MONEY MATTERS 2023: UL SYSTEM FINANCIAL WELLNESS SERIES

SESSION #6:

FAMILY FINANCIAL PLANNING: SENDING YOUR LOVED ONES OFF TO COLLEGE

JUNE 27, 2023

UNIVERSITY OF LOUISIANA SYSTEM

FOR YOUR FUTURE. FOR OUR FUTURE.

BRIDGING THE DIVIDE

Summer Series

MONEY MATTERS

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UNIVERSITY of LOUISIANA LAFAYETTE
B.I. Moody III College of Business Administration

Owning Your Financial Future

Adults Returning to Finish a Degree: Financial & Other Concerns June 6, 2023	Financial Planning for Graduate Students June 7, 2023	Financial & Tax Planning for International Students June 8, 2023	The Financial Aspects of Your Side-Hustle #1 – Planning, Strategies, Legal, Resources June 20, 2023	Family Financial Planning: Making Finances Work for the Whole Family June 23, 2023
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FAMILY FINANCIAL PLANNING: SENDING YOUR LOVED ONES OFF TO COLLEGE

June 27, 2023

Most sessions are from 12:00-1:00pm
*** Sessions on July 18, 19 are from 3:00-4:00pm.

University of Louisiana System

FOR YOUR FUTURE. FOR OUR FUTURE.

Family-Focused Financial Planning

Family Financial Planning: Making Finances Work for the Whole Family

June 23, 2023

Family Financial Planning: Sending Your Loved-Ones Off to College

June 27, 2023

Family Financial Planning: Caring for Adult Dependents

June 28, 2023

Building Savings Accounts & Emergency Funds

July 14, 2023

Financial Planning When Retirement is Getting Close (5-7 years out)

July 19, 2023 ***

Financial Planning for the Fun Stuff: Vacations, Home Improvements, New Vehicles

June 26, 2023

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University of Louisiana System

For Your Future. For Our Future.

What Are Your Values, Dreams & Goals?

- Education
- Career
- Family

What Is Your Current Situation?

- Education
- Career
- Family
- Financial

Create a Personal Financial Plan for You:

- Investing
- Budgeting
- Debt Management
- Taxes
- Insurance
- Retirement
- Education
- Family
- Business Planning
- Philanthropy
- Estate Planning

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Countdown to College

Kids Are 12 Years Old or Younger

Kids Are 12 to 15 Years Old

Kids Are 15 to 18 Years Old

Kids Are Going Off to College

Countdown to College

Kids Are 12 Years Old or Younger

- Open a 529 Education Savings Account….And invest in it.

  - Current inflation rate 4-5%
  - Education inflation rate 6-8%
  - Current savings account rates 2-3% (CDs are earning 4-5%)
  - Possible investment returns 5-15%
    - Average over the past 100 years 12%
    - Return in 2021 +25%
    - Return in 2022 -20%

Countdown to College

Kids Are 12 Years Old or Younger

- Open a 529 Education Savings Account….And invest in it.

  - Benefits of a 529 Education Savings Account:
    - All gains earned in the account are tax free…if used for education
      - Deposit $2,000, it grows to $5,000, the $3,000 gain is tax free…if the $5,000 is used for education
    - Money in the Account can be transferred to anyone else – which is great if the child does not go to college or does not need all of the money
    - It is not just for college – can be used for primary and secondary school education expenses
    - Money in the Account can be invested in just about anything you want

  - Drawbacks of a 529 Education
    - If you withdraw the money for non-education expenses, you are subject to a 10% penalty and all applicable taxes (as if you had the money in a taxable brokerage account)

Countdown to College

Kids Are 12 Years Old or Younger

- Open a 529 Education Savings Account….And invest in it.
  - One possible 529 strategy
    - Put 80-90% of your college fund money into a 529

    - Invest 60-70% of this money into the S&P 500 Index (symbol SPY)
    - Invest 15-20% into other select investments, possibly of the child’s choice
    - Invest 15-20% into CDs, low risk bonds or a money market cash account

    - The earlier in your child’s life you begin investing, the more risk you can take
      The closer your child is to college when you invest, the less risk you should take

Countdown to College

Kids Are 12 to 15 Years Old

- Begin rotating investments into lower risk assets
  - If you had 70% in growth stocks at age 12, maybe have 50% by age 15

- Make sure the child has their own savings and checking account
- Consider opening a credit card in the child's name (co-signed by you)

- Begin researching scholarships, financial aid and the full cost of college
  - Begin considering other options, such as community college or a gap year

- Begin involving the child in conversations about paying for college

Countdown to College

Kids Are 15 to 18 Years Old

- Rotate investment assets towards 20-30% are in higher risk stocks

- Research scholarships and financial aid
  - Begin applying for both as soon as you can – for some scholarships, this could be as early as sophomore or junior year
  - Get familiar with FAFSA, “Free Application for Federal Student Aid”

- Make sure each child has their own checking and savings accounts
- Make sure each child has a credit card in their name (co-signed by you)

Countdown to College

Kids Are 15 to 18 Years Old

- As you narrow down what college your child will be choosing, learn what the true cost of college is:
  - Tuition might be the most transparent aspect
  - Room & Board
    - Will the child live at home: financial benefits vs. social costs
    - Will the child live on campus: easiest, but maybe less fulfilling
      - Might be required for many first-year students
    - Will the child live off-campus: independence vs. all the unknowns
  - Fees! See if you can figure out all the fees you will be paying
  - Computers, software, books, other tools and resources
  - Will the child need a vehicle while at college?
  - Can the child make money on campus: RA, work study, assistanceships…

Countdown to College

Kids Are 15 to 18 Years Old

- As you narrow down what college your child will be choosing, learn what the true cost of college is:

  - BUDGET!
  - Make a budget for the next 4-5 years….with estimates for what the true, full cost of college will be, along with any and all income that will be possible or needed.

  - Involve the child in all of these discussions and processes

Countdown to College

Kids Are Going Off to College: 17-19 Years Old

- KEEP EVERY RECEIPT
- HAVE CONVERSATIONS ABOUT MONEY WITH YOUR CHILD
- MAKE SURE YOUR CHILD HAS APPROPRIATE INSURANCE – HEALTH CARE, LIABILITY, RENTER'S…

Countdown to College

Kids Are Going Off to College: 17-19 Years Old

- KEEP EVERY RECEIPT
  - There are lots of IRS-legit tax credits and deductions that you apply to education expenses
  - Keeping your receipts is the best way to claim these benefits

  - American Opportunity Credit – up to $2,500 per student for first 4 years after high school
  - Lifetime Learning Credit – up to $2,000 per family for all years after high school
  - Each of the above provides a tax credit of either 25% (AOC) or 20% (LLC) of the first $10,000 in annual qualified education expenses
    - Qualified education expenses include those required for the education (and unique to the education)
    - Room, board, transportation and other food ARE NOT qualified education expenses

Countdown to College

Kids Are Going Off to College: 17-19 Years Old

- HAVE CONVERSATIONS ABOUT MONEY WITH YOUR CHILD
  - Help the child become financial responsible and financially independent
  - Make sure the child knows what you will cover, what they will be responsible for and what will be covered by borrowing
  - Involve the child in all borrowing decisions
    - Make sure the child understands the repayment process & obligations
  - If you do this with the first child you send off to college, any other children will benefit and understand what they are getting into

Countdown to College

Kids Are Going Off to College: 17-19 Years Old

- MAKE SURE YOUR CHILD HAS APPROPRIATE INSURANCE – HEALTH CARE, LIABILITY, RENTER'S…
  - Most undergraduate students will be able to stay on your health care plan (until they are 26), if you wish
    - This comes as an expensive shock to many graduate students in their mid-20s
  - If they live on campus, they are probably covered by your homeowners' liability insurance coverage
    - But they may want your own renters' policy, as the terms and deductible may be better
      - Renters' vs. Dorm Insurance: dorm insurance just covers the property, not liability, which may be ok
    - For most students, their laptop is the most valuable and irreplaceable item: make sure it's protected
  - Make sure all vehicle coverage is sufficient, especially if the child is going to be driving a lot more, perhaps back-and-forth to home or to work

Your Children Are in College

- Continue the budgeting process and conversations
  - You can get more sophisticated over time…perhaps even shifting the responsibility for income from you to the child

- Begin thinking about graduate school
  - Who pays for it? What will it cost? What are the benefits?

- Begin thinking about financial aid repayment
  - When does it begin? Who is responsible for it?

- Begin thinking about financial independence for your child
  - When will you stop co-signing for their credit card?
  - When will you stop covering their insurance costs?
  - Make sure they have an Individual Retirement Account or Roth IRA before they graduate.

Your Empty Nest (or almost empty nest) at Home

- If you have other children at home, the nest will not be empty for several years.
  - But you can begin the same with other children, involving them as much as possible, making the transition easier for them – and you – when they get closer to college
  - Learn from any mistakes or oversights – you may want to treat all children equally, but you do not want to make the same mistakes equally

- Once the nest is empty, shift the focus to YOUR financial plan
  - For the past 18+ years, your #1 financial goal has probably been “paying for college”
  - That is no longer your #1 goal.
  - Review your family financial plan, be honest about your goals, be honest about your assets and situation, and begin thinking about what you and your whole family need going forward

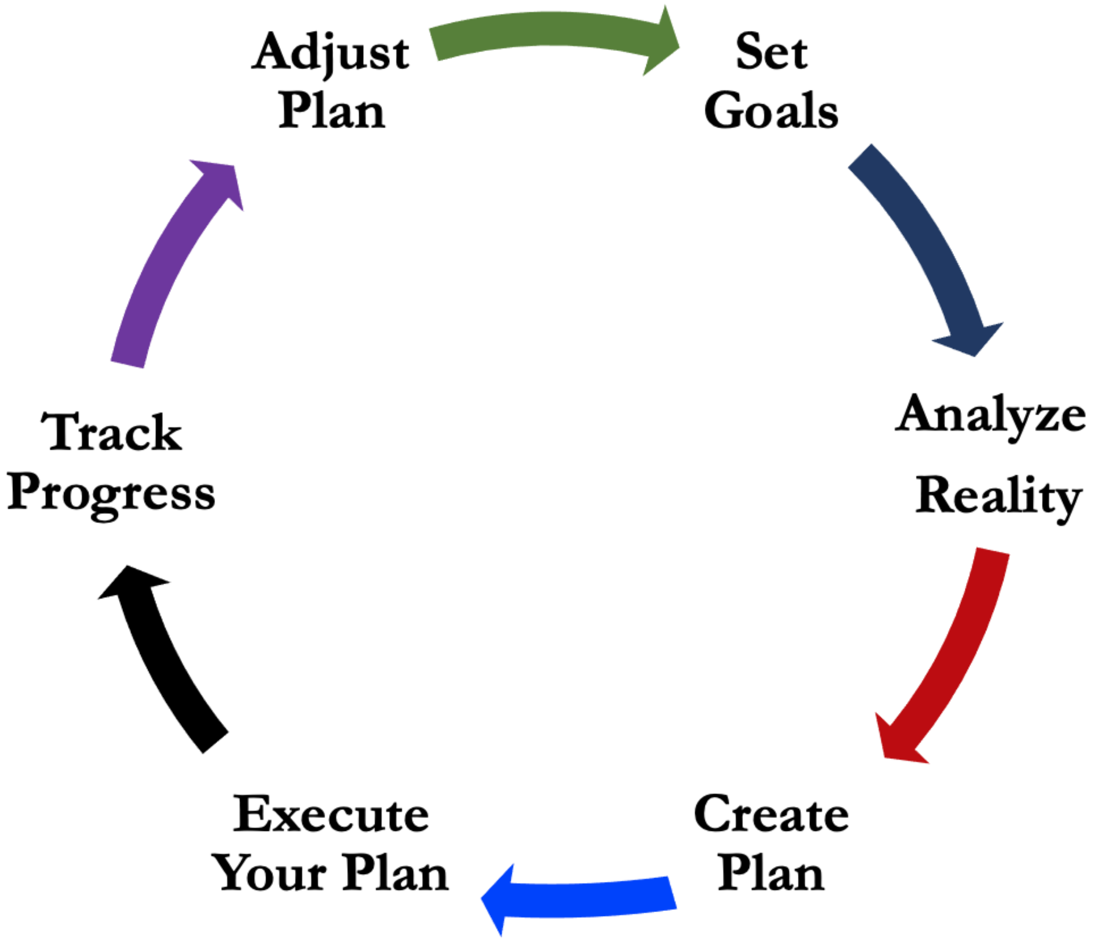
- If you have made any financial sacrifices to pay for college – second mortgage, borrowing against a 401(k), personal loans – begin the process of reconciling them…so you can return to making your financial plan your #1 financial priority

A Few Closing Comments

- Involve the child as much as possible – financial independence begins with financial engagement

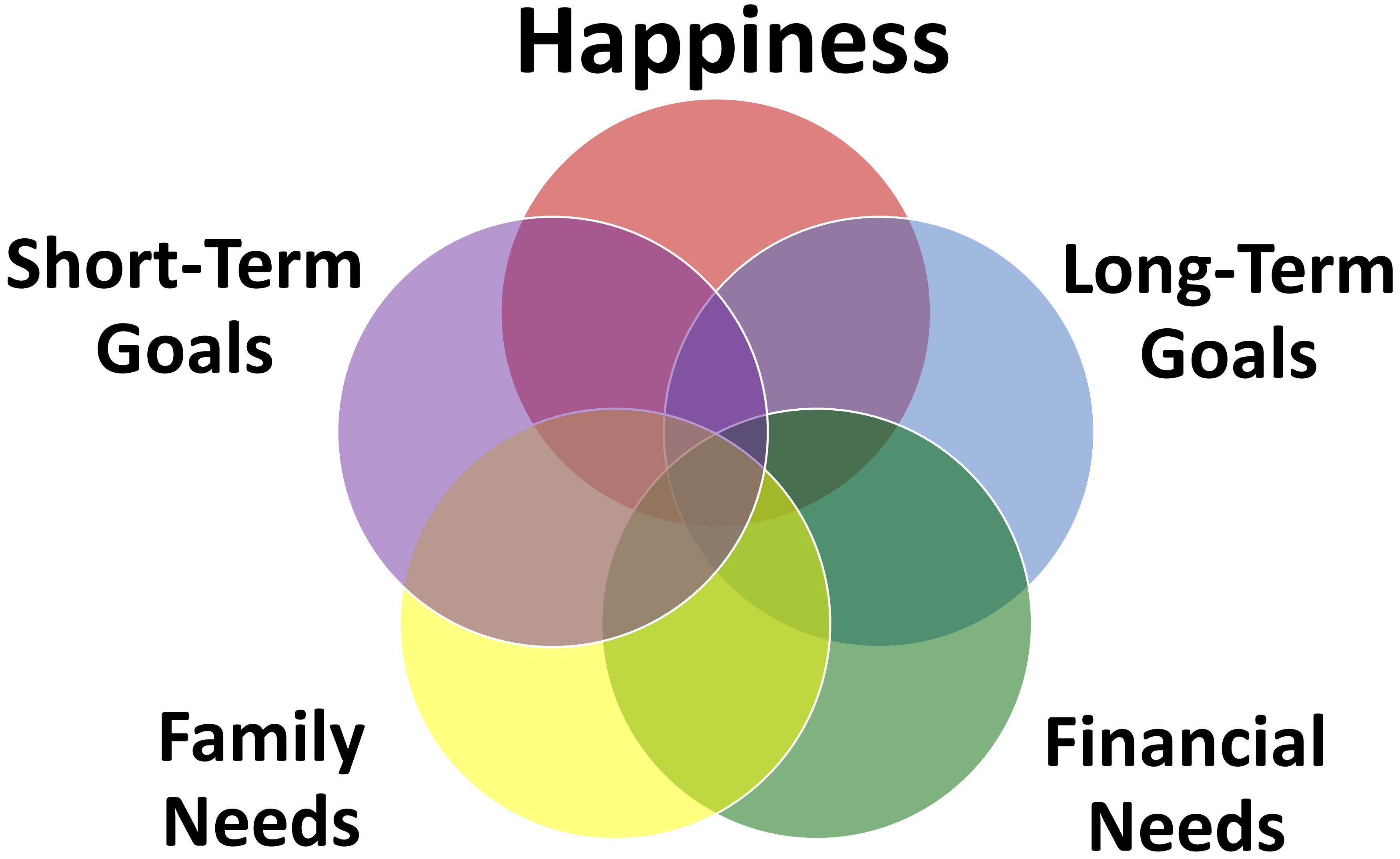
- Do not overlook the possibility of a gap year after high school
  - Different children mature at different times and have different needs & interests
  - Any initial stigma should be ignored in exchange for what's best for the child

- Never stop looking for scholarships and work-study opportunities
  - Many colleges have hidden and specialized scholarships…that very few people apply for. Not all scholarships are only for the elite – many are for whomever applies



1. **Set your goals.** What do you want to achieve in life? What financial goals will make this happen?
2. **Analyze your reality.** What is your situation? What is your income? What are your expenses? When can you achieve your goals?
3. **Create your plan.** Focus on the short-term – the next 3-6 months – and the long-term – the next 1, 2, 5 and 10 years.
4. **Execute your plan.** Work to decrease your expenses. and to pay off debt. Work to increase your income and your savings.
5. **Track your progress.** How are you doing? Are you ahead of your goals? Are you behind your goals?
6. **Adjust your plan** to reflect your progress, your new reality and any new goals.
7. **Repeat. Revise. Enjoy.**

Isn't this a lot like what you do with your education planning?


Happiness
Short-Term Goals
Long-Term Goals
Family Needs
Financial Needs

Financial Wellness

A goal without a plan is just a dream.

Wealth is largely the result of habit.

The most difficult thing is the decision to act; the rest is mere tenacity.

It takes as much energy to plan as it does to wish.

You cannot escape the responsibility of tomorrow by avoiding it today.

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