



YOUR FINANCIAL FUTURE

Strategies for Managing Your Assets

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College Planning -- It's About More Than Money

Choosing a way to save for your child's education expenses may be your family's first college planning decision, but it certainly won't be the last. From making that first deposit, to selecting a college, to choosing a course of study, you and your child will be making choices that can have a financial impact for years to come.

How Will You Save Enough?

Starting to save for college when your child is young may give you the best chance for accumulating a significant amount of money. Section 529 plans -- prepaid tuition plans designed to lock in today's tuition rates at eligible institutions -- and college savings plans, which permit contributions to an investment account set up to pay qualified education expenses, are popular tax-favored options. ¹Coverdell Education Savings Accounts also offer tax advantages, although contribution limits are relatively low. ²Custodial accounts set up under the Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA) are another option to consider.

The Financial Aid Game

By the time college gets close, your family's life may seem to be ruled by deadlines. There are different deadlines for college applications, scholarship applications, and the FAFSA (Free Application for Federal Student Aid) submissions. Applying well in advance of the deadlines can boost your child's chances of getting accepted to the school of his or her choice and receiving a favorable financial aid package. If you wait too long, spots may already be filled and aid money given to students who applied earlier.

Dissecting Aid Packages

Typically, aid packages consist of grants, loans, work study, and an expected family contribution. When reviewing aid offers, compare apples to apples. Start with the cost of tuition at each school. Then look at how much of the aid package consists of loans that will have to be repaid. Make sure non-tuition costs, such as room and board, books, equipment, transportation, and fees, are included in the school's cost estimates. It's a good idea to do your own cost estimate and use that as your basis for comparing offers.

The Right Fit

As important as it is, money shouldn't be the only criterion used when choosing a college. Lower cost of attendance or generous financial aid is most valuable if the college is a good fit for your child's abilities, personality, and goals. Choosing the wrong college could cost a bundle in lost opportunities if your child is unhappy or doesn't feel sufficiently challenged by the curriculum.

Look Toward the Future

A college education is an investment in the future, so parents may want to discuss choosing a course of study that will lead to a career. Talk to your child about the importance of preparing for life beyond college by obtaining the practical skills and knowledge needed to land a job after graduation. By planning ahead, your child may turn his or her interests into a successful career.

¹Certain benefits may not be available unless specific requirements (e.g., residency) are met. There also may be restrictions on the timing of distributions and how they may be used.

²Internal Revenue Service. The annual contribution limit is \$2,000. Taxpayers with modified adjusted gross incomes (MAGIs) of more than \$220,000 (for married couples filing a joint tax return) and \$110,000 (for

singles) may not contribute. For most taxpayers, MAGI is the adjusted gross income as figured on their federal income tax return.

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