

FINANCIAL *fitness*

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The Complicated World of Education Planning

Over the ten years ending in 2013, student loan debt rose by 328 percent from \$241 million to \$1.08 trillion. For many families, the myriad of options available for financing college education is confusing and the amount of debt can quickly become unmanageable. Given this backdrop, families with children planning to attend college have an even greater need for advice to navigate their increasingly complex financing alternatives.

Funding a College Education

Most parents will tell you that funding a college education for their children is one of the largest expenditures they will ever make. Fortunately, there are options available today such as the 529 Plan to assist parents with meeting these future expenses. 529 Plans are extremely beneficial due to the fact that they offer income tax benefits. While there is no federal income tax deduction upon contribution to a 529 plan, any investment grows tax-deferred and distributions will come out completely tax-free if used for qualified education expenses. Some states may offer a state income tax deduction for contributions up to certain limits, however, North Carolina eliminated this deduction for contributions beginning January 1, 2014. Other advantages for 529 plans include flexible investment options, as well as the ability to make substantial deposits without any income limitations (Note: gift taxes may be applicable so be sure to consult your CPA or Wealth Advisor prior to making a contribution greater than the annual exclusion amount).

Options For Funding

In addition to saving for college, we encourage students and families to supplement their savings by exploring grants, scholarships, as well as federal and state financial aid. Grants and scholarships are forms of financial aid that do not have to be repaid. Grants are often need-based, while scholarships are usually merit-based. In addition to grants and scholarships, there are a multitude of financial aid options.

What is Financial Aid?

Financial aid is money borrowed from the U.S. Department of Education to assist with paying for college expenses. Aid can come from the U.S. federal government, the state where you live, the college you attend, or a nonprofit or private organization. You must meet certain eligibility requirements in order to obtain some form of aid, including demonstrating financial need. To apply for financial aid, you need to complete the Free Application for Federal Student Aid (FAFSA). Completing FAFSA can be accomplished online and will provide access to the largest source of financial aid. Applications should be completed as soon as possible after January 1 of the year in which the student will begin fall classes.

The U.S. Department of Education has two federal student loan programs: the Federal Direct Loan Program ("FDLP") and the Federal Perkins Loan Program ("FPLP"). Under the FDLP, there are three types of Direct Loans available: Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct



PLUS Loans. Both the Direct Subsidized and Unsubsidized Loans are available only to students, while the Direct PLUS loans include the ability for parents of dependent undergraduate students to borrow to help pay for education expenses not covered by other financial aid. The FPLP is a school-based loan program for students with exceptional financial need. Under this program, the school is the lender.

Prepare Now

Cost can be one of the most important factors in choosing potential colleges, and can vary significantly from school to school. It is important to make sure that the cost is reasonable compared to your future earning potential. You want to make sure that you can earn enough money to cover any student loan payments you may need to make, along with living expenses, after you graduate.

The greatest asset that a parent has is time. The earlier you have an education plan in place and start saving for your child's college education, the more time you will have for your savings to grow. A plan can assist with helping you understand how much college will cost, how much you will need to save either in a lump sum or on an annual basis to meet your education savings goals, as well as what options are best suited for your individual situation.

Sandy Carlson has over eighteen years of wealth management experience including income taxation, retirement planning, executive compensation planning, insurance, banking, trust administration and estate planning. She is a Certified Divorce Financial Analyst™ (CDFA) and also holds the QKA designation by the American Society of Pension Professionals & Actuaries. She is President-Elect of the Financial Planning Association, a Tax Instructor in the CFP Program at Queens University, and is a member of the Charlotte Estate Planning Council. Sandy values getting to know her clients and providing creative, integrated solutions for accumulating, preserving and transferring wealth.

Where will your wealth take you?

A comfortable retirement. Security for your family. Whatever your destination, Rinehart Wealth Management provides a clear direction to help you get there. The first step: Talk to our team of financial planning and investment management experts. Together, we'll create a comprehensive, customized portfolio that's designed for your personal path.

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