



## Sterk Financial Services

MARY STERK, CFP®  
350 Oak Tree Ln Ste 150  
Dakota Dunes, SD 57049  
Phone: 605-217-3555  
Fax: 605-217-3535  
marysterk@sterkfinancialservices.com  
www.sterkfinancialservices.com

Thank you for connecting with us - we look forward to bringing further value to your financial future. Take a minute to catch up on this month's economic news, more in depth articles are available on our website [www.sterkfinancialservices.com](http://www.sterkfinancialservices.com).

### April 2019

Rules on Opening a 529 Plan Account for College

Comparing Financial Aid Packages

Do I need to get a REAL ID when I renew my license?

How do I replace my Social Security card?



Plan • Protect • Grow

[www.sterkfinancialservices.com](http://www.sterkfinancialservices.com)



## Five Things to Know Before Becoming a Landlord



Increased cash flow, property appreciation, and tax benefits are three major reasons why people want to own rental properties. But being a landlord takes time and money, so before you purchase an investment property or rent out your own home, make sure you understand what's involved.

### 1. Basic duties of a landlord

Your rental property is a business, and being a landlord comes with a great deal of financial and legal responsibility. Some of the major duties of a landlord include:

- **Finding responsible tenants.** This includes advertising and showing your property, and screening applicants.
- **Preparing and executing a lease.** The lease, or rental agreement, must conform to legal requirements, and include information such as the lease period, rent amount, and tenant names, and must specify lease terms and conditions.
- **Maintaining the property.** Your property must be safe and fit to live in, and must comply with all health and building codes. You may need to be available at all hours to respond to urgent tenant issues.
- **Collecting rent.** There may be periods when the property is vacant or your tenant hasn't paid the rent on time, so make sure you're prepared for the financial ramifications.

### 2. Rental laws

Each state has its own laws designed to protect the interests of both landlords and tenants. These laws cover many areas, including security deposits, how and when you can access the property, and what rights each party has. Local laws may also apply.

You'll also need to adhere to federal laws governing housing and discrimination. One of these laws is the Fair Housing Act that prohibits discrimination due to race, color, national origin, religion, sex, familial status, and disability. Another is the Fair Credit Reporting Act. You

must comply with this Act if you run consumer reports such as background checks or credit reports when screening potential tenants or making decisions about current tenants.

### 3. Insurance requirements

Contact your insurance company to find out what type of insurance you need to cover your rental property. You may need a landlord or rental dwelling policy that covers damage to the home's structure, and that provides liability coverage to protect against legal fees and medical costs in the event your tenant or someone else is hurt on the property.

### 4. Keeping records

Keeping good records is essential. Having accurate maintenance and repair records will substantiate that you've fully addressed property issues in the event of a dispute with a tenant. Other important documentation includes legally required records such as move-in/move-out inspections and security deposit receipts, and supporting documents for rental income and expenses that will be especially important at tax time.

### 5. How to get help

There's no doubt that being a landlord is a lot of work. Fortunately, professional help is available.

Hiring a property management company may be a good option when you don't have the time or the expertise to manage your property directly, or when you live out of town. A property manager can handle all the details and legal requirements of renting out your property. Of course, this know-how comes at a cost, but it may be well worth it if you want to minimize the risks and maximize the rewards of being a landlord.

You may also need the advice of an attorney and a tax professional who can help you navigate the complexities of owning rental property.



### 529 plan assets reach \$333 billion

Assets in 529 plans reached \$333 billion as of September 2018 — \$310 billion (93%) in college savings plans and \$23 billion (7%) in prepaid tuition plans.

Source: Strategic Insight, 529 Data Highlights, 3Q 2018

**Note:** Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information is available in each issuer's official statement and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, and should be read carefully before investing. Also consider whether your state offers a 529 plan that provides residents with favorable state tax benefits and other benefits, such as financial aid, scholarship funds, and protection from creditors. As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated.

## Rules on Opening a 529 Plan Account for College

Year over year, participation in 529 plans continues to rise.<sup>1</sup> Anyone can open an account, lifetime contribution limits are typically over \$300,000, and there are tax benefits if the funds are used for college. Here are some common questions on opening an account.

### Can I open an account in any state's 529 plan or am I limited to my own state's plan?

**Answer:** It depends on the type of 529 plan you have: college savings plan or prepaid tuition plan. With a college savings plan, you open an individual investment account and direct your contributions to one or more of the plan's investment portfolios. With a prepaid tuition plan, you purchase education credits at today's prices and redeem them in the future for college tuition. Forty-nine states (all but Wyoming) offer one or more college savings plans, but only a few states offer prepaid tuition plans.

529 college savings plans are typically available to residents of any state, and funds can be used at any accredited college in the United States or abroad. But 529 prepaid tuition plans are typically limited to state residents and apply to in-state public colleges.

Why might you decide to open an account in another state's 529 college savings plan? The other plan might offer better investment options, lower management fees, a stronger investment track record, or better customer service. If you decide to go this route, keep in mind that some states may limit certain 529 plan tax benefits, such as a state income tax deduction for contributions, to residents who join the in-state plan.

### Is there an age limit on who can be a beneficiary of a 529 account?

**Answer:** There is no beneficiary age limit specified in Section 529 of the Internal Revenue Code, but some states may impose one. You'll need to check the rules of each plan you're considering. Also, some states may require that the account be in place for a specified minimum length of time before funds can be withdrawn. This is important if you expect to make withdrawals quickly because the beneficiary is close to college age.

### Can more than one 529 account be opened for the same child?

**Answer:** Yes. You (or anyone else) can open multiple 529 accounts for the same beneficiary, as long as you do so under different 529 plans (college savings plan or prepaid tuition plan). For example, you could open a college savings

plan account with State A and State B for the same beneficiary, or you could open a college savings plan account and a prepaid tuition plan account with State A for the same beneficiary. But you can't open two college savings plan accounts in the same 529 plan in State A for the same beneficiary.

Also keep in mind that if you do open multiple 529 accounts for the same beneficiary, each plan has its own lifetime contribution limit, and contributions can't be made after the limit is reached. Some states consider the accounts in other states to determine whether the limit has been reached. For these states, the total balance of all plans (in all states) cannot exceed the maximum lifetime contribution limit.

### Can I open a 529 account in anticipation of my future grandchild?

**Answer:** Technically, no, because the beneficiary must have a Social Security number. But you can do so in a roundabout way. First, you'll need to open an account and name as the beneficiary a family member who will be related to your future grandchild. Then when your grandchild is born, you (the account owner) can change the beneficiary to your grandchild. Check the details carefully of any plan you're considering because some plans may impose age restrictions on the beneficiary, such as being under age 21. This may pose a problem if you plan to name your adult son or daughter as the initial beneficiary.

### What happens if I open a 529 plan in one state and then move to another state?

**Answer:** Essentially, nothing happens if you have a college savings plan. But most prepaid tuition plans require that either the account owner or the beneficiary be a resident of the state operating the plan. So if you move to another state, you may have to cash in the prepaid tuition plan.

If you have a college savings plan, you can simply leave the account open and keep contributing to it. Alternatively, you can switch 529 plans by rolling over the assets from that plan to a new 529 plan. You can keep the same beneficiary when you do the rollover (under IRS rules, you're allowed one 529 plan same-beneficiary rollover once every 12 months), but check the details of each plan for any potential restrictions. If you decide to stay with your original 529 plan, just remember that your new state might limit any potential 529 plan tax benefits to residents who participate in the in-state plan.

<sup>1</sup> Strategic Insight, 529 Data Highlights, 3Q 2018



## Comparing Financial Aid Packages



**To compare financial aid offers, first determine your out-of-pocket costs, or net price, at each school.**

With the cost of college continuing to increase year after year, applying to college usually involves applying for financial aid. And for many families, financial aid can be the deciding factor in whether a child attends the college of his or her choice. As a result, it's important to understand how the aid process works so you can compare the financial aid packages your child receives.

### **What types of financial aid are available?**

Financial aid is money distributed primarily by the federal government and individual colleges in the form of student loans, grants, scholarships, and work-study jobs. Loans and work-study must be repaid (through monetary or work obligations), while grants and scholarships do not. A student can receive both federal and college aid. Financial aid can be further broken down into two types of aid: need-based, which is based on your child's financial need, and merit-based, which is based on your child's academic, athletic, or artistic merit.

### **How is financial need determined?**

Financial need is generally determined by looking at your family's income, assets, and household information. The government's aid application, the Free Application for Federal Student Aid (FAFSA), uses a formula known as the federal methodology to calculate financial need. The resulting figure is known as your expected family contribution or EFC, which is the amount of money you must contribute toward college costs in order for your child to be eligible for need-based financial aid. Your EFC remains constant, no matter which college your child applies to. If you filled out the FAFSA this past fall, you received a Student Aid Report outlining your family's EFC.

The Student Aid Report that outlines your EFC is also sent to each college that your child listed on the FAFSA. The financial aid administrator at each school that has accepted your child uses the report to come up with an aid package that attempts to meet your child's financial need.

Keep in mind that your EFC is not the same as your child's financial need. To calculate financial need, subtract your EFC from the cost at any given college. Because tuition, fees, and room-and-board expenses are different at each college, your child's financial need will vary depending on the cost of a particular college.

And just because your child has financial need doesn't necessarily mean that colleges will meet 100% of that need. In fact, it's not

uncommon for colleges to meet only a portion of it. If this happens to you, you'll have to make up the gap, in addition to paying your EFC.

### **What about merit-based aid?**

Colleges often use favorable merit aid packages to attract certain students to their campuses, regardless of their financial need. The availability of college-sponsored merit aid tends to fluctuate from year to year and from college to college as schools decide how much of their endowments to spend, as well as the specific academic and extracurricular programs they want to focus on.

### **How should you compare aid awards?**

Sometime in late winter or early spring, your child will receive financial aid award letters that detail the specific amount and type of financial aid that each college is offering. Some colleges may send a letter, some may post the information on a password-protected online site, and some may do both. Make sure to look over the award carefully. If you have questions or your financial circumstances have changed since you filed the FAFSA, contact the college's financial aid office.

To compare offers, first determine your out-of-pocket costs, or net price, for each school by subtracting any grant or scholarship aid (which doesn't need to be repaid) from the total cost of attendance. Next, look at the loan component of each award to see how much, if any, you or your child will need to borrow. Then compare the net price and loan amounts across all colleges.

### **What if you didn't get the financial aid package you were expecting?**

If you'd like to lobby a particular school for more aid, tread carefully. A polite letter to the financial aid administrator followed up by a phone call is appropriate. Your chances for getting more aid are best if you can document a change in circumstances that affects your ability to pay, such as a recent job loss, unusually high medical bills, or some other unforeseen event.

### **How much should you rely on aid?**

While financial aid can play a part in helping pay for your child's college education, you shouldn't rely too heavily on it. Absent a large college grant or scholarship, student loans often make up the largest percentage of the typical financial aid package. It's important to remember that if you mainly rely on loans to finance your child's college education, you and/or your child can end up with a large amount of debt that can become burdensome.



## Sterk Financial Services

MARY STERK, CFP®  
350 Oak Tree Ln Ste 150  
Dakota Dunes, SD 57049  
Phone: 605-217-3555  
Fax: 605-217-3535  
marysterk@sterkfinancialservices.com  
www.sterkfinancialservices.com

Securities and Investment Advisory Services are offered through Woodbury Financial Services, Inc., Member FINRA/SIPC. Insurance offered through Sterk Financial Services which is not affiliated with Woodbury Financial Services, Inc.

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, or legal advice. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.



## Do I need to get a REAL ID when I renew my license?

If you need to renew your driver's license, you may want to get a REAL ID. The REAL ID Act, passed by Congress in 2005, enacts the 9/11

Commission's recommendation that the federal government set minimum security standards for state-issued driver's licenses and identification cards.

Beginning October 1, 2020, residents of every state and territory will need to present a REAL ID-compliant license/identification card, or another acceptable form of identification (such as a passport), to access federal facilities, enter nuclear power plants, and board commercial aircraft. Although implementation has been slow, states have made progress in meeting the REAL ID Act's recommendations. A majority of states and territories, along with the District of Columbia, have complied with all REAL ID requirements. The remaining noncompliant jurisdictions have been granted a temporary extension from the Department of Homeland Security.<sup>1</sup>

To obtain a REAL ID, you must apply in person at your state's department of motor vehicles (or other approved service center). Your picture will

be taken and signature captured electronically. You must provide more documentation than you would normally need for a standard driver's license or identification card. A REAL ID requires that you show (in original or certified form) proof of identity and lawful presence (e.g., U.S. passport, birth certificate), state residency (e.g., mortgage statement, utility bill), and Social Security number (e.g., Social Security card, paystub). In addition, if your current name doesn't match the one on your proof of identity document, you must prove your legal name change (e.g., marriage certificate).

When states first implemented REAL ID recommendations, applicants were faced with delays and long wait times. However, many states have since streamlined the process by allowing applicants to start the application process online. For more information on applying for a REAL ID, you can visit your state's department of motor vehicles website or [dhs.gov/real-id](https://dhs.gov/real-id).

<sup>1</sup> Department of Homeland Security, REAL ID Compliance Extension Updates, October 2018

## How do I replace my Social Security card?



Chances are, you probably have your Social Security number memorized, so you may not have had to use your card in awhile. However, there

are times when you may be required to show your actual card, such as when you start a new job or need to access certain government services. Fortunately, replacing a lost or stolen card is a relatively easy process.

In order to obtain a new card, you need to prove your citizenship or lawful noncitizen status, and your age and identity from a list of approved documentation (e.g., U.S. passport, driver's license, birth certificate). All documentation provided must be either original or in certified form (notarized copies or photocopies will not be accepted).

Next, you need to fill out an *Application for a Social Security Card* and bring or mail the application, along with the approved documentation, to your local Social Security office. Once the Social Security Administration (SSA) has your information and verified your documents, you should receive a replacement card within 10 to 14 business days.

In certain circumstances, you may be able to apply for a replacement card online using a [my Social Security](https://my.ssa.gov) online account. You can apply online for a replacement card if you:

- Are a U.S. citizen age 18 or older with a U.S. mailing address (this includes APO, FPO, and DPO addresses)
- Are not requesting a name change or any other change to your card
- Have a driver's license or state-issued identification card from a participating state or the District of Columbia

Be wary of businesses that offer to replace your Social Security card for a fee. The SSA provides those services free of charge. Keep in mind that you are limited to three replacement cards in a year and 10 during your lifetime, although certain exceptions apply.

For more information on replacing a lost or stolen card, visit the Social Security Administration website at [ssa.gov](https://ssa.gov).

