



# GOALS ACCOUNT ORGANIZATION COLLEGE ESTATE PLANNING 2024

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**WealthEquity**



# GOALS AND KEY EVENTS

MY FINANCIAL STRENGTHS: \_\_\_\_\_

	WINTER			SPRING			SUMMER			FALL		
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Self-Care												
Career Management: Salary & Skills												
Retirement: 16% of income ideal												
Short-Term Saving: Taxes, Home Improvement												
Debt												
Saving & Paying for College and Private School												
Estate Planning & Insurance												
Experiences, Charity and Misc.												

# ACCOUNT ORGANIZATION (EXAMPLE)

EMERGENCIES & SHORT-TERM	RETIREMENT	COLLEGE
<b>Emergency Fund</b> <u>Example:</u> \$5,000 monthly expenses x 3 = \$15,000 Increase cash to >20% of purchase price for down payment if buying a house.	<b>401(k)</b> \$23,000 annual contribution + \$7,500 if > age 50 Employer match Invest for growth, reduce risk (% high volatility holdings) closer to retirement	<b>529</b> \$18,000 per child/beneficiary to avoid gift tax. IRS permits “front-loading” 5-years. \$18,000 x 5 = \$90,000 upfront. Assumes no other gifts.  Invest for growth, reduce risk (% high volatility holdings) closer to enrollment  One account per child or change beneficiaries
<b>Taxable Account</b> <u>Example:</u> \$15,000 5-year time frame, Low risk  \$7,000 High quality or green bond funds or ETFs  \$3,000 Corporate bond, high yield bond funds or ETFs  \$5,000 REITs, Dividend-paying, utilities funds or ETFs	<b>Roth IRA</b> \$7,000 annual contribution + \$1,000 if >50  Tax-free distributions: invest more aggressively	<b>Roth or Traditional IRAs</b> Assets not counted in financial aid FAFSA. Might be counted on CSS form. Income counted when distribute. Use last year of college.
<b>Health Savings Account</b> Available with High Deductible Health Plan. NOT “use it or lose it.” Maximums: +\$1,000 catchup > age 55 Individuals \$4,150 Family \$8,300	<b>Taxable</b> Pay taxes every year on dividends and interest income (lower tax rate than ordinary income).  No penalties if withdraw before age 59 ½.	<b>Whole Life Insurance</b> 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.
	<b>Annuities</b> Better for age 50+ Use for risk management Beware of fees	

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.

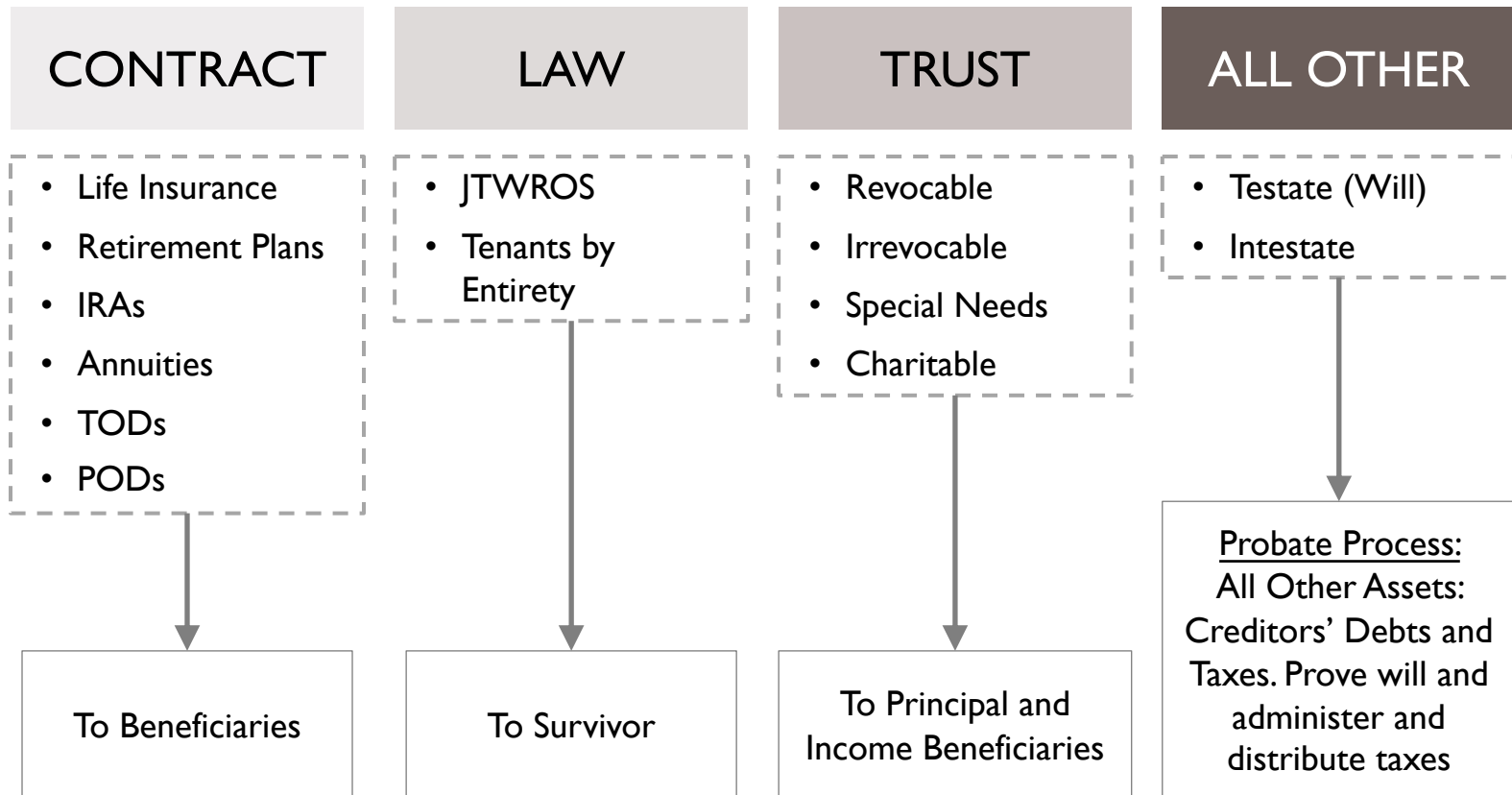
Prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's qualified 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	K – 8	HIGH SCHOOL	COLLEGE
<p><u>Key disciplines:</u></p> <ol style="list-style-type: none"> <li>1. Manage cash flow</li> <li>2. Keep housing below 20% of expenses if planning to have children</li> <li>3. Build up emergency fund to at least 3 months expenses</li> <li>4. Education expenses: explore low-cost options – public schools and park district</li> <li>5. Pay down parents' student loan debt.</li> </ol> <p><u>Key Risk:</u> Paying too much on housing</p>	<p><u>Key disciplines:</u></p> <ol style="list-style-type: none"> <li>1. Manage education expenses: consider private options only for high school.</li> <li>2. Aggressively reduce parental debt: must be paid off before college enrollment.</li> <li>3. Increase college saving in 529s or Roth IRAs.</li> <li>4. Teach children about trade-offs (help children evaluate options) and reducing waste (managing scarce resources).</li> </ol> <p><u>Key Risk:</u> Not making most of teachable moments. Help your child deal with adversity.</p>	<p><u>Key disciplines:</u></p> <ol style="list-style-type: none"> <li>1. Pay education expenses from cash flow.</li> <li>2. Research costs: find best in-state and best elite school options <a href="http://nces.ed.gov/collegenavigator/">http://nces.ed.gov/collegenavigator/</a></li> <li>3. Prepare children for adulthood: Teach children about non-academic success factors: applying for jobs and leadership.</li> <li>4. Teach children about budgeting and managing debt.</li> </ol> <p><u>Key Risks:</u> Not properly assessing your child's skills. Not communicating.</p>	<p><u>Key disciplines:</u></p> <ol style="list-style-type: none"> <li>1. Pay part of tuition out of cash flow.</li> <li>2. Freshman/Sophomore Years: Pay part of tuition out of 529  Junior/Senior Years: Pay part of tuition out Roth IRAs.</li> <li>3. Take advantage of student loans when rates are cheap.</li> <li>4. Teach children how to research and apply for summer internships and negotiate salary. Have a process for managing career.</li> </ol> <p><u>Key Risk:</u> Undervaluing state or foreign schools</p>

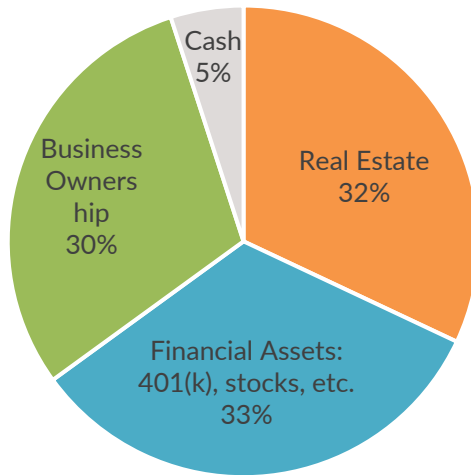
# ESTATE PLANNING

## ASSETS PASSING THROUGH AND AROUND THE PROBATE PROCESS



This information is not intended to be a substitute for individualized legal advice. Please consult your legal advisor regarding your specific situation.

# 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

## 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.

## 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).

## 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

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk



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Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

Fixed and Variable annuities are suitable for long-term investing, such as retirement investing. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Guarantees are based on the claims paying ability of the issuing company. Withdrawals made prior to age 59 ½ are subject to a 10% IRS penalty tax and surrender charges may apply. Variable annuities are subject to market risk and may lose value.

Contributions to a traditional IRA may be tax deductible in the contribution year, with current income tax due at withdrawal. Withdrawals prior to age 59 ½ may result in a 10% IRS penalty tax in addition to current income tax.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value, and may trade at prices above or below the ETF's net asset value (NAV). Upon redemption, the value of fund shares may be worth more or less than their original cost. ETFs carry additional risks such as not being diversified, possible trading halts, and index tracking errors.

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