COLLEGIATE FUNDING SOLUTIONS

College Planning Report

PREPARED FOR

Non Financial Aid Candidate - Sample Report

*This sample report reflects a client that is **not a candidate for need-based financial aid**. The goal is to help the client send their child to the right college, for the right reason and to save significantly on out-of-pocket college costs. This is accomplished with the help of the software-generated report, access to CFS' subject-matter experts for assistance with client cases and CFS' college admissions and financial aid services. A holistic and comprehensive approach to college planning will help the client achieve an overall best outcome for the student and the parents' finances. **The first 3 sections of the report** can serve as an excellent **executive summary** for the client. The remaining sections, containing all the detailed strategies and analysis can be **advisor only** or as part of a deliverable at the discretion of the advisor.*

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***Sections I and II** includes:*

- *The current one-year **Cost of Attendance** at the school selected*
- *Projected four-year costs at the inflation rate designated*
- *Projected annual college costs at the inflation rate designated*
- *Shortfall or excess of resources available for college funding*
- *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.*

I. How Much Will Xavier University Cost for $400K AGI?

The current Cost of Attendance (COA) at **Xavier University** is **$56,760**. COA is determined by totaling the costs for tuition and fees, room and board, books and supplies, personal expenses and travel.

If the student starts college in 2 year(s), the four-year projected cost at Xavier University will be **$235,100** using a 1% annual inflation rate .

Xavier University uses the Federal Methodology to determine your Expected Family Contribution (EFC). Your EFC is what your family is expected t o contribute toward the annual cost of attendance, before qualifying for any need-based financial aid. Your current EFC is calculated to be **$96,939**.

The Financial Need amount is determined by subtracting the Expected Family Contribution (EFC) from the Cost of Attendance (COA) at Xavier University.

The current 4 and 6-year graduation rates at Xavier University are **70%** and **71%** .

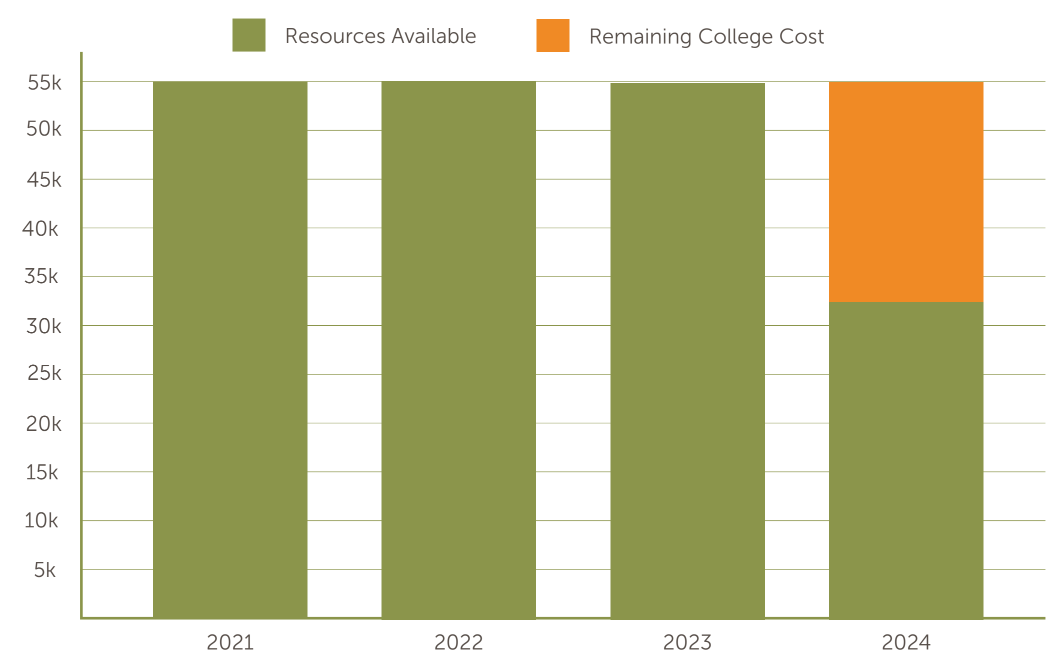
COST OF ATTENDANCE
$56,760

PROJECTED 4-YEAR COST
$235,100

FINANCIAL NEED AMOUNT
$0

4 AND 6-YEAR GRADUATION RATES
70%/71%

ANNUAL PROJECTED COLLEGE COSTS VERSUS CURRENT RESOURCES AVAILABLE



ESTIMATED SHORTFALL/SURPLUS - THE COLLEGE FUNDING GAP

WILL YOU NEED TO PAY THE FULL COST OF ATTENDANCE AT XAVIER UNIVERSITY?

Many schools offer a significant discount off of the advertised cost of attendance for families that do not qualify for need based financial aid. Knowing the average discount received by families that are not candidates for need based financial aid can be very helpful for determining college affordability and college funding strategies

Average non-need based award (for students that are not candidate for need-based financial aid) for Xavier University is **$17,389** or **31%** of the estimated COA of **$56,760**

TIP: If your student is in the top 20% of the incoming applicant pool, they may receive a more generous award which would further reduce your college costs.

AVERAGE TUITION DISCOUNT AS A % OF COST OF ATTENDANCE
31%

The GPA and SAT scores provided on the dataform would put the student in question in the top 20% of last year's incoming freshman class with respect to GPA and SAT scores .

TIP: The financial aid estimates provided above are based on averages reported by the school selected. Students who are in the top 20% of the incoming f res hman class are likely to out perform the averages provided. This is known as **preferential packaging**. These students are likely to have a greater percentage of their financial need met by the school and are likely to receive a higher percent age of Gift Aid relative to Self Help than the averages shown above.

For families that won't qualify for need-based financial aid, they may receive a **tuition discount**. High performing students from affluent families are in demand by colleges, especially expensive private ones. In order to entice these families to send their student to their particular institution, the colleges will often offer a Tuition Discount which comes in the form of a grant or scholarship.

The GPAs coreprovided on the dataform would put the student in question in the top 20% of last year's incoming freshman class with respect to GPA and therefore make the student a good candidate for preferential packaging or tuition discounting.

II. Analysis - How Can You Save ON the Cost of College?

Since your financial need is calculated to be 0 at **Xavier University**, you are not likely a candidate for any need-based financial aid.

Here are three ways that you save on your out-of-pocket college costs without being a candidate for need-based financial aid:

1. With the help of the actionable information and strategies in this report.
2. Selecting the right school for your student
3. Applying for financial aid.

COLLEGE ADMISSIONS - FINDING THE RIGHT COLLEGE FOR ALL THE RIGHT REASONS

The college list is the most important factor in college affordability. Parents can do all the right things: plan financially, implement strategies to increase aid eligibility and correctly fill out the financial aid forms. Students can get good grades, join clubs, volunteer, take test prep courses and write amazing essays. As important as all these items are, they are secondary to the single most important factor in paying the least amount of money possible and still getting a great education for your child: STARTING with the RIGHT list of candidate schools!

The financial costs of starting with the wrong list can total tens of thousands of dollars resulting from:

- Taking longer to graduate which means higher out-of-pocket college costs and maybe even more debt, for the student and the parents
- The high cost associated with transferring to another school with respect to lost aid and credits
- Changes of major which delay graduation and income earning
- Attending a school that won't provide enough, if any, financial aid or scholarships to help offset cost
- Needless college visits, wasting time and money on schools that aren't a good fit for your student or your finances

RECOMMENDED ACTION:

Consider professional help in finding excellent college matches for your student to avoid the pitfalls described above. Start with the right college list and you are far more likely to send your child to the right college for the right reasons and at the right price. Once you have validated the list of target schools, capitalize on appropriate savings, planning and funding strategies – like the ones in this report --- to help you most effectively and efficient prepare and pay for college costs.

APPLYING FOR FINANCIAL AID - NO MATTER WHAT

We strongly encourage you to apply for financial aid, regardless of your family's financial situation and whether or not you may be a candidate for need-based financial aid.

Applying for financial aid is part of an overall strategy for reducing your out-of-pocket college costs. Here's why:

1. Many colleges require the completion of a financial aid form to qualify for merit grants and scholarships.
2. Most student loan applications (Unsubsidized Stafford and PLUS) also require the completion of a financial aid form.
3. Your financial situation may change.
4. You may ultimately select a school where you will qualify for financial aid.
5. Ironically, colleges will offer tuition discounts to families that have the ability to pay! The way they know about your financial situation and ability to pay is via the financial aid forms that you complete and submit. So, if you want them to offer you a tuition discount, which could significantly reduce your costs, apply for financial aid.

CONCLUSION

Making the right decisions and doing things correctly during the college admissions and forms process will help to assure a best outcome - best college fit for your student with significant savings on your out-of-pocket college costs.

Section III *- The reports include scholarships (free money) the student is eligible for at the school of choice and how to obtain them! The scholarship information is based on the student's academic profile. In addition to revealing the scholarships that the student may already qualify for, CFS will include additional scholarships that the student may qualify for by increasing test scores, GPA, etc. This additional information can help the family decide if investing in test preparation courses may be a prudent decision.*

The scholarship information enhances your ability to help the client leverage merit-based (based on academic performance) scholarships (free money) from the school to minimize their out-of-pocket costs! With this content in the reports, you can further help your clients save ON the cost of college.

For illustration purposes the complete listing of scholarships is not included in this sample report

III. Merit Scholarships for $400K AGI at Xavier University

COLLEGE SCHOLARSHIPS

Based on the student's academic profile: SAT/ACT scores, GPA, Class Rank, etc., following are merit money opportunities at Allen University that the student may qualify for. These scholarship/grants do not have to be paid back, are based on the merit of the student and can help to significantly reduce the family's out-of-pocket college costs.

XAVIER UNIVERSITY - ST. FRANCIS XAVIER SCHOLARSHIP

ELIGIBLE BASED ON SUPPLIED INFORMATION
Yes

Amount: **$35,920.00**

Min GPA: **3.75**

Min SAT: **1430**

Min ACT: **31**

Min Class Rank: **not available**

Number Available: **Limited**

Essay Required: **Yes**

Interview Required: **Yes**

Audition Required: **No**

Specified Majors: **all**

Scholarship Deadline: **2020-02-15**

For Minority: **No**

Renewable: **Yes**

State of Residence:**N/A**

Notes To Renew: **Maintain 3.0 GPA**

Notes: **Full tuition. Awarded to students who have exceptional academic achievement and outstanding leadership involvement in their community and/or school.**

Scholarship Link: **http://www.xavier.edu/undergraduate-admission/scholarships/academic.cfm**

Section IV *- 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 are selected from the* ***CFS knowledgebase****, comprised of hundreds of college-planning-strategies and cover topics including (but not limited to):*

- *Cash flow strategies*
- *Tax savings strategies*
- *Business owner strategies*
- *Gifting strategies*
- *Grandparent strategies*
- *Trust strategies*
- *529-plan strategies*

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, client-specific examples are included showing the benefit of implementing the strategy for the client. Tips and warnings are included as appropriate to facilitate informed and prudent college planning decisions. ***The goal is*** *to help the client - achieve an outcome that includes saving ON, not just FOR the cost of a college education via the implementation of 1 or more of the strategies in this section*

For illustration purposes a complete listing of strategies for this client is not included in this sample report

IV. Income and Asset Planning Strategies

The 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 own a business and have no employees other than family members. Consider establishing an educational assistance fringe benefit program (IRS Section 132(d)) f or the student. By doing so, the cost of tuition and fees will be tax deductible to the business and tax-free to the student as long as the expenses have reasonable relationship to the business. There is virtually no limit to the amount of the benefit. The requirement is that the expenses be "ordinary and necessary" as well as reasonable. See IRS Publication 15-B f or additional details. A fringe benefit educational assistance program is not the same as an Educational Assistance Program (EAP) (IRS Section 127). An EAP is a separate written plan that provides educational assistance only to your employees and a variety of tests have to be met in order to qualify to benefit rom an EAP.

TIP: Because of the simplicity of an educational assistance fringe benefit program (no written plan is required), as well as the ability to provide in excess of $5,250/year of benefit - as long as the benefits are job related - consider a fringe benefit program first before a formal Educational Assistance Program.

Assuming that the educational expenses incurred are job related, then the following benefits may result. If you had 1 child in undergraduate school and employed in your business at a wage of $5,000/year, the effect of using an educational assistance fringe benefit program to cover 20% of the cost of tuition of $43,450 at Xavier University (f or course work directly related to maintaining and improving the skills required by the employers job) would be $8,690 in tax write-of f s f or the business (20% of the tuition costs). This could save you $2,086 on income taxes (federal and state) per year. In addition, the income to the student is tax deductible saving you an additional $1,200. The total tax savings to you is $2,086 + $1,200 per year. The child is only taxed on the income of $5,000. The income to the student could be used to cover college costs other than tuition and fees (like room and board).

ASSET STRATEGIES

This strategy is available because you are a business owner and have assets that are earmarked for college or assets that could be used for college costs.

Through a combination of paying your child and gifting appreciated assets - particularly highly appreciated - you may be able to create significant tax savings for your family AND pay college costs. You can receive tax benefits by employing your child and shifting income to his tax bracket while receiving a tax deduction with a legitimate employer-employee relationship. With "earned" income the "kiddie-tax" will not apply; likewise, the child will be able to use his standard deduction. In addition, if the child is less than 18, earned income received will not be subject to Social Security or self -employment taxes. The child will also be able to contribute to a Roth or Traditional IRA f or future college costs and possible tax savings. By providing over 1/2 of his own support through earned income, kiddie tax will not apply to the earnings on highly appreciated assets that are gifted to the student and liquidated by him to use f or college costs.

TIP: For schools with high Room and Board cost, of f -campus housing - f or example an apartment - can reduce the amount of earned income needed to pass the support test f or kiddie tax avoidance. For example, room and board of $12,000 year ($1,000 month) could be replaced with monthly rent of $300 (multiple room mates) and food costs of $400 f or a savings of $3,600/year. Result would be $3,600 in savings on income paid to student to meet the support test.

TIP: Stafford loans could be taken out by the student up to the annual limit instead of equal amount of parent-gifted asset. Student can defer payment through college years. Parents can help student pay back loans after college. Also, student would qualify for annual student loan interest deduction after college years if loans weren't payed off immediately.

Given the cost of attendance at Xavier University of $56,760/year, consider employing your child and paying them $28,380. By doing this, kiddie tax will not apply on any unearned income by the child. Consider gifting assets - particularly high appreciated ones - to the child one year prior to their use for college costs. Assuming a gift of assets (with 100%gain) to the child of $28,380, the gain will only be taxed at the child's capital gain rate (kiddie tax won't apply since 1/2 of their support is via earned income).The overall effect of implementing this strategy is a tax savings of $2,128 on capital gains (student's rate versus the parents), $6,811 of federal tax on earned income shifted to the child (based on the students tax due versus savings to parents on federal and state taxes) and $854 on state taxes. The total tax savings to the family for one year is $9,794. Any federal tax due by the student up to $2,500 will be of f set by the American Opportunity Credit. The tax due by the student on earned income and capital gains is $1,383. The amount of the AOC used to off set federal income tax due by the child is $2,500.

__Section V__ 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, client specific __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.

For illustration purposes only one strategy is included below

V. Savings Strategies

STRATEGIES FOR PAYING THE COLLEGE BILL

Since you are not likely a candidate for financial aid, you may be responsible for funding much of the total cost of attendance at Xavier University. The strategies in this plan may effectively decrease this 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:

CASH
$25,000

EE BONDS
$10,000

I BONDS
$10,000

H BONDS
$10,000

MUTUAL FUNDS
$30,00

STOCKS
$35,000

STUDENT TRUSTS
$15,000

COVERDELL EDUCATIONAL SAVINGS ACCOUNT
$25,000

If there is a shortfall between your available college funds and your **total contribution** consider the following savings and funding strategies:

SAVINGS 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 $1,250 you indicated were available for college costs.**

This is a short-term strategy. **Cash equivalents** like certificates-of-deposits, treasury-bills and money market instruments are low-risk investments that can be used for short-term college financial planning needs.

TIP: Rating of Cash as a college/retirement investment

Category	Rating
RATE OF RETURN VS COLLEGE INFLATION	POOR
EFFECT ON FINANCIAL AID ELIGIBILITY	POOR
TAX FAVORED ACCESS FOR COLLEGE	POOR
TAX FAVORED ACCESS FOR RETIREMENT	POOR
USE FOR COLLEGE AND RETIREMENT	POOR

*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*

VI. Funding Optimization Model

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 - EMPLOY THE STUDENT IN FAMILY BUSINESS

GOAL:

Employing the child in a family business and compensating the child with a reasonable wage can shift income to the child at a lower tax rate. Consider having the student establish a Roth IRA, which can be used for college and retirement. A Roth is very good as a college savings plan since the contributions can be used tax-free and penalty free if used for qualified education expenses and withdrawals are counted against the contributions before the earnings.

Consider employing the child in the business and pay yearly wages of:

Age	Years Until College	Wage Allowance
17	2	5000
18	1	5000
19	COLLEGE YEAR 1	5000
20	COLLEGE YEAR 2	5000
21	COLLEGE YEAR 3	5000
22	COLLEGE YEAR 4	5000

Consider having the child invest in a Roth IRA (maximum of $6,000.00/yr) and contribute to a 529 savings plan with any excess wage income.

WARNING: Restrictions, penalties and taxes may apply unless certain criteria is met, Roth IRA owners must be 59 1/2 or older and have held the IRA for 5 years before tax-free withdrawals are permitted.

SOURCES FOR CONTRIBUTIONS INTO A 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:

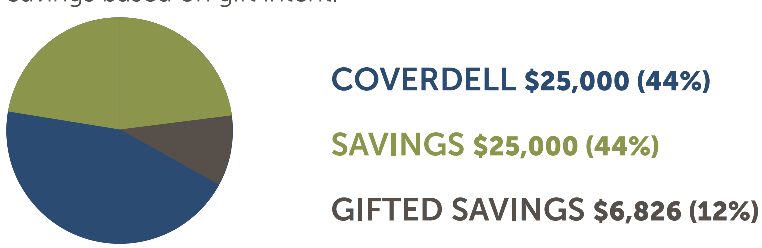
- *In order to maximize efficiency and overall effectiveness:*

  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:

- $25,000 from Coverdell Education Savings Accounts.
- $25,000 from Savings currently allocated for college.
- $6,826 from Savings based on gift intent.



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

1. Any savings already allocated for college. The 529 is superior for the reasons explained in your comprehensive plan.
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. The contribution from the CESA into the 529 will yield a state tax savings if your state plan offers this benefit.
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.

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$1,250/month for college costs however,only$0/month maybe required after taking into consideration the projected amount of other sources/ lumpsum contributions. Consider allocating the surplus in other investments such as: maximizing 401(k) contributions ,IRA, or other.

TIP: Given that you indicated that you are not contributing the maximum amount to your retirement account consider the following. Use the excess of $1,250 that is currently allocated f or college, but not needed to fund the projected cost of college, as a contribution to your retirement account (at least up to any 'matching' limit). T his would yield an annualized tax savings to you of $4,650.

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 $3,023. See footnotes below for assumptions concerning state tax savings on 529 contributions.

WARNING: By investing in a 529 plan outside of the state in which you pay taxes, you may lose tax benefits offered by the state's plan. Withdrawals used for qualified expenses are federally tax-free. Tax treatment at the state level may vary.

PROJECTED VALUE OF PARENTS' AND STUDENT 'S COLLEGE SAVINGS

Student resources available for college expenses: $16,854
Student Trust Account (UGMA) = $16,854
Parent resources available for college - excluding amounts reallocated for a lump-sum contribution to a 529 or other college investment: $128,128
Stocks Allocated = $57 ,344 I Bonds = $10,920
EE Bonds = $10,712
Mutual Funds = $49,152

Projected value of the parents' 529 plan and non-529 investments using monthly college allocation and lump sum contributions = $59,122

PLANNING FOR EDUCATION CREDITS

Your AGI is too high to qualify for the education credits. See the Solutions Plan for strategies to qualify for education credits.

STRATEGY - TAX DEPENDENCY STATUS OF STUDENT

The analysis reveals that there would likely be no tax benefit to making the child tax independent of the parents.

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 Xavier University = $235,101
Gross Funds available = $235,101

The investment section of the Solutions Plan describes in detail the pros/cons of options other than a 529 savings plan. Taxable earnings from a mutual fund can potentially be reduced to 0 through the education tax credits either by the parents claiming them (if within the phase-out limits) or by making the child independent of the parents for tax purposes and having them claim the credits. Gifting the funds to the child and having the child use the funds for providing over 50% of their support can do this. T he child can then claim the education credit and possibly offset all the tax due on the proceeds.

TIP: The limit for the state tax deduction on 529 contributions in SC is $140,000 annually. 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.

ASSUMPTIONS USED IN THIS MODEL

1. All of the student's resources are available for college costs.
2. Only student wages available for college are those allocated in the model for "college savings."
3. Investments are grown only up until the beginning of college and then are liquidated over the four years of college.
4. A loan on the equity in the home is a 10-year loan with zero points.
5. Any stocks liquidated for the purpose of reallocating to a 529 or other savings plan will yield a tax deduction of $3,000.

RESULTS OF IMPLEMENTING THE ABOVE STRATEGIES

The projected cost of attending Xavier University is $235,101.

The total amount available for college using this model is $235,101 which is comprised of the following:

- Withdrawals from the Roth = $11,232
- Withdrawals from the parents 529 Plan and any 529 overflow account = $59,122 Wages paid to student during college years = $20,000
- Student investments = $16,854
- Parents college investments not reallocated into 529 = $128,128 Subtracting out taxes due by the student = ($236)
- Subtracting out taxes due by the student = ($236)

Wages paid to student to be used for college = $30,000

Amount Contributed to Roth by student and available tax-free for college = $10,000

Lump sum amount into 529 plan = $56,826

Parent's available monthly college allocation = $1,250

Monthly allocation required by this model = $0

Parent's 529 funds and any 529 overflow account funds = $59,121

Student's tax-free 529 funds available for college = $0

Tax paid by child = $235

Total funds available for college = $ 235,1 00

Total tax savings for family = $ 6,175

WARNING: While shifting income to the student through employment may reduce taxes, based on the difference in rates, you will still be responsible for paying FICA taxes. The tax savings in this report are reduced by the amount of FICA taxes due on the student wages

Breakdown of total tax savings:

Tax savings resulting from 529 lump sum contribution:

- Tax savings on state 529 plan contributions = $3,023
- Tax savings on savings contributions to 529 plan = $156
- Tax savings on gifted savings contributions to 529 plan = $43

Pre-College Years:

- Tax savings on wages = $870

College Years:

- Tax savings on wages paid to student during college years = $1,740
- Tax savings on 529 earnings (Parent) = $344

Footnotes:

If your state offers a tax deduction on state 529 plan contributions, the following assumptions are made:

- *The information presented pertains to 529 college savings plans only; in particular, 529 prepaid tuition plans are not considered.*
- *The calculations are for hypothetical use only and depend on the information you provide. The calculations rely on a number of simplifying assumptions, and the results may vary from your actual situation. As tax laws change and the states adjust their 529 plans frequently, there is no guarantee that the information used in this calculator is accurate or up-to-date. For more information about your state's 529 plan, and to fully consider your personal tax situation, consult your tax advisor.*
- *Although you may reduce your state income taxes through 529 plan contributions, you may increase your Federal income taxes in the year following the year in which you take the state tax deduction, if you itemize deductions on Schedule A of your federal income tax return. T he increase in your federal income taxes is calculated by multiplying the decrease in state taxes paid by your marginal federal income tax rate. This assumes that your marginal federal income tax rate will be the same in both years.*
- *Only a state's tax brackets, tax rates, and 529 plan tax deduction are used. Some states use more factors in determining tax liability. Therefore, a taxpayer may owe more or less in taxes than the amounts calculated here.*
- *The only filings statuses used by the calculations are Married Filing Joint and Single. Other filing statuses may change the calculation results.*
- *Some states have local income taxes. No local taxes have been taken into account.*
- *Estimated federal income taxes based on 2019 rates. No consideration has been given to federal Alternative Minimum T ax (AMT) issues.*
- *529 contributions are considered completed gifts. As such, they qualify for the federal annual gift tax exclusion ($15,000 if filing single, $30,000 if filing joint). With 529 plans, contributions up to five times the annual gift tax exclusion, or $15,000 ($30,000 for a married couple) can be made free of gift taxes in one lump sum, per beneficiary. Once you make this maximum gift, however, you cannot make any other gifts free of taxes to that beneficiary for five years.*

***Most families will need loans** to help cover the total cost of college. Knowing which options to choose - based on circumstances - can be very confusing. Choosing the wrong option can cost the family thousands of additional dollars on our-of-pocket college costs! The report will include a rank-ordered list of loan strategies - based on their particular circumstances - for covering any shortfalls not covered by family resources or financial aid.*

For illustration purposes only one strategy is included below

VII. Strategies for Covering Shortfalls

LOAN STRATEGIES

Reasons to Consider College Loans

Following are reasons, beyond necessity, for a family that may not qualify for financial aid to consider using loans to pay for college:

1. **You Expect Your Child To Have Some Financial Responsibility For Their Own Education** - When a student has a vested interest financially in their education they tend to be more focused about obtaining a degree - sooner than later!
2. **Your Assets Are Invested In High-Yield Investments** - If your family does not qualify for financial aid, here are some reasons why you may use loans instead of liquidating the assets:
   - There may be a significant spread between the interest earned on the investment and cost of the loan. For example, a 2% spread on $40,000 is equal to $800, which yields the same benefit as an $800 scholarship.
   - The cost of liquidating the investment (capital gains, income tax) may be high
   - If your investments are growing on a tax deferred basis, the longer they remain intact, the greater the compounding effect of the interest.
3. **Potential Tax Deduction** - College loan interest is deductible, up to $2,500 annually, within certain income phase-out limits. The income phase-out limit is $65000 to $80000 in Adjusted Gross Income (AGI) for single taxpayers and $135000 to $165000 for married taxpayers.

Advantages/Disadvantages of Various Loans

This section highlights advantages and disadvantages of various loan strategies based on your responses on the dataform. They are ranked in descending order based on the pros/cons of each as well as your particular situation.

STAFFORD LOANS

Stafford Loans are fixed rate and are not based on financial need. Therefore, the student can obtain this loan, regardless of whether the family qualifies for financial aid. The current Stafford loan interest rate is fixed at 4.53%. These loans are taken out in the student's name and therefore, the student will be entitled to the student loan interest tax deduction.

The amounts that can be borrowed by the student are as follows:

1. Freshman year - $5,500
2. Sophomore year - $6,500
3. Junior - 5th year - $7,500

The total undergraduate amount of Unsubsidized Stafford Loans that a dependent student can have is $31,000 of which as much as $23,000 can be subsidized.

The repayment of the Unsubsidized Stafford Loan interest begins within 60 days after the final loan disbursement. However this interest can be deferred. The principal repayment does not start until six months after the student graduates, leaves college, or drops below half-time enrollment.

Subsidized Stafford Loans are available to students who are financial aid candidates and they are generally included as part of a school's financial aid package for a student. The primary benefit is that the interest payments are subsidized as long as the student is in school half-time.

TIP: A Stafford Loan and especially a Subsidized Stafford Loan offers more benefits for the student than other loan options and should generally be considered first. Here are a couple of reasons:

1. The interest rate on a Stafford Loan is lower than the interest rate on a PLUS or private student loans.
2. The interest may be subsidized during the college years if the student qualifies for a Subsidized Stafford Loan - provided they are in school at least half-time.
3. Once the student graduates and is no longer a dependent, he can likely claim student loan interest deduction - up to a maximum of $2,500 for each of the 5 years the interest is paid - since his income will likely be below the phase out level. These tax savings can help pay back the loan.

VIII. Assumptions Made in Creating This Report

The following assumptions were used in the processing, analysis and generation of your report:

1. The student will be in college full time.
2. The EFC calculated is based on a dependent student.