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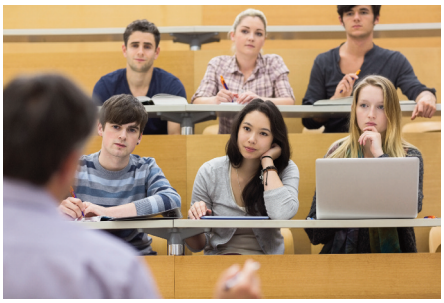
Is It Time to Rethink College?

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 the average four-year public university as well as for foregone earnings during those college years (Source: *Education Pays*, 2013).

While that doesn't sound like a bad trade-off — break even by age 36 and then earn substantially more for the rest of your life — keep in mind that those figures only include the cost of 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 outstand-

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On a Personal Note

This year started off with a bang and continues to remain active through the writing of this winter column of our client newsletter. At the end of last year, I entered into an agreement to acquire a number of new clients from a reputable accounting firm in south Florida. This new strategic partnership provides growth opportunities for Miller Wealth Advisors in two ways.

First, the partners of the firm and I share similar values when it comes to serving the needs of clients. We always place the needs of the client before those of ourselves, and I am excited about the prospect of strengthening my relationships with many of them.

Second, most of the CPA firm's clients have been with them for

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Is It Time?

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ing 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). Before starting, however, your child should determine to which four-year college he/she will transfer and make sure all credits from the community college will transfer to the four-year college.

✔ **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.

✔ **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.

Please call if you would like to discuss this topic in more detail.

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 if you'd like to discuss this in more detail. ❍❍❍

Make Your Savings Last through Retirement

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 if you'd like to discuss this in more detail. ❍❍❍

On a Personal Note

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more than a decade, so there is a deep sense of trust that has begun to transfer to me as their new financial advisor.

In early January, I attended The 2017 Heckerling Institute on Estate Planning. I learned about the latest ideas circulating among estate attorneys, accountants, and other financial service professionals concerning the fate of the estate tax. While many practitioners believe the Trump administration will be successful in abolishing this transfer tax on death, they also are betting that the lifetime gift tax won't go away. Their rationale is that the gift tax helps prevent income shifting from an affluent parent to a more modest income producing child by imposing a tax on the donor for very large gifts.

As for my family, life has been full of anticipation. My daughter, Romy, has been waiting for college acceptance decisions from several universities. I am pleased to report that she was accepted to the University of Florida; and while there are a few other schools she has yet to hear from, it is likely that she will be a Gator in the fall. My son, Ben, continues to hone his piano skills and perform for family and friends. My wife, Tanya, is doing quite well and remains employed by the Anti-Defamation League where she advocates on behalf of victims of hate crimes throughout our region of Florida.

Finally, I am pleased to announce that I successfully qualified for Valmark Financial Group Leaders Conference as a result of my firm's growth in 2016. A big thank you goes to my associate, Jennifer Power, for her dedication to giving our clients exceptional service. And most of all, a debt of gratitude to each of you for allowing me to represent you, your family, and your business as your trusted financial advisor. I look forward to another great year in 2017!

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. ❍❍❍

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). ❍❍❍