YOUR FINANCIAL FUTURE

Your Guide to Life Planning

April 2014

Tori Patrick
President
Progressive Strategies Financial Group
3145 E. Warm Springs Road #400
Las Vegas, NV 89120
702-893-1500
Fax: 702-549-1900
Tori@psfgwealth.com
www.psfgwealth.com

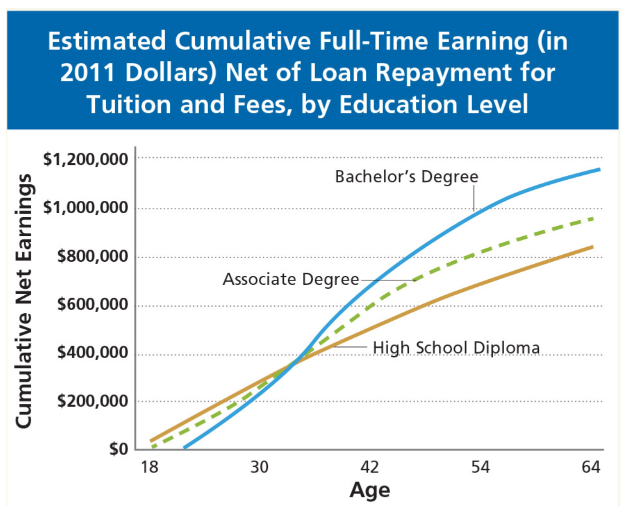
College Savings 101

The gift of a college education is within your reach if you start planning early. Here's our guide to funding a college education for your children or grandchildren.

Breathe a sigh of relief: Although the cost of college has been rising well above the rate of inflation for more than a decade, there are some signs that annual increases are moderating, according to the College Board. Its *Trends in College Pricing* report for the 2013-14 school year shows a 3.2% average

increase in total year-over-year costs at public four-year in-state schools (to $18,391), and a 3.7% increase at private four-year colleges and universities (to $40,917).

Despite the significant cost of attending a two- or four-year college, the lifetime-earning premium of a bachelor's degree is significantly higher than that of a high school diploma, even after deducting the costs of loan repayments, as the chart below shows.



Source: Sandy Baum, Jennifer Ma and Kathleen Payea, Education Pays 2013: The Benefits of Higher Education for Individuals and Society, College Board.

Paying for college can seem like buying a new car every year, but the sticker shock can be lessened if you plan ahead. Here are seven tips to help you get started.

1. Get your retirement in order first - Your kids will have access to more sources of college money than you will once you stop working, so make sure you're on the right path for your own retirement before you set aside money for college.

2. Start early - Even small contributions can add up if you give them time to grow. Investing just $100 a month for 18 years can yield $48,000, assuming an 8% average annual return.[8]

3. Consider a 529 savings plan for big tax advantages - Qualified withdrawals are free of federal taxes (and some state tax benefits, too), and the amounts you can put in are substantial (more than $300,000 per beneficiary in many plans). Plus, you can open a 529 no matter how much you make or the age of the beneficiary, which makes it a particularly attractive vehicle for grandparents who want to lower the value of their taxable estate.

4. Custodial accounts give the child more control over the money - Gifting assets through the Uniform Gifts to Minors Act (UGMA) accounts or transferring assets through the Uniform Transfers to Minors Act (UTMA) accounts can be a practical way to expand the universe of available investment options, but they come with a caveat. UGMA and UTMA accounts weigh more heavily on financial aid decisions because they are considered an asset of the child, not the parent. Plus, their tax benefits are limited when compared to a 529. The biggest consideration, however, is that the money saved becomes

the child's at a certain age (18 or 21, depending on the state), regardless of whether he or she goes to college.

5. Set up a Coverdell Education Savings Account for simpler needs - The Coverdell ESA offers tax advantages that are similar to those of the 529 plan but limits contributions to $2,000 per year. If you're contributing less than $2,000 a year, it can be simple to set up and manage. Plus, you can select from a broad range of investment options, including mutual funds.

6. Take advantage of federal tax breaks - Depending on your modified adjusted gross income, you may be able to take the "American Opportunity Tax Credit and Lifetime Learning Credit" in the years you pay tuition.

7. Look for flexible repayment plans - There are still ways to cut costs after your student graduates and begins repaying student loans. For instance, there is often a one-quarter percentage point interest-rate decrease if you set up automatic debit, in which monthly payments are automatically taken from your account. Federal student loan programs generally have more lenient provisions than private education loans.

Need more information on college affordability? Contact a financial advisor, or visit www.advocacy.collegeboard.org/college-affordability-financial-aid.

[8] Hypothetical example is intended to illustrate the benefit of long-term investing. It is not intended to predict the return of any investment, which will fluctuate with market conditions. All investing involves risk, including loss of principal.

Kmotion, Inc., P.O. Box 1456, Tualatin, OR 97062; 877-306-5055; www.kmotion.com

RP-09798-1213

Tracking #1-226616