GOALS ACCOUNT ORGANIZATION COLLEGE ESTATE PLANNING 2021

Tracking #: 1-933536

GOALS AND KEY EVENTS

MY FINANCIAL STRENGTHS: ______________________________

	WINTER			SPRING			SUMMER			FALL		
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Career & Income Management												
Health Care & Wellness												
Tax Savings, Debt & Short-Term Needs												
Retirement												
College Saving or Paying												
Estate Planning & Insurance												
Vacations, Events and Misc.												

ACCOUNT ORGANIZATION (EXAMPLE)

EMERGENCIES & SHORT-TERM

Emergency Fund

Example: $5,000 monthly expenses x 3 = $15,000
Increase cash to >20% of purchase price for down payment if buying a house.

Taxable Account

Example: $15,000
5-year time frame, Medium risk

$7,000 High quality bond mutual funds or ETFs

$3,000 Corporate bond funds, high yield bond funds or ETFs

$5,000 Dividend paying blue-chip stock mutual funds or ETFs

Health Savings Account

Available with High Deductible Health Plan. NOT "use it or loose it." Maximums: +$1,000 catchup > age 55

Individuals $3,600

Family $7,200

RETIREMENT

401(k)

$19,500 annual contribution + $6,500 if > age 50

Employer match

Invest for growth, reduce risk (% stocks) closer to retirement

Roth IRA

$6,000 annual contribution + $1,000 if >50

Tax-free distributions: invest more aggressively

Taxable

Pay taxes every year on dividends and interest income (lower tax rate than ordinary income).

Annuities

Better for age 50+

Use for risk management

Beware of fees

COLLEGE

529

$15,000 per child/beneficiary to avoid gift tax. IRS permits "front-loading" 5-years. $15,000 x 5 = $75,000 upfront. Assumes no other gifts.

Invest for growth, reduce risk (% stocks) closer to enrollment

One account per child or change beneficiaries

Roth or Traditional IRAs

Assets not counted in financial aid FAFSA. Might be counted on CSS form. Income counted when distribute. Use last year of college.

Whole Life Insurance

Can borrow from cash value. Use after saved max in 529 and IRAs. More suitable for families with very high level of assets due to liquidity risk.

The Roth IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change. Prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's qualified tuition program. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary. Please consult with your tax advisor before investing.

PAYING FOR COLLEGE

INFANCY TO PRE-K

Key disciplines:

1. Manage cash flow
2. Keep housing below 20% of expenses if planning to have children
3. Build up emergency fund to at least 3 months expenses
4. Education expenses: explore low-cost options – public schools and park district
5. Pay down parents' student loan debt.

Key Risk:
Paying too much on housing

K – 8

Key disciplines:

1. Manage education expenses: consider private options only for high school.
2. Aggressively reduce parental debt: must be paid off before college enrollment.
3. Increase college saving in 529s or Roth IRAs.
4. Teach children about trade-offs (help children evaluate options) and reducing waste (managing scarce resources).

Key Risk:
Not making most of teachable moments. Help your child deal with adversity.

HIGH SCHOOL

Key disciplines:

1. Pay education expenses from cash flow.
2. Research costs: find best in-state and best elite school options

http://nces.ed.gov/collegenavigator/

3. Prepare children for adulthood: Teach children about non-academic success factors: applying for jobs and leadership.
4. Teach children about budgeting and managing debt.

Key Risks:
Not properly assessing your child's skills. Not communicating.

COLLEGE

Key disciplines:

1. Pay part of tuition out of cash flow.
2. Freshman/Sophomore Years: Pay part of tuition out of 529

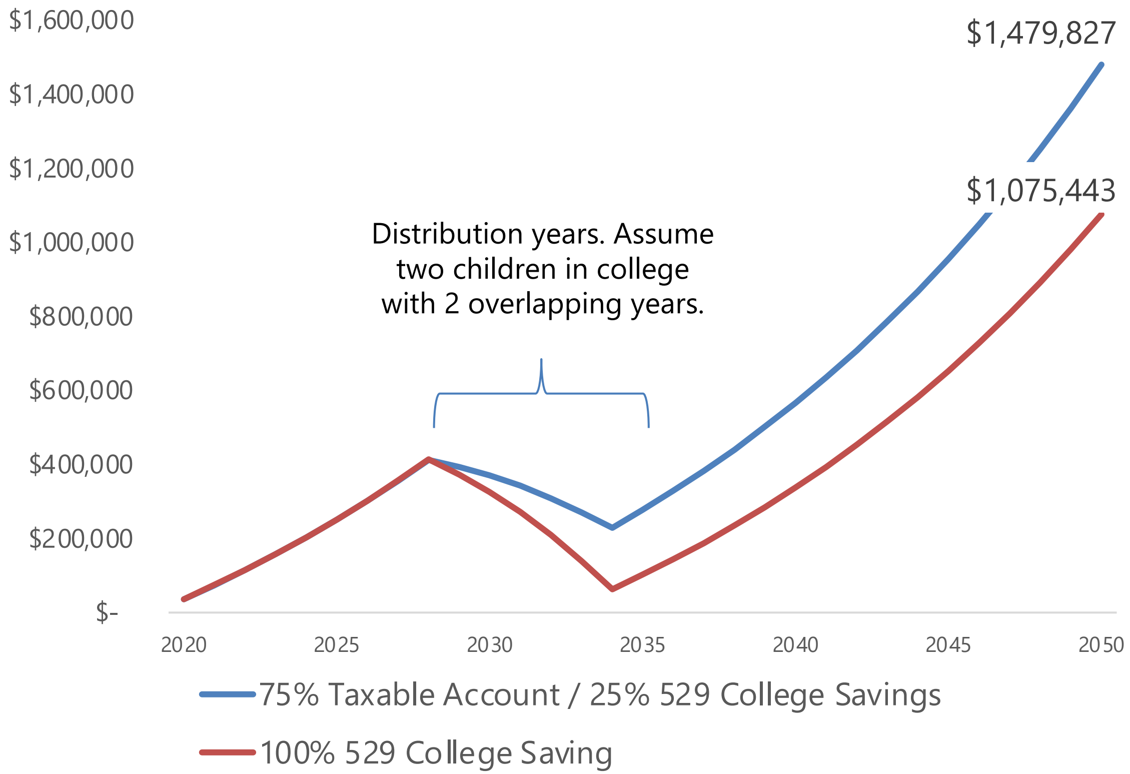
Junior/Senior Years: Pay part of tuition out Roth IRAs.

3. Take advantage of student loans when rates are cheap.
4. Teach children how to research and apply for summer internships and negotiate salary. Have a process for managing career.

Key Risk:
Undervaluing state or foreign schools

SAVING FOR COLLEGE + OTHER GOALS

Overall wealth could be greater if save outside of 529 accounts and child takes out student loans and pays off in 10 years. This gives investments more time to grow.



Assumptions:
Save $3,000 a month split 75% in taxable investment account and 25% in 529 college savings and take out student loans compared to saving 100% in 529 and no loans.

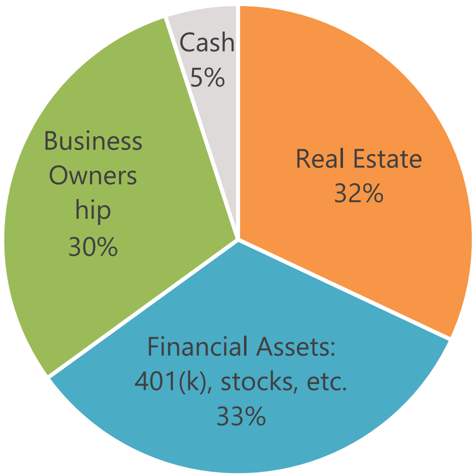
Growth rate 6%, loan rate 6%. Pay off student loans within 10 years of graduating. Two children with two overlapping enrollment years.

ESTATE PLANNING

ASSETS PASSING THROUGH AND AROUND THE PROBATE PROCESS

CONTRACT	LAW	TRUST	ALL OTHER
• Life Insurance • Retirement Plans • IRAs • Annuities • TODs • PODs	• JTWROS • Tenants by Entirety	• Revocable • Irrevocable • Special Needs • Charitable	• Testate (Will) • Intestate
↓	↓	↓	↓
To Beneficiaries	To Survivor	To Principal and Income Beneficiaries	<u>Probate Process:</u> All Other Assets: Creditors’ Debts and Taxes. Prove will and administer and distribute taxes

WEALTH ROADMAP (EXAMPLE)



Best practices:
- Allocation depends on risk and opportunity
- Diversify across non-correlated asset classes with different risk factors
- Diversify tax treatment of gains
- How can you insure risk? Insurance product or entity form

Potential Risk

Expected annual return

3%-5%*

REAL ESTATE

- Primary residence
- Second home
- Rental property

Risks: Too much debt. Plan to pay off before retirement or (ideally) children's college. Underestimating maintenance costs.

6%-8%

FINANCIAL ASSETS

- 401(k), IRAs
- Brokerage accounts
- 529 College Savings

Risks: Not saving enough, not taking on appropriate risk to generate required returns for time horizon (retirement, college).

> 15%

BUSINESS OWNERSHIP

$25,000 level

- Equity stakes in friend's business (angel investing)

$250,000 level

- Accredited investor
- Private equity
- Venture capital

Risks: Lacking skills to evaluate business potential, personal biases, not having an exit strategy

**https://www.zillow.com/home-values/*

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