Welcome back!
The rest of the class is the final stretch to accomplishing level 401. This is it. Once you finish this last part, I really believe that you will be able to take this information and leave no stone uncovered when it comes to your college planning education.

Now, let's take a look at a few case studies and then show you what a completed four year funding plan might look like for your family, and then I'll wrap things up and get you on your way toward realizing the best possible outcome for your family.

Slide 40:
Let's now discuss a few case studies. I mentioned earlier that the "sticker price" AKA Cost of Attendance (COA) is irrelevant for most families, and you now know why. It's all about the net cost to you out of pocket, after aid. And just because you qualify for aid, doesn't mean you be awarded all of what you need. Yes, you can always take out loans, but let's leave that as a last option. As a result, sometimes the less expensive public college ends up costing more out of pocket than the more expensive private college, as you see happening in this example.

Pretend that this is your situation. You are looking at 2 schools. One with a cost of $25,000 and one with a cost of $52,000. By the way, these costs are the approximate average cost of a year at a public and a year at a private university. Your family's EFC for both is $10,000.

After financial aid, the much more expensive prestigious college ends up costing less to attend than the state school. Why? Remember that some colleges provide 100% of need like you see in this example of a family with high financial need. On the next slide, we'll see an example of a family with no eligible need.

Slide 41:
With two actual schools, we're trying to get down to the net cost after aid. You can see right off the bat that the $75,000 EFC is high. So on our 4 quadrant chart we looked at earlier, this is a low financial need, high academic merit family. Does MIT offer any merit based financial aid? No. But Case Western Reserve University in Cleveland, OH does, and is willing to pay your student for enrolling there $20,000 per year or $80,000 over four years, a substantial amount of money representing quite a discount off the 4 year sticker price of almost $240,000. A good illustration of why school selection is so important on the front end, and knowing what type of family you are for financial aid purposes. I hope this concept is starting to make more sense. Also I found a free tool to help you compare awards which I listed for you at the bottom of this slide: Bigfuture.collegeboard.org.

Slide 42:
Continuing our example, the student really wants to go to Case Reserve and didn't necessarily want go to MIT in the first place, but needed an offer from MIT to use as a bargaining chip to make a competitive appeal with Case Western. It worked out great for the student because Case Western agreed to compete with MIT for this student by increasing the scholarship to $25,000 per year or $100,000 over 4 years, a win for the student and the family. Appeals like this are best handled by the student and parents in person with the college's financial aid officer as opposed to paying a service to speak to the colleges on your behalf. You can make it work. Not having to borrow $100,000 to attend this school means that the student has an extra $1,000 each month in their checking account because they didn't have to take out loans. And they don't have to call you for that money or move back home. Remember

that for every 10,000 dollars that is borrowed, roughly $100 per month needs to be paid back over 10 years after graduating.

How far ahead could a young adult get in life without the burden of making a $1,000 student loan payment each month? Tremendous flexibility and financial freedom are possible with this kind of planning.

Slide 43:
Being able to visualize real life on the other side of college from a budget standpoint is what the last part of our presentation is all about
Let's start by look at a situation comparing two schools, Illinois and Ohio State. We'll look at Illinois first. Pretend for a moment that this was your family with an EFC of $53,000. The cost of attendance of Illinois is $46,668. $201,145 for four years adjusting for college inflation. In this scenario we have $0 demonstrated financial need, because of our rather steep EFC of $53,000, so we are left hoping/planning to get a gift scholarship of $10,000 and a federal loan for $5,500.
That leaves a $31,158 unmet cost that we have to come up with. So how do we actually figure out how to pay for every dollar of that over the next four years? How would you do it if you had to?

Slide 44:
As you might have guessed it, we need to borrow. In this case, Mom and Dad are borrowing a total of $71,945. See that amount on the last line in the Total Loans section? And the student is borrowing the max Stafford loan amount of $27,000.
Between the loans, 529 values, cash flow and a little bit of help from grandma of $5,000, we have covered the cost down to the penny roughly. We're good for now, but what about later? What does the future look like for our student and for Mom and Dad after graduation? Almost $100,000 of student loans. Approximately $1,000 per month for 10 years, or $634 over 25 years. The 25 year plan pays back triple the interest of the 10 year plan, unfortunately. This is for Illinois. How do you feel about Ohio State? Let's see what the numbers look like for it, including a look into the future during payback mode.

Slide 45:
By comparison, Ohio State's cost of attendance is $25,539 versus Illinois at $46,668, quite a bit less. Using your same EFC of $53,000, you also won't qualify for demonstrated financial aid here either.
But the future pay back mode isn't as worrisome.

Slide 46:
With Ohio State, we actually get a private scholarship and work-study aid which gives us enough money that Mom and Dad do not have to take out any loans. Not only that but the total loan amount is lower and the monthly payment is only $418 per month for 10 years instead of $1,000. Around $600 extra cash at the end of the month for the student after graduation. $600 per month is a lot of money for someone just starting out and living on a shoestring budget.

Slide 47:
So your child ended up choosing to attend Ohio State and here is our 1 page college funding plan, down to the dollar.
Imagine when you visit Ohio State or any other college with information like this down on paper. I hope it will give you peace of mind knowing that the school will be a great fit for your child financially, in additional to socially and academically, and that the costs and resources have all been mapped out

ahead of time. No need to wonder, worry, or lose sleep over how your child is going to pay for everything after graduation.

Slide 48:
With your enhanced skills, knowledge, and extra resources in hand, my hope is that you won't end up like the family in this cartoon.

Slide 49:
That's it, you did it. Congratulations, you made it through. You are now a stronger, more informed and empowered shopper of higher education.
Take this material and add to it with additional research and put it to good use for your family.

Slide 50:
Before you go, a quick recap:
We talked about the Expected Family Contribution (EFC) to death and the importance of minimizing this number for your family to qualify for more financial aid. There is no silver bullet, but there are things you can do to legitimately and sensibly reduce your family's EFC. Every family is unique and there is simply no way to cover all of the strategies here.

Also, we talked about how important your college list is, particularly when setting up an opportunity for you to ask for a competitive appeal with the college that your student really wants to attend. I don't specialize in putting together college lists, essays, or test prep, but I have a network of collegues that I can point you to if you would like.
Being smart about student loans. We discussed the rule of thumb about not letting student loan debts exceed the first year annual starting salary of the field your student will be entering. And also looking ahead into the future to determine what the student's monthly budget will look like with having to make monthly loan payments. What type of living arrangements will there be after college? Can the student live at home and have no social life for a few years in order to put all available money toward paying off the debt off in 5 years instead of usual 10 and then start his or her "life" like taking trips, buying a home, starting a family etc. All of that after the loans have been paid back? Being debt free and totally financially flexible with a college degree by age 26 or 27 is not a bad outcome.
We discussed the American Opportunity Tax Credit, which is a great too for those families who qualify.

We discussed cash flow. One idea for cash flow is considering how much you spend on your college bound junior or senior's food, school activities, school band or sports equipment, etc. and count that toward paying for college out of current cash flow.
We didn't get too deep into gifting assets and income shifting. These two strategies are for families with EFCs too high to qualify for any financial need aid. I think of these two strategies as tax scholarships b/c we are adding value for the family from a tax standpoint by looking at whether or not gifting assets to the student and then selling the assets at the student's tax rate would create a tax savings. Income shifting might apply to small business owners where the child might be employed by the business and income earned and taxed at the child's rate instead of the business's or business owner's rate. These two strategies work best if the family's CPA is involved and can help crunch the numbers to see if implementing either of these make sense in light of what we are doing on the college planning and the retirement saving side for Mom and Dad. It's not something that will apply to everyone, but if you are a business owner or an affluent family and don't want to write checks for the full sticker price of college every year for every child, then it certainly would be something for you to explore.

Slide 51:
So review this material again if you would like, and don't forget to download the free materials. Please explore all of the free online resources I mentioned.
After all of that, if you like help sorting all of this out, give me a call.

Slide 52:
I'm an independent financial planner who specializes in college planning. I work with two other planners, Brandon and Cheryl. You can read about all three of us on our website.
As a Certified Financial Planner™ professional, my job isn't to try to talk you into buying financial products from me but rather to help you figure out how to pay for college within the context of your overall financial situation, using my expertise in those other areas too. I really believe that for the best results, college planning has to be a blended solution, balancing the other key financial areas, not just done on its own. The goal is to create a comprehensive college funding strategy that maximizes financial aid, minimize loans, and still keep the retirement savings on track.

Slide 53:
Feel free to drop me an email if you would like to set up a 30 minute phone call to discuss your situation and see if I'm able to help or not. If I'm able to help, I'll let you know the fee right up front. If I'm not able to help, you still have this education on a new Approach To College Funding, that I'm sure will help you save on the cost of college.
They money you save on college can then be used elsewhere to further benefit your family. For example, take an awesome family trip before everyone runs off to college!

Thanks again and all the best to you and your family.

Jerry Moore, CFP®, CIMA® | 205 Powell Place Suite 227 | Brentwood, TN 37027 | Office: (615) 369-0660 jerry@towerbrentwood.com - www.towerbrentwood.com |