Is It Time to Rethink College?

College costs can seem staggering. For the 2016–17 school year, the average annual total cost was $49,320 for a four-year private university and $24,610 for a four-year public university (Source: Trends in College Pricing, 2016). It’s no wonder that students and parents alike wonder whether college is really necessary.

It is estimated that college graduates will earn approximately 65% more over their working lives than high school graduates. In terms of paying back college costs, the College Board estimates the typical college graduate who started college at age 18 will earn enough by age 36 to compensate for tuition and fees at a public university. Room and board adds another $10,138 annually to the cost. And if your student goes to a private university, the costs are typically double what you would pay at a public university.

Those figures also don’t consider how you pay for that education. If you pay primarily with student loans, it could take a lot longer than age 36 to break even.

That doesn’t mean your child shouldn’t go to college, just that you may need to reevaluate how much you want to spend on that education. Consider these strategies to reduce the cost of a college education:

- Look for scholarships that are not based on need. Generous merit scholarships are often available to students with

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SAVE THE DATE
October 2–3, 2017
10th Annual Financial Literacy Leadership Conference and Anniversary Celebration
Theme: Financial Reality vs. Financial Behavior
Hosted by:
Society for Financial Education and Professional Development, Inc.
“Enhancing Financial and Professional Growth...”

Where:
Hilton Alexandria
Old Town
1767 King Street
Alexandria, VA 22314

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Is It Time?

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outstanding high school grades and above-average entrance exam scores. Scholarships may also be available for athletes and for those with strong music backgrounds. If your student has qualities that a college is looking for, that college may be more willing to offer scholarships to attract him/her.

✓ Apply to several different colleges. Don’t make the mistake of thinking that aid packages will be the same at all universities. You may be surprised at how wide the differences can be. Even if your child is set on one school, it is generally wise to apply to several different colleges. This is especially true in these economic times when more students are applying for aid and colleges have less aid available.

✓ Talk to the university. If the financial aid package is not sufficient, talk to the financial aid officers at the university. By explaining extenuating circumstances or showing the college offers from other universities, you may be able to increase your financial aid package.

✓ Don’t overlook state public universities. Costs of public universities, especially in your state, are typically much more affordable than private universities.

✓ Decide whether it makes sense to go to an expensive private college. First, you need to evaluate how much financial aid your student would be entitled to, since many private universities offer substantial aid packages. If you are still left funding much of the cost yourself, consider whether your child’s intended career makes it a good investment. If your child intends to pursue a career with limited salary potential, you may not want to send him/her to an expensive college.

✓ Consider starting at a two-year college. Two-year colleges are often much cheaper than four-year colleges, especially when you consider that most students live at home while attending. For instance, for the 2016–17 school year, the average cost of tuition and fees at a public two-year college is $3,520 compared to $9,650 at a public four-year college and $33,480 at a private four-year college (Source: Trends in College Pricing, 2016).

✓ Accelerate your child’s studies. You can save a significant amount of money if your child can complete a four-year degree in three years. Another alternative is to have your child take summer courses at a local community college. High school students may be able to take courses at a community college, which will then transfer as college credits. Advanced placement courses may also count as college credit.

✓ Send more than one child to the same university. Many universities offer discounts on tuition if more than one child attends at the same time.

Risk Tolerance and Your Retirement Portfolio

Risk is always going to be a factor in the stock market. As we age, however, risk becomes an even more important factor that no responsible investor can afford to overlook.

Risk tolerance essentially refers to an investor’s ability — both emotionally and financially — to deal with major market upswings and downswings. This refers not just to highly volatile stocks, but to stocks themselves, which tend to be riskier than most other forms of investment.

If a person is said to have a high risk tolerance, he or she likely tends not to worry so much about the potential risk of certain stocks or having a large amount of stocks. Those with low risk tolerance are on the other end of spectrum, often too cautious to deal with volatile stocks or the market in general.

The important thing to recognize here is that risk tolerance must shift with age to avoid making costly mistakes at a time when it may be potentially too late to recover. It may seem as if adjusting risk tolerance is challenging, and for some people it certainly can be.

That being said, often it simply means taking a realistic approach to your investments. If you’re nearing 60, for example, it’s generally considered unwise for your portfolio to be comprised of mostly stocks. Many successful investors find that moving away from stocks toward bonds is an effective later-in-life strategy.

Once you have a general percentage figured out, take a moment to determine how many stocks will actually make up that portion of your portfolio. This can vary significantly in terms of personal preference, but often 10 stocks are mentioned as a reasonable number to hold in your portfolio. Keeping your stock investments to 10 or less allows you to pay closer attention to what’s actually happening with your investments.

The best way to get a better sense of what is a realistic risk tolerance for you to have at this point in life is to work closely with your financial advisor. Please call your financial advisor if you’d like to discuss this in more detail.

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If you would like to discuss this topic in more detail, please call your financial advisor.
What many people don’t realize is just how hard it is to actually make one’s money last through retirement without having proper planning in place. The fact is, retirement is tricky no matter how well-off you think you are going into it, and making your money last is something that can only be achieved with careful calculation.

Ready to learn how to make the most of your retirement without running short of money halfway through? Here are a handful of tips that you simply can’t afford to ignore.

1. Consider Longevity Insurance

While the concept of longevity insurance is certainly nothing new, it’s something many people are actually unfamiliar with. Essentially, many of today’s insurance companies have tweaked the ways in which single premium annuities are paid out, allowing comfort to baby boomers who are concerned about getting their money when they need it most. For example, if you were to purchase a policy at age 65 for $25,000, the policy would begin paying out $3,000 per month once you reach the age of 85. For healthy and active individuals, longevity insurance is worth a second look.

2. Make Your Home Age-Proof

One thing that often gets overlooked by those who are preparing for retirement is the importance of age-proofing one’s home. Over time, wear and tear can wreak havoc on even the most well-built homes, and repairs can end up being extremely costly. What’s the solution? Make your home age-proof before entering retirement. An age-proof home is one that is not only able to withstand the elements and the test of time, but also one that will be easy for you and a partner to live in when you reach old age. Most age-proof homes don’t feature staircases, for example, as mobility issues may arise later in life.

3. Choose the Right Withdrawal Rate

The withdrawal rate you choose for your retirement plan will have a major impact on how comfortably you’re able to retire. Many people make the mistake of choosing a withdrawal rate that is simply too high, such as 10% in their first year of retirement. While it’s certainly tempting to take out a fair amount of money and treat yourself once retirement age has been met, most people can agree that it’s not a particularly smart idea.

In the end, the withdrawal rate that is right for you will depend largely on the strength and diversification of your portfolio. A smart starting point for the first year of retirement for most people is 4%, keeping the same rate plus adjusting for inflation in later years.

4. Keep a Solid Rainy-Day Fund

Most people believe the best way to ensure a comfortable retirement is to put as much money as possible into their retirement funds. However, it’s essential to keep a solid rainy-day fund in case of an emergency. This fund will exist outside of your retirement plan. How much should you keep? In general, most people will benefit from keeping a rainy-day fund available of at least six months’ worth of living expenses. Though it doesn’t seem like much, it may be exactly what you need should an emergency occur.

5. Get a Light Job

Reaching the age of retirement doesn’t mean you need to stop working altogether. For many, the shock of no longer working can actually be rather hard to deal with. There’s something about community, for example, that can be hard to find outside a normal work environment. For some, the solution can be found in getting a light job once settled into retirement, and doing so comes along with a number of benefits.

While most people don’t want to work hard once they’ve retired, there are plenty of lighter jobs that can not only help to foster community, but also bring in an increased amount of income each month. This money can either be put toward a savings account to add extra insurance for retirement, or you can choose to use it as spending money. Either way, holding a casual job after retirement is a great way to stay active and remain happy and healthy.

Retirement is a tricky process, and there’s no way to plan it better than working one-on-one with your financial advisor. Please call your financial advisor if you’d like to discuss this in more detail.
Calculate an Investment’s Basis

When you purchase an investment, your basis equals the price you paid plus any fees or commissions. While the calculation is fairly straightforward, other factors can affect your basis calculations:

- Reinvested dividends are added to your basis.
- The basis of any investment received as a gift is the donor’s original basis plus any gift tax paid by the donor. However, if you then sell the investment at a loss, your basis is equal to the lesser of the donor’s basis or the investment’s fair market value on the gift date.
- For inherited investments, the basis is the market value on the date you inherited it.
- Your basis in stock that has been split is the same as your basis before the stock split.
- When you exercise a stock option, your basis equals the price you paid for the shares plus any fees or commissions, which may be lower than market value. Shares must be retained for at least one year after purchase and for two years after receipt of the option, or any gains will be taxed as ordinary income.

Keep Saving after Retirement

Because you’re retired doesn’t mean you should stop saving. Carefully managing your money and looking for ways to save will help ensure you remain financially fit during retirement. Consider these tips:

- Construct a financial plan. Most retirees fear they’ll run out of money during retirement. To ease those fears, create a financial plan detailing how much money will be obtained from what sources and how that income will be spent. Make sure your annual withdrawal amount won’t cause you to deplete your savings. Review your plan annually to ensure you stay on course.

- Consider part-time employment. Especially if you retire at a relatively young age, you might want to work on at least a part-time basis. Even earning a modest amount can help significantly with retirement expenses. However, if you receive Social Security benefits and are between the ages of 62 and full retirement age, you will lose $1 of benefits for every $2 of earnings above $16,920 in 2017. You might want to keep your income below that threshold or delay Social Security benefits until later in retirement.

- Try before you buy. Want to relocate to another city or purchase a recreational vehicle to travel around the country? Before you buy a home in an unfamiliar city or purchase an expensive recreational vehicle, try renting first.

- Look for deals. Take the time to shop wisely, not just at stores, but for all purchases. When was the last time you compared prices for auto or home insurance? Can you find a credit card with lower fees and interest rates? When did you last refinance your mortgage?

Financial Thoughts

The average sale price of new cars and SUVs in 2016 was $33,845, a 3.5% increase from 2015 (Source: Money, September 2016).

In a recent survey of parents whose children are currently attending four-year colleges, 48% indicated that college cost more than they expected, and 42% said college was too expensive (Source: Money, August 2016).

In another survey, 57% of millennials (those born between 1982 and 2004) regret how much money they borrowed for higher education (Source: Citizens Bank, 2016).

Almost 43% of federal student loan borrowers are behind on their payments or not making payments at all (Source: Citizens Bank, 2016).

Approximately 80% of millennials do not invest in the stock market. The reasons cited include: they don’t have enough money (40%), they have too much student debt (13%), and they don’t know how (34%) (Source: Journal of Financial Planning, September 2016).

One in six employers offers retiree health insurance coverage to retired workers (Source: Benefits Pro, 2016).