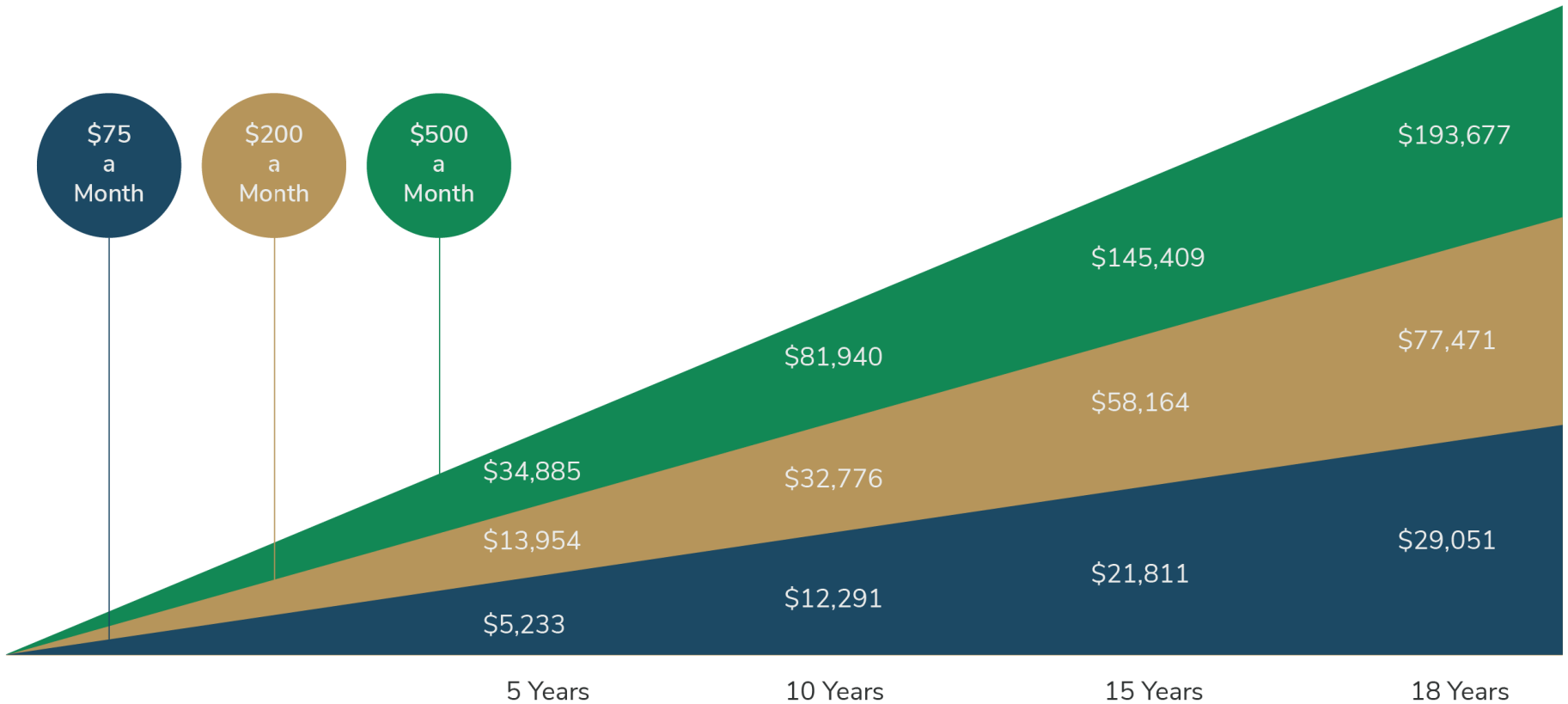


Investing example assumes a 6% annual rate of return with all distributions reinvested and a 10-year investment program. Borrowing example assumes a 6% interest rate and a 10-year repayment period.

This is a hypothetical example. It is not meant to represent an investment in a specific product or strategy. Rate of return is not guaranteed.



Don't Have 10 Years? Can't Save \$152 Per Month? A Little, Over Time, Can Go A Long Way!



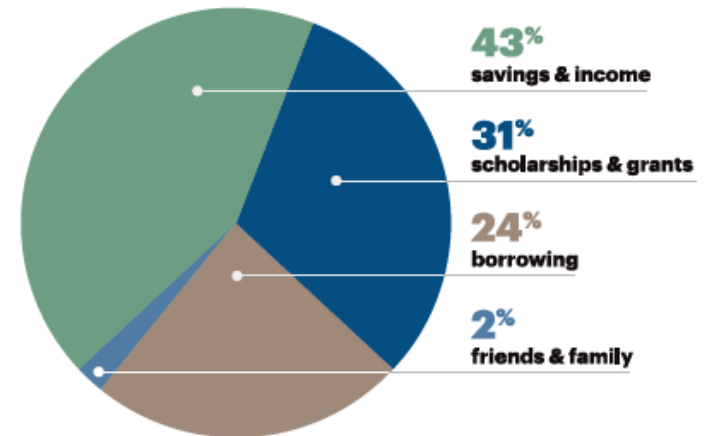
This chart is a hypothetical example, and does not represent any particular investment; however, it does ignore the impact of taxation. The assumed rate of return is 6% per year. The assumption is that the contributions of \$75, \$200, or \$500 per month are made at the beginning of each month.

Historical College Savings Vehicles

- UGMA/UTMA
- Education Savings Bonds (Series I or EE)
- Educational IRAs (Coverdell)
- Loans, Grants, Scholarships
- Borrowing Against Retirement Plans
- Leveraging Real Estate Equity
- Cash-Value Life Insurance
- Post 9/11 GI Bill/R.O.T.C.
- Section 529 College Savings Plans
 - Pre-Paid Variety
 - Savings Variety

Funding Higher Education

How the typical family pays for college (the average percentage of the total cost of attendance paid from each source)























Source: Sallie Mae, *How America Pays for College*, 2019

What is the BEST
Way to Pay for a
College Education?



A Sample of the Top College Endowments

| | | | | | | | |
|--|---------|---|--|---|---|---|----------|
|  | ≈ \$38B |  EMORY UNIVERSITY ≈ \$7.3B |  | ≈ \$3.4B |  | ≈ \$2.4B | |
|  | ≈ \$31B |  | ≈ \$7.0B |  | ≈ \$3.0B |  GRINNELL COLLEGE ≈ \$2.0B | |
|  | ≈ \$29B |  | ≈ \$5.5B |  | ≈ \$2.6B |  | ≈ \$1.8B |
|  | ≈ \$26B |  | ≈ \$4.6B |  Pomona College ≈ \$2.3B |  | ≈ \$1.7B | |
|  | ≈ \$11B |  PennState ≈ \$4.3B |  | ≈ \$2.5B |  | ≈ \$1.3B | |

Source: https://en.wikipedia.org/wiki/List_of_colleges_and_universities_in_the_United_States_by_endowment

Applying for Financial Aid

- The FAFSA

- The CSS Profile

- (\approx 179 Undergraduate Schools)
- More Detailed:
 - Non-Custodial Parents
 - Home Equity

- The School's Institutional Forms

- $COA =$ Cost of Attendance

- $EFC =$ Expected Family Contribution

- $COA - EFC =$

Your Family's Financial Need



FINANCIAL NEED

=

**Amount of Aid
for Which Your
Family is**

Eligible

Assessable

Non-Assessable

Assets

- Bank Accounts
- Investments
- 529 Plans
- UGMA & UTMA
- Business
- Investment Property

Income

- Wages
- Rental Income
- Business Income
- Interest
- Dividends
- Child Support
- Social Security
- Welfare
- Current Retirement Plan Deferrals

Assets

- Retirement Plan Assets
- Home
- Farm
- Life Insurance
- Annuities
- Household Items
- Personal Debt

Income

- Financial Aid
- Food Stamps
- Pension Rollovers
- Loans



Quick EFC Calculation



Meet The Dunphy Family:



Phil, Claire, Haley, Alex & Luke
Dunphy

- Married, 3 Children—1 Headed to School Next Year
- Older Spouse is 50
- Parents: \$130,000 Adjusted Gross Income
 - \$16,938 Paid in Federal Income Taxes
- Parents: \$100,000 Assessable Assets
- College-Bound Child: \$8,500 Adjusted Gross Income
 - \$220 Paid in Federal Income Taxes
- College-Bound Child: \$15,000 in Assessable Assets

Quick EFC Calculation

| | | | | | |
|---|--|---|--|---|-----------------|
| Parent's Adjusted Gross Income \$130,000 | U.S. Income Taxes Paid, State Tax Allowance, Social Security Allowance & Income Protection Allowance (\$19,080 to \$40,490+)* (\$34,620) | | Total Allowances: \$65,704 | = | \$64,296 |
| Parent's Assets \$100,000 | Asset Allowance** (\$0 to \$9,400) (\$6,300) = \$93,700 | X | 12% | = | <u>\$11,244</u> |
| Adjusted Available Income: | | | | | \$75,540 |
| Total Parent's Contribution: | | | \$9,343 + 47% of AAI over \$34,500 | = | \$28,631 |

*This figure varies based upon the amount of taxes paid, the size of the family, and the number of students in college simultaneously!

** This figure varies based upon the age of the older spouse!

All figures are hypothetical and should not be relied on for your personal situation.

Quick EFC Calculation

| | | | | | |
|--------------------------------------|--|---|----------------------------------|---|--|
| Student's Income \$8,500 | U.S. Income Taxes Paid, State Tax Allowance, Social Security Allowance & Income Protection Allowance (\$6,840) (\$7,695) = \$805 | X | 50% | = | \$403 |
| Student's Assets \$15,000 | No Allowance \$0 = \$15,000 | X | 20% | = | <u>\$3,000</u> |
| Total Student's Contribution: | | | | | \$3,403 |
| TOTAL EFC: | Total Parent's Contribution: | + | Total Student's Contribution: | = | \$32,034 For Next School Year |
| | \$28,631 | | \$3,403 | | |

All figures are hypothetical and should not be relied on for your personal situation.

Your Homework— Calculate Your Own EFC:

THE COLLEGE FUNDING COACH®

About Workshops & Events Process Get Help Media Contact

Send your kids to college without going broke.

Yes, parents, you can make the college dream a reality... and still retire one day.

[PARENTS START HERE](#)

Schools and Organizations

Our informative workshop *Little-Known Secrets to Paying for College* helps families navigate the rules of saving and paying for college!

→ [Book a Workshop Now](#)

EFC Calculator

This Expected Family Contribution (EFC) calculator will help you determine your need-based aid eligibility based on federal financial aid formulas.

→ [See Your Expected Family Contribution](#)

www.TheCollegeFundingCoach.org

Before We Move Forward:

Questions After Part One?

- Do you feel like you understand the EFC Formula?
- Two Paths:
 - You Can Qualify for Need-Based Aid
 - You Cannot Qualify for Need-Based Aid



Tonight, We'll Walk Down BOTH Paths!

One Strategy—Have Twins!!!

Having multiple children in college at the same time is actually beneficial.

1 CHILD

COA = \$32,500

EFC = \$44,000

Need = \$0

2 CHILDREN

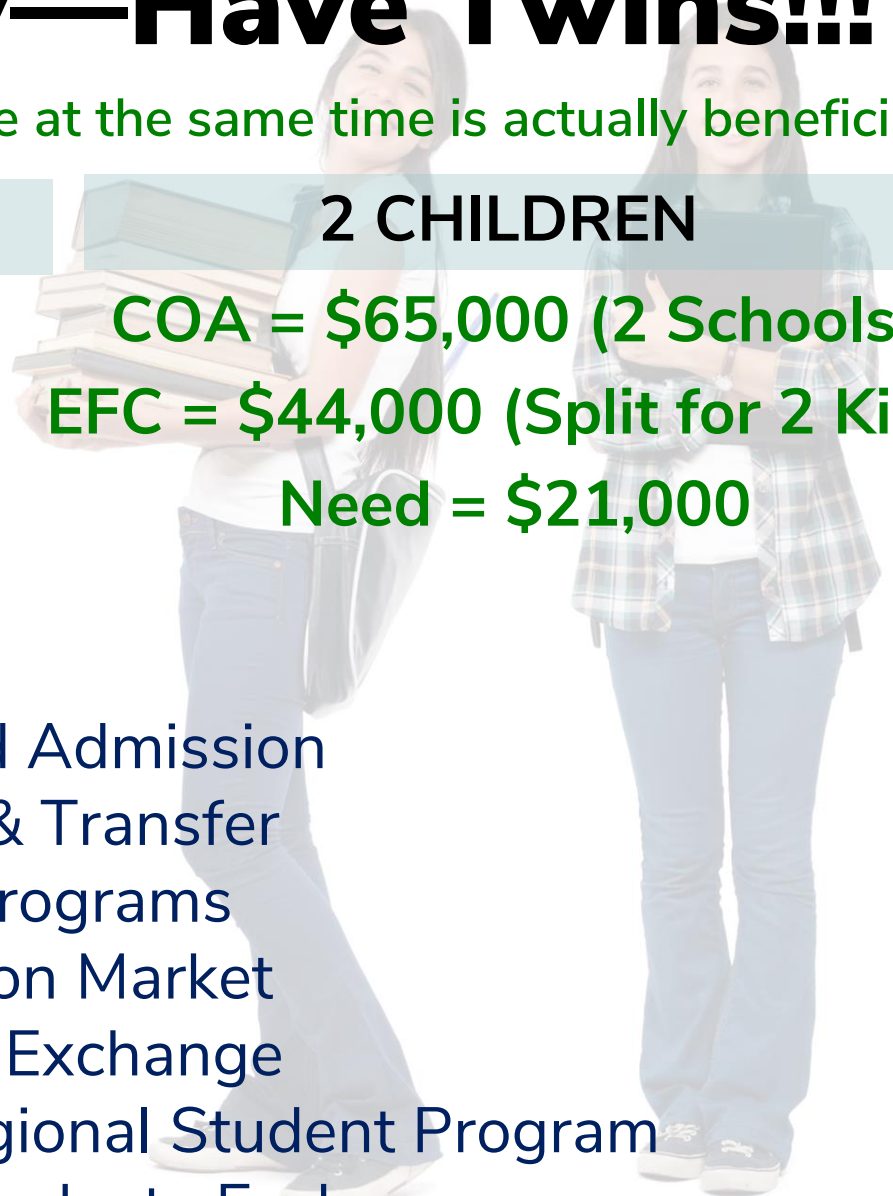
COA = \$65,000 (2 Schools)

EFC = \$44,000 (Split for 2 Kids)

Need = \$21,000

Strategies:

- Gap Year or Deferred Admission
- Community College & Transfer
- Tuition Reciprocity Programs
 - Academic Common Market
 - Midwest Student Exchange
 - New England Regional Student Program
 - Western Undergraduate Exchange



Are In-State Public Schools the ONLY OPTION?

Public University

| | |
|--|------------------|
| Total Cost | \$ 34,321 |
| EFC | - <u>15,000</u> |
| NEED | \$19,321 |
| % Need Met | 52% |
| Financial Aid Eligibility | \$ 10,047 |
| Gift Aid (55%) | \$ 5,124 |
| Self Help (45%) | \$ 4,923 |
| "Out-of-Pocket Cost" (Total Cost - Financial Aid Eligibility) | \$ 24,274 |
| "Net Price" (Total Cost - Gift Aid) | \$ 29,197 |

Private College

| | |
|--|------------------|
| Total Cost | \$ 77,768 |
| EFC | - <u>15,000</u> |
| NEED | \$ 62,768 |
| % Need Met | 100% |
| Financial Aid Eligibility | \$ 62,768 |
| Gift Aid (88%) | \$ 55,236 |
| Self Help (12%) | \$ 7,532 |
| "Out-of-Pocket Cost" (Total Cost - Financial Aid Eligibility) | \$ 15,000 |
| "Net Price" (Total Cost - Gift Aid) | \$ 22,532 |

R



**“But What If
I Make Too Much
Money
to Qualify for
Need-Based
Aid?”**

*Now let's look at
using our own
money...*



Maximize the Efficiency of Your Money

- Are you carrying a lot of non-deductible debt?
- Can you increase your cash-flow?
- What role do taxes play on your investments?
- Business Owners—Hiring kids in your family biz!
- What if you could delay paying for college for another 4 years? A “Found” Opportunity Cost!

Where do most people have most of their money?

Does This Sound Like a Good Strategy to You?

- All deposits in the account are not safe from loss of principal.
- The customer may pay more than the minimum monthly contributions, but not less. If the customer attempts to pay less, the financial institution keeps all previous contributions.
- If the customer misses a monthly payment, it negatively impacts their credit score.
- Each contribution made to the account is not liquid and results in less safety and increased tax liability.
- The money in the account earns a 0% rate of return.

Home / Mortgage

Home

- ✓ Rate of Appreciation on Home = 1-5%*
- ✓ Rate of Return on Home Equity = 0%

Mortgage

- ✓ Mortgage Interest May be Tax-Deductible
- ✓ May be Better Than Private Source College Loan
- ✓ Maximum Tax Deduction is Now \$750,000
- ✓ Can be Used to Increase Cash Flow



Remember: Home Equity Lines of Credit are no longer tax-deductible for purposes other than home improvements!

* According to the [Case-Shiller Housing Index](https://fred.stlouisfed.org/series/CSUSHPINSA), the average annualized rate of return for housing increased 3.7% between 1928 and 2018.
<https://fred.stlouisfed.org/series/CSUSHPINSA>

Qualified Plan Problem


Does Anyone Here Have a Pension?

EVERYONE USED TO!

In 1974, That All Changed.

Sound Familiar?

- ✓ 47 Years Old
- ✓ Will Work Until Age 67
- ✓ Will Live Until Age 90
- ✓ \$100,000 in OLD MONEY
- ✓ \$10,000 in Deferral Contributions
- ✓ \$3,000 in Matching Funds
- ✓ 8% Annual Yield

| | |
|---|----------------|
| OLD MONEY: | \$466,096 |
| CONTRIBUTION: | \$494,229 |
| MATCH: | \$148,269 |
| <hr/> | |
| TOTAL: | \$1,108,594 |
|  | |
| PAYMENT: | \$97,493 |
| FEDERAL TAX @ 22%: | \$21,448 |
| <u>AVG. STATE TAX @ 6%:</u> | <u>\$5,850</u> |
| NET INCOME: | \$70,195 |



All figures are hypothetical and should not be relied on for your personal situation.

Utilize Tax-Advantaged Investments That Can Be Used for College OR Retirement

Make Uncle Sam Your Partner!



- Section 529 Plans
- Roth IRAs or Roth 401(k)s
 - Tax-Free Growth & Withdrawals
 - Roth Distributions Avoid 10% Early Withdrawal Penalty
- Municipal Bonds
 - Tax-Free Growth & Withdrawals
- Cash-Value Life Insurance
 - Non-Assessable Asset
 - Guaranteed Safety of Principal
 - Tax-Free Growth & Withdrawals (While Living)
 - Tax-Free Death Benefit (Keep it in the Family)

The GOOD News is That...

- You can do it. And we can help identify local financial advisors who can help!
 - Comprehensive Financial Planning
 - Focus on College Funding Strategies
- Attend more prestigious, less crowded, private schools for the same net cost as state schools.
- Become an informed buyer & start early!
- Call us @ 973-607-2018 to Schedule!



Meet
THE COLLEGE FUNDING COACH®

Team:



For More Information:



(973) 607-2018 or (800) 969-2362



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