SAMPLE REPORT – This sample report is condensed for illustration purposes

This sample report reflects a client that is not a candidate for financial aid. The goal is to help the client become an "informed buyer of a college education" through strategies that can help them leverage their situation and more effectively and efficiently prepare and pay for college. The result can be significant saving on the client total out-of-pocket college costs. For an explanation about the CFS College Planning Expert System Software, watch the video overview on the Professional Advisor page at **www.collegiatefundingsolutions.com**.

This sample report reflects an **Early Starter** – six years lead-time till college. When the lead-time is four years or less, the report changes to **Late Starter** status and the contents of the report change accordingly. Section (V) "Funding Strategies" is added to the late starter report that includes funding and loan strategies to cover any shortfalls in resources to pay college costs.

Prepared for Student Vincent **- Early Starter Sample Report**

Contents

Section I

Expected Family Contribution (EFC) and Projected College Costs

Introduction

Section I includes the **EFC** using either **FM** or **IM**, depending on the one required by the school selected. It also includes: as well as the projected four-year costs at the inflation rate designated he current **Cost of Attendance** at the school selected. It also includes:

- Projected four-year costs at the inflation rate designated
- Projected annual college costs at the inflation rate designated
- An analysis is provided with suggestions for developing an efficient and effective strategic college savings and funding plan in light of the information revealed in this section.

This section contains your Expected Family Contribution (**EFC**) using either the **Federal (FM)** or **Institutional (IM)** Methodologies, depending on the one required by the school you have selected. The Initial figures were determined based on the financial data you provided CFS on your data form worksheet. Your "official" EFC is determined by a "**needs analysis formula**." You will provide the information to perform the official needs analysis on the **FAFSA** (Free Application for Federal Student Aid) form that is available from your high school in November or December. It is extremely important that the FAFSA be completed accurately and submitted early because financial aid is awarded on a first-come, first-served basis and any errors in your form will cause your form to be rejected and sent back to you for corrections. This loss of time may be critical in determining the amount of aid you will be awarded. A high percentage of the forms are submitted with errors and are therefore rejected.

The processor of the FAFSA uses a federal formula called the **"Federal Methodology" (FM)** to determine your EFC - the portion of your income and assets that you will be expected to contribute toward college costs. **Every accredited college in the United States uses FM in determining your eligibility for federal and, in most cases, state-funded student aid**. If the total cost of attendance (COA) per year of any of the colleges you selected for processing is greater than your EFC, the resulting amount is your **Financial Need**.

Some private colleges and state-supported institutions do not believe that the EFC generated by the FAFSA gives an accurate picture of what your family can contribute to college. These schools may require you to fill out the Financial Aid **PROFILE** form as well (or their own institutional forms). They may use the information on the **PROFILE** and perform a separate needs analysis using a formula called the **"Institutional Methodology" (IM)** to determine your EFC and the eligibility for aid that the school controls directly (institutional funds).

Federal financial aid funds are distributed on the basis of the Federal Methodology even though a college may use IM to distribute its own private funds. This section indicates if your selected school requires the **PROFILE**. You will need to obtain a registration form and send it to the **College Scholarship Service (CSS)**, who administers the forms, and complete the packet of forms you receive from them.

Since your EFC has been calculated using your most current financial information, it indicates what your EFC would be if you were applying for financial aid for the following school year. Both formulas use the time period from January of the student's junior year in high school to December of their senior year to determine that portion of your income that is assessed toward your EFC. This is known as the **Base Income Year**. Assets are assessed as of the date the financial aid forms are signed.

Expected Family Contribution

The EFC method used **by Clemson University** is the **Federal Methodology**.

INITIAL EFC Based Upon Completed Worksheet	
Estimated Family EFC	$23,730

The following table contains the 2010 (last updated February 2010) one-year Cost of Attendance (COA). The COA is determined for each college by totaling the costs for tuition and fees, room and board, books and supplies, personal expenses and travel. **The projected four-year COA is based on the annual college cost inflation rate of 5% and the number of years till your child enters college.**

School Name	Cost of Attendance	Projected four-year cost
Clemson University	$23,638	$136,532

Four-Year projected annual costs

Calendar Year	Projected annual COA
2016	$31,677
2017	$33,261
2018	$34,924
2019	$36,670

Analysis:

With the age of your child and the number of years till college, you may have sufficient time to prepare for college costs. Therefore, this plan is intended to help you prepare to pay the cost of college in the most effective and efficient way, through income, asset, investment and funding strategies. As you get closer to the start of college (four years or less), evaluate your performance and determine if your strategy is sufficient or needs to be revised.

If you will not be sufficiently prepared to fund the cost of education AND if you are a candidate for financial aid you, may choose to pursue a college funding plan that focuses on strategies that maximize your financial aid eligibility at the college selected.

However, given four or more years till college, it is preferable to implement a plan that will prepare you to cover the cost of college as opposed to prepare that far in advance for financial aid. The financial aid system is subject to change (as it has over time with a greater emphasis on loans than "free money") and Financial Aid Administrators at colleges have significant influence in determining how much and what type of financial aid a student will receive. The effects of the strategies in this plan are more directly in your control than financial aid strategies.

Section II Introduction

Section II contains income and asset based college-planning strategies that can be implemented based on the client's particularly circumstances and lead-time till college. The strategies, included are selected from the **CFS knowledgebase** of over 100 college planning strategies. Strategies in the knowledgebase include:

- High income strategies
- Business owner strategies
- Gifting strategies
- Grandparent strategies
- Kiddie-tax avoidance strategies
- Trust strategies
- Education tax Credit Strategies
- Charitable intent strategies
- More!

The cumulative effect of the strategies can yield significant benefits for the client. The strategies included are determined by the data and responses to questions on the online dataform. Where applicable, dynamic examples are included showing the benefit of implementing the strategy for the client. Tips and warnings are included as appropriate to facilitate informed, smart college planning decisions. **The goal is** to help the client - through the CFS College Planning Expert System **and** the advisor - achieve an outcome that includes saving ON, not just FOR the cost of a college education.

Following are specific **income and asset planning strategies** that may provide additional cash flow for college expenses, reduce college costs and at the same time, potentially help you improve your overall retirement picture.

Income Strategies:

This strategy is available because you have stocks or mutual funds allocated for college funding or you indicated an interest in potentially gifting assets to the student. For estate planning, wealth transfer and potentially immediate tax savings, consider gifting of appreciated assets/securities, including employee incentive stock options, to the student. Due to the current "kiddie tax" rules in effect, which apply to dependent college students under the age of 24, and tax unearned income above $1,900 at the parents' rate, consider the following strategies to avoid any kiddie tax ramifications:

1. In cases where the parents have either phased out of the personal exemption for the student or have lost much of the benefit, the student could become tax independent of the parents. Because an independent student is not subject to kiddie tax, the following example shows the benefit of gifting highly appreciated assets. For the student to be tax independent of the parents, they must provide over 50% of their own financial support. **Example:** Capital gains incurred on a $24,000 gift with a $4,000 cost basis would result in a $3,000 tax savings assuming the parent's capital gains rate of 15% and 0% for the student. If the parents' income is too high to claim the exemption, or if they have phased out of much of the benefit, this strategy will result in a net tax savings for the family.
2. For a student who is a tax dependent of the parents during the college years, therefore subject to kiddie tax, the student could wait until after the kiddie tax years to liquidate

the assets and pay down education loans secured during the college years. **Example:** $19,000 in Stafford loans during undergraduate school (the current four-year maximum amount for a dependent student) will most likely produce a deductible interest expense after college since the graduate will not likely have income so high as to disqualify them for the student loan interest deduction. Likewise, the capital gain rate on the liquidation of the asset may be 0 for the student after college (particularly if they are married and file a joint tax return).

Asset Strategies:

This strategy is available because you have EE-Bonds. Consider the merits of redeeming the EE or I bonds and using the proceeds for a contribution to a 529 plan. If the bonds are allocated for college, interest from income may be tax free if used for higher education expenses. However, you are nearing the phase-out levels for the interest exclusion. By using proceeds for contributions to a 529 plan the interest will be tax free because contributions to a 529 plan are considered "qualified education expenses." And, the withdrawals from the 529 will be tax free if used for qualified education expenses. Otherwise, you may begin to phase out of the exemption on interest income.

Since the timing of your death cannot usually be predicted, it is prudent to consider having an insurance policy to cover the projected costs of college. Often, a term policy is used to cover the projected costs of college. Evaluate your current life insurance status to determine if it is sufficient to cover projected college costs for this student (in addition to any other children). You have indicated you have the following coverage:

a. Parent = $0

b. Spouse = $0

The projected four-year cost at the school selected is **$136,532**. Does your current coverage include sufficient amounts for education costs?

This strategy is available because you are not contributing the maximum amount you can to your 401(k) plan. Consider making maximum contributions for retirement to your 401(k) plan, at least up to your employer's matching limit. Consider using cash flow from "college allocation" for contribution to company "matching plan" - 401(k). If needed, you may be able to borrow against the 401(k) plan for college costs. This strategy enables you to fund your retirement plan, create a tax savings - since contributions are deducted from your AGI they reduce your taxable income - and can provide a source of funds for college if needed. Example: Suppose you are paying 30% in taxes (federal and state); by contributing an extra $5,000 into your company 401(k) plan you can enhance your retirement savings, save $1,500 in taxes (which could be allocated for college or retirement) and create a larger 401(k) balance that, if needed, could be borrowed against for college costs.

Grandparent Strategies – The following strategies can be employed by grandparents who are interested in helping pay for college.

This strategy is available because you have a sick grandparent or the grandparent is interested in helping with college expenses. Here are two options to consider that have significant estate planning benefits for the grandparents. This may be especially important if the grandparent is sick and is looking to reduce their estate:

1. They can make a maximum allowable gift into a 529 plan - which could be as much as $130,000 at one time thereby immediately removing this amount from the estate.
2. Have the grandparent pre-pay all four years of tuition now. The IRS has indicated that advance direct payment of tuition qualifies for the unlimited gift tax exclusion, as long as the payment is non-refundable and certain other criteria apply. This direct payment will not affect their gifting exclusion. For room and board expenses, annual gifts to the grandchildren can be used to cover these costs.

As an example, assume the grandparent is in a nursing home, is in declining health and has a sizable estate that they want to reduce. The grandchild will be attending Clemson University with annual tuition of $11,478 and an additional $12,160 in remaining expenses. The grandparents' could prepay, through direct payment to the school, the four years of tuition of $45,912. The remaining expenses could be covered through annual joint gifts to the grandchild.

Section III

College Investment Options

Section III focuses on:

1. The projected **gap/surplus** of college funds based on the projected growth of these accounts given the lead-time and interest rates (adjustable).
2. **College savings strategies**. The criteria for these strategies include lead-time till college and investment philosophy (conservative/growth).

   Each of the options included are **rated along key categories** to help the advisor and the client choose wisely based on their circumstances, goals and objectives. When appropriate, **dynamic examples are included** that show the benefits of implementing the savings strategy highlighted. Valuable tips and warning are included to assist in the decision making process.

This plan is intended to help you prepare to fund the total cost of attendance at **Clemson University**. The strategies in this plan may effectively decrease the cost, along with any merit based scholarships, tuition discounts, etc.

The following savings and investment types were listed on the data form as allocated for college:

Coverdell Educational Savings Account= $15,000

529 Savings Plan= $7,000

EE Bonds= $25,000

Growing these investments for the next 6 years till your child begins college yields approximately $60,508. The projected four-year cost of attendance at Clemson University using a **5%** annual inflation rate is: **$136,532**.

If there is a shortfall between your available college funds and the college costs, consider the following investment strategies:

Investment Strategies:

The following investment strategies are based on the lead-time available to you and your particular investment philosophy. The investment philosophy you have chosen is **Growth.** **Consider the following investment options with the $300 you indicated were available for college costs.**

Mutual funds can be used as a long-term college-funding instrument by investing in growth stocks that are professionally managed. They offer many investment objectives, diversification, active management and tax control depending on timing of capital gains or losses incurred.

Rating of Mutual Funds as a college/retirement

Category	Rating
Rate of return vs college inflation	excellent
Tax favored access for college	fair
Tax favored access for retirement	good
Use for college and retirement	fair

Warning: Investing in mutual funds involve risks, including possible loss of principal. Investments in specialized industry sectors have additional risk, which are outlined in the prospectus. Letters of Instruction and Rights of Accumulation as well as sales and surrender charges and 12b-1 fees all affect the cost of mutual funds.

Section IV

Funding Optimization Model

CFS' exclusive 529 Funding Optimization Model uses a **529 college savings plan as the basis for a coordinated college savings and funding plan**. This model leverages a variety of synergistic tax savings strategies in order to multiply the overall tax savings associated with using a 529 college savings plan. The objective is to **most efficiently** achieve the funds needed to cover the cost of college and to maximize the tax savings to the client

The objectives of this model are to identify:

1. Strategies for saving and paying college expenses.
2. Potential surpluses of funds that could be reallocated.
3. Strategies for covering possible shortfalls in resources available for college.
4. Opportunities to maintain or increase retirement contributions.
5. Tax savings opportunities for the family.
6. Strategies for maximizing education-related tax credits.

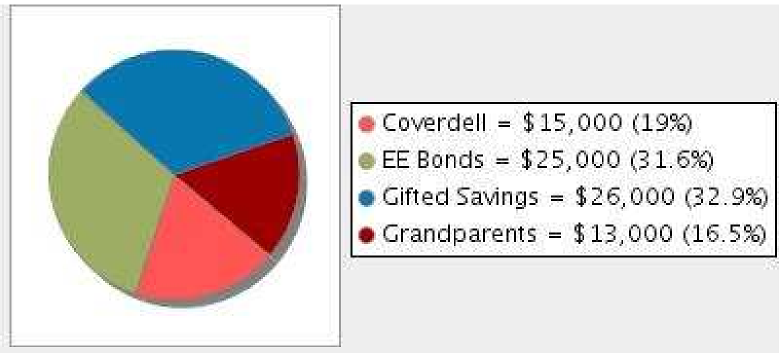
Strategy - Sources for contributions into a 529 college savings plan

The model evaluates a variety of different sources as candidates for possible reallocation as part of a lump contribution into a 529 plan. Assumptions and criteria for consideration:

- In order to maximize efficiency and overall effectiveness:
    a. Lump sum yields superior result than incremental contributions
    b. Sources are evaluated in order of best candidate to worst
- Sources for consideration are ranked starting with the best candidate
- 529 rules taken into consideration
- Only sources that will not yield a negative tax consequence are considered for redeployment into 529 plan
- The rationale for each source is provided
- The tax savings associated with using the state 529 plan are included if relevant.

Consider the following sources for contributions into a 529-college savings plan:

- $15,000 from Coverdell Education Savings Accounts.
- $25,000 from EE Bonds currently allocated for college.
- $26,000 from Savings based on gift intent.
- $13,000 from Grandparents.



Consider the benefits of using the following sources for a lump sum contribution to the 529 savings plan.

1. EE bonds (purchased after 1989) may be redeemed and the interest excluded from income if the proceeds are used for qualified higher education expenses. A contribution to a 529 plan is considered a "qualified higher education" expense.

2. Consider moving the balance of the Coverdell Education Savings Account (CESA) that is currently allocated for college into a 529 plan. The balance in the CESA can be withdrawn tax-free and penalty free in a year when equal or greater contributions are made to a 529 plan for the same beneficiary.
   Unless Congress acts to make permanent the current account rules, after 2010, CESA's will revert back to the rules in place in 2001. By redeploying the CESA into a 529, you may be able to benefit from the following:
   - The contribution from the CESA into the 529 will yield a state tax savings if your state plan offers this benefit
   - If your income qualifies you for the education credits, you will be able to claim the credit along with a tax-free withdrawal from the 529 whereas with the CESA you will not
3. Since you indicated you were interested in gifting, consider using savings not currently allocated for college as the source for the gift into the 529 plan. 529 plans only accept cash so there is no tax consequence associated with moving cash into the 529 plan.
4. If grandparents are interested in gifting they can do so into the 529 plan.

Consider liquidating stocks that have lost value, or those with the least amount of gain, that are not currently allocated for college and contributing the proceeds into the 529 plan. You may benefit from a tax deduction on the capital loss of stock and may obtain market rates of return in the 529.

You indicated that you could allocate **$300/month** for college costs however; only **$261/month** may be required after taking into consideration the projected amount of other sources/lump sum contributions. **Consider allocating the surplus in other investments such as: maximizing 401(k) contributions, IRA, or other**.

Tip: **Consider the advantages of using your state's 529 savings plan.** Your state offers a state tax deduction on plan contributions. Due to this, your state plan may be more advantageous than other state's 529 plans. **The total tax savings by using your state's 529 plan is $5,133** See footnote for assumptions concerning state tax savings on 529 contributions.

The model helps the financial services professional answer the question: **"Does the in-state plan tax break from using the state 529 plan outweigh the superior performance of an out-of-state alternative?"**

The **model answers the above question** in a way that can helps the advisor make prudent recommendations to the client.

The answer to the question of the state-deduction benefit is not just knowing what the deduction amount is for the state, but to know what the projected tax savings will be to the client by using the state plan as part of an overall college savings/funding strategy using a 529 plan.

In other words, start with the overall savings/funding strategy and then plug in the state plan to see what the real benefit to the client is of using the state plan. If it's not compelling, then an out-of-state plan may be a better option.

The 529 College Savings and Funding Optimization Model **helps the advisor assess the benefits of the in state plan and justify their recommendations to the client** - either to use the state plan or to forgo it for a better performing out-of-state-plan.

Miscellaneous Notes:

This model yields sufficient funds to cover the projected cost of college. However the total available does not include tax on any taxable investments used for college expenses.

Projected cost of Clemson University = $136,533
Gross Funds available = $136,533

Tip: The limit for the state tax deduction on 529 contributions in SC is $130,000. If you elect to use the state plan, you may want to consider a different 529 plan other than the state plan after you have exhausted the state tax benefit based on contributions to the state 529 plan.

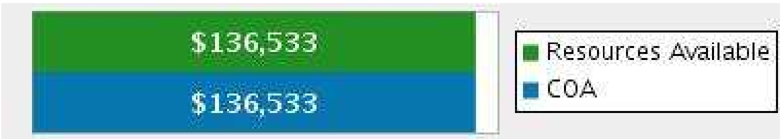
Interest Rate Assumptions

1. College Inflation Rate (Annual) - 5%
2. 529 - 5%
3. Coverdell Savings Account (CESA) - 6%
4. EE Bonds - 3%
5. Federal Income Tax Rate - 25%
6. State Income Tax Rate - 7%

Results of Implementing the Above Strategies

The projected cost of attending **Clemson University** is $136,533.
The total amount available for college using this model is $136,533, which is comprised of the following:

- Withdrawals from the parents 529 Plan = $127,152
- Parents college investments not reallocated into 529 = $9,381



Lump sum amount into 529 plan = $79,000
Parent's available monthly college allocation = $300
Monthly allocation required by this model = $261
Parent's 529 funds and any 529 overflow account funds = $127,151

Total tax saving for the family = $10,051

One of the goals of the model is to **increase the projected total tax savings to the family** – beyond the tax-free withdrawal for qualified education expenses - through the implementation of the coordinated and synergistic strategies highlighted for the client. The overall tax savings to the client may be further increased by the strategies in Section II.