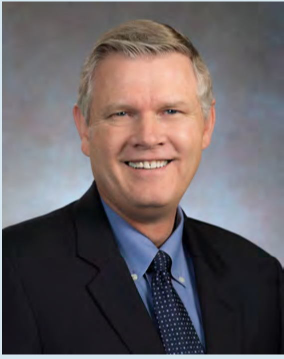
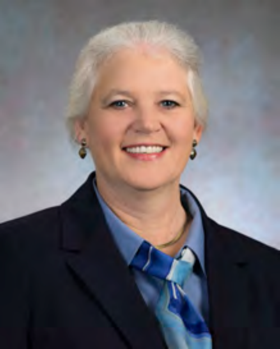


Gary Stanislawski, CFP®



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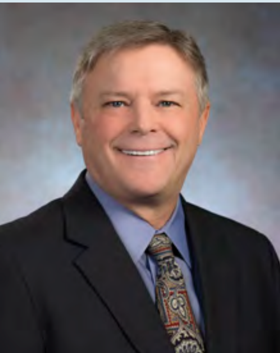
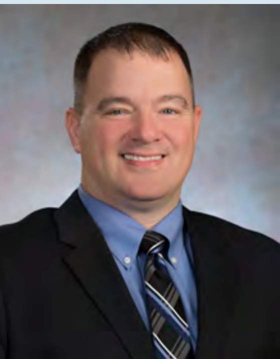


Kraig McFarland RFC®, CRPC®



Jason Sauer, Financial Advisor

Regent Financial Services

August 2018

Have You Made Any of These Financial Mistakes?

As people move through different stages of life, there are new financial opportunities — and potential pitfalls — around every corner. Have you made any of these mistakes?

Your 50s and 60s

1. Raiding your home equity or retirement funds. It goes without saying that doing so will prolong your debt and/or reduce your nest egg.

2. Not quantifying your expected retirement income. As you near retirement, you should know how much money you (and your spouse, if applicable) can expect from three sources:

- Your retirement accounts such as 401(k) plans, 403(b) plans, and IRAs
- Pension income from your employer, if any
- Social Security (at age 62, at your full retirement age, and at age 70)

3. Co-signing loans for adult children. Co-signing means you're 100% on the hook if your child can't pay, a less-than-ideal situation as you're getting ready to retire.

4. Living an unhealthy lifestyle. Take steps now to improve your diet and fitness level. Not only will you feel better today, but you may reduce your health-care costs in the future.

Your 40s

1. Trying to keep up with the Joneses. Appearances can be deceptive. The nice lifestyle your friends, neighbors, or colleagues enjoy might look nice on the outside, but behind the scenes there may be a lot of debt supporting that lifestyle. Don't spend money you don't have trying to keep up with others.

2. Funding college over retirement. In your 40s, saving for your children's college costs at the expense of your own retirement may be a mistake. If you have limited funds, consider setting aside a portion for college while earmarking the majority for retirement. Then sit down with your teenager and have a frank discussion about college options that won't break the bank — for either of you.

3. Not having a will or an advance medical directive. No one likes to think about death or catastrophic injury, but these documents can help your loved ones immensely if something unexpected should happen to you.

Your 30s

1. Being house poor. Whether you're buying your first home or trading up, think twice about buying a house you can't afford, even if the bank says you can. Build in some wiggle room for a possible dip in household income that could result from leaving the workforce to raise a family or a job change or layoff.

2. Not saving for retirement. Maybe your 20s passed you by in a bit of a blur and retirement wasn't even on your radar. But now that you're in your 30s, it's essential to start saving for retirement. Start now, and you still have 30 years or more to save. Wait much longer, and it can be very hard to catch up.

3. Not protecting yourself with life and disability insurance. Life is unpredictable. Consider what would happen if one day you were unable to work and earn a paycheck. Life and disability insurance can help protect you and your family. Though the cost and availability of life insurance will depend on several factors including your health, generally the younger you are when you buy life insurance, the lower your premiums will be.

Your 20s

1. Living beyond your means. It's tempting to splurge on gadgets, entertainment, and travel, but if you can't pay for most of your wants up front, then you need to rein in your lifestyle, especially if you have student loans to repay.

2. Not paying yourself first. Save a portion of every paycheck first and then spend what's left over, not the other way around. And why not start saving for retirement, too? Earmark a portion of your annual pay now for retirement and your 67-year-old self will thank you.

3. Being financially illiterate. Learn as much as you can about saving, budgeting, and investing now and you could benefit from it for the rest of your life.

Basic Overview of Section 529 College Savings Plans

Few things excite parents, relatives, financial planners and college-bound students like the availability of Section 529 College Savings Plans. While these accounts do not make money for college expenses magically appear—you still need to save funds diligently over a long period of time—they do make the management of that money easier and more effective, while providing a few tax benefits to boot. The greatest benefit, though, comes when it is time for the student to start applying to college. Knowing there is money already saved for this purpose makes the whole process of applying for financial aid and searching for scholarships much less stressful. Prior to the advent of Section 529 plans, parents who wanted to save for their child's college education had few options. These options were basically limited by whether the child's name or the parents' went on the account. Everything changed in 1996 when Congress passed the Small Business Job Protection Act. As a provision of this act, Section 529 college accounts were created. These accounts offer parents attractive tax benefits for saving money towards college, and still allow them to retain permanent control over the assets. Here are some of the most crucial points to be aware of when considering 529 plans to help save for college:

Benefits and Eligibility

The eligibility rules surrounding Section 529 plans are much more liberal than those surrounding other savings vehicles like Roth IRAs. Anyone can contribute to a Section 529 plan, regardless of how much money they make; however, they do need to be aware of U.S. gift tax limitations, and understand how larger gifts may affect their eventual estate taxation. Parents and others who want to help put money aside for college expenses use these tax-advantaged investment accounts, knowing that any increase in those assets is free of federal and state income taxes. All withdrawals used for qualified higher education expenses are exempt from federal income taxes. 33 states and the District of Columbia also waive state taxes on withdrawals, with some offering other tax benefits.

Distributions

Upon opening a Section 529 account, the parent or account owner is required to designate a beneficiary. This "designated beneficiary" is usually the student who will eventually attend college. When distributions are made from the account for qualified educational expenses for this beneficiary, there is no taxation on growth of the original investment. Educational expenses are broadly defined in Section 529 plans and can include things like uniforms, books, and even transportation. If distributions are not considered qualified, then Federal income tax will be due on the growth of the distributed investments, and can incur a 10 percent penalty.

Ownership Flexibilty

If a designated beneficiary does not go to college, or money remains unused, the parent or account owner can change the beneficiary—for example to a niece or friend. The IRS rules are extremely flexible and allow the beneficiary to be changed to any immediate family member, as well as descendants of the original beneficiary.

Effects on Financial Aid Eligibilty

A Section 529 account is generally considered an asset of the parent, which means that 5.6 percent of the value is expected to be used towards college. This provides a significant advantage over UGMA/UTMA custodial accounts, which require that 20 percent of the assets be used towards college.

Section 529 Providers

Each state's 529 plan is a little different, and many states use different investment managers to oversee fund assets. Your investment options are usually limited to the mutual funds offered within each unique plan. While you can generally use any plan to go to college in any state, you should check into whether or not certain state income tax benefits might apply to you.

Summary

Section 529 College Savings plans should be at the top of the list for parents and others wanting to save for a loved one's education. While there are some rules that require understanding, the tax benefits and ownership flexibility of these plans make them well worth the time investment. Plus, you will eventually have the satisfaction of seeing the student you helped walk across that stage and receive a diploma come graduation time.

WATERMELON SALAD:

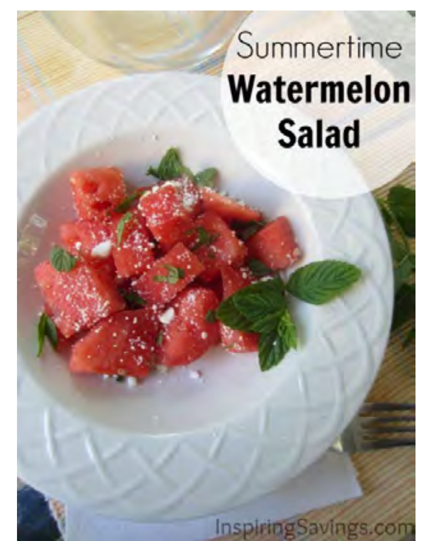
Preparation Time: 10 Minutes / Serves: 6

Ingredients:

- *6 Cups ½ inch x ½ inch chilled watermelon*
- *1 ½ limes, juiced*
- *1/3 cup feta, crumbled*
- *15-20 mint leaves coarsely chopped*

Instructions:

1. Combine and chill until serving



Tips for buying the perfect watermelon

• *Give it a TAP* - Tap it and try to understand the sound. It is ripe if the sound is deep and almost echoes. Avoid watermelons that sound dull.

• *Pick it up* -Try to pick the heavy ones for their weight and not size, you want the heaviest one of all. Big and light ones are not ripe or sweet enough.

• *Look for the Yellow* - Watermelons develop a spoltch where they rest on the ground. When the spot is creamy and yellow, it is ripe.

WATERMELON LEMONADE:

Preparation Time: 5 minutes / Serves 5

Ingredients:

- *½ cup lemon juice*
- *2½ cups water*
- *2/3 cup agave syrup*
- *2 cups watermelon chunks*

Instructions:

1. Place all ingredients in blender until smooth

2. Serve over ice

REGENT
FINANCIAL SERVICES

Interest Rates Rise on Federal Student Loans for 2018-2019

Interest rates on federal student loans are set to rise for the second year in a row. This table shows the interest rates for new loans made on or after July 1, 2018, through June 30, 2019. The interest rate is fixed for the life of the loan.

Subsidized vs. unsubsidized

What's the difference? With subsidized loans, the federal government pays the interest that accrues while the student is in school, during the six-month grace period after graduation, and during any loan deferment periods. With unsubsidized loans, the borrower is responsible for paying the interest during these periods. Only undergraduate students are eligble for subsidized loans, and eligilbilty is based on demonstrated financial need.

	New rate 2018-2019	**Old rate 2017-2018**	**Available to**	**Borrowing Limits**
Direct Stafford Loans: Subsidized Undergraduates	5.045%	4.45%	Undergraduate students only; Subsidized loans are based on financial need as determined by the federal aid application (FAFSA)	For dependent undergraduates: 1st year: $5,500 (3,500 subsidized) 2nd year: $6,500 ($4,500 subsidized) 3rd, 4th, 5th year: $7,500 ($5,500 subsidized) Max: $31,000 ($23,000 subsidized)
Direct Stafford Loans: Unsubsidezied Undergraduates	5.045%	4.45%	Undergraduate students only; all students are eligible regardless of financial need	For dependent undergraduates: 1st year: $5,500 (3,500 subsidized) 2nd year: $6,500 ($4,500 subsidized) 3rd, 4th, 5th year: $7,500 ($5,500 subsidized) Max: $31,000 ($23,000 subsidized)
Direct Stafford Loans: Unsubsidized Graduate or Professional Students	6.595%	6%	Gradaute or professional students only; all students are eligble regardless of financial need. Unsubsidized loans only	$20,500 per year (unsubsidized only); max $138,500 ($65,500 subsidized)
Direct PLUS Loans: Parents and Graduate or Professional Students	7.595%	7%	Parents of dependent undergraduate students and graduate or professional students Unsubsidized loans only	Total cost of education, minus any other aid received by student or parent

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