

A road map to:
Maximize your opportunities
&
Minimize the cost of college

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Housekeeping Items



Questions



Introduction and Overview

Asset Protection Strategies Group, Inc

Wealth Management Firm

Estate Planning

Investment Planning

Business and Self-Employed Income Planning

Retirement Planning

IRA Planning

Mortgage and Cash Flow Planning

COLLEGE PLANNING

Securities and investment advisory services offered through Multi-Financial Securities Corporation,
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How many people have been through this process before?

What brought you here tonight?

Why is College Planning so important?



Why is College Planning Important?

College admissions is very competitive and the process can be overwhelming

College can be very expensive for many reasons

You can determine the most cost-efficient way to fund education and retirement



Observations

Main observations (what we hear from parents)

- Families want information and help, but do not know where to turn
- Families start too late, but better late than never
 - Savings
 - Planning (late stage)
- Not all situations are the same (grades, funding, planning, academics)
- It is a team effort (parents, students, professionals)!

How expensive is college annually?

State ?

UC?

Out of State?

Private?



College is EXPENSIVE!

-2009 Annual Costs-

Junior College	Varies
California State	\$20,000
UC California	\$28,000
Out of State Public	\$32,000
Private	\$48,000

(Tuition, room and board, books, computer & transportation)

Good chance this is a 5 year cost!



Popular and Local College Costs

2009 Annual Costs

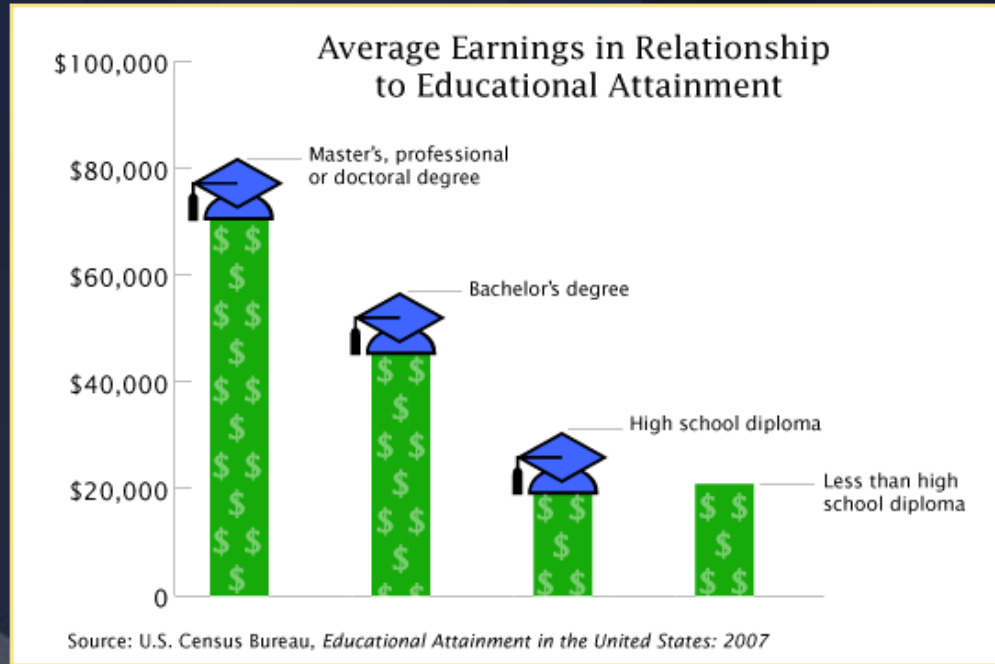
Sonoma State University	\$ 21,550
San Diego State	\$ 22,002
UC Santa Barbara	\$ 27,257
UC Berkeley	\$ 28,312
UC Santa Cruz	\$ 26,338
University of San Francisco	\$ 46,290
San Diego University	\$ 47,870
USC	\$ 53,618



Who would like their High School Student to earn 1.7 million dollars?



College Education Is Worth It!



If this is earned between 25-65 years of age:

- ✓ \$4,101,225 with a bachelor's degree
- ✓ \$2,340,757 without a bachelor's degree

This is a DIFFERENCE of \$1.7+ million

What happened to 4 years?

- What % graduates in 4 years
 - 25%
- What % graduates in more than 5 years?
 - 50%
- Average graduation rate at public colleges?
 - 5.8 years..... 6.1 years

We recommend preparing for 5 years!

Why so long?

Common Reasons

Lack of Planning and Preparation

Transfers/Drop Out

- ✓ Cost
- ✓ Choose a “Bad Fit” college
- ✓ **33% of students transfer!**

Change Majors

- ✓ Changing majors can also lead to additional time and possible loss of credits

Budget Cuts



The results of poor planning ...

- ✓ Your student is unhappy and unproductive
- ✓ It takes your student a lot longer than you planned to graduate
- ✓ It costs you a lot more money than you thought or planned for

Don't let this happen to your student

Obtaining a degree in 4 years versus 6 years.....

Can save you between \$40,000 to \$110,000!!!!



Getting into College

Having a plan to get admitted into your
“best fit” college!



What is a Academic “Best Fit” school?



Key to the Academic “BEST FIT”

Have your student engage in the process

- ✓ They are going to college not you!

A good search process (funnels)

- ✓ Location, Majors, Size, Campus Setting, Athletics, Job Placement, Housing, Food, Weather, Etc

Become educated about the entire process

- ✓ You and your student need to know your options outside of the “norm”

Have a plan!- **COLLEGE PLANNING**



College Planning at APSG

College Funding

Reduce Cost of College
Maximize Financial Aid
Reduce Taxes
Improve Cash Flow
Academic Strategies
College Savings Ideas

**Your
Best
Fit
Colleges**

College Admissions

Eliminate Confusion
Student Positioning
Improve SAT and ACT
Major and Career Planning
12 Step Admissions Program
“Best Fit” Search
Important Timelines

Standardized Testing

- ✓ SAT/ ACT® weight in admissions 25%-45%
- ✓ Along with transcripts, teacher recommendations, and extracurricular activities, selective colleges use ACT/SAT scores to predict the likelihood of academic success
- ✓ Test preparation focuses a student on what skills will be tested and students feel less test anxiety and perform better
- ✓ Competition for select colleges greater than ever
- ✓ Offered 5-7 times a year (depends on test)
- ✓ Many colleges offer THOUSANDS in MERIT AID for “good” SAT / ACT Scores

Merit Aid Examples

- \$12,000 annually. Freshmen students admitted with a GPA of at least 3.7 and a combined SAT Critical Reading and Math score of at least 1200 (or a 27 on the ACT) will automatically receive this award.
- Scholarships of \$10,000 annually. Freshmen students admitted with a GPA of at least 3.8 and a combined SAT Critical Reading and Math score of at least 1350 (or 31 on the ACT) will be eligible for consideration.
- Boys & Girls State & Leadership Scholarships of \$15,000 per year are renewable for three additional years (for a total of \$60,000). Two State Leadership Scholarships are awarded each year only to students in California.

What is the difference
between the SAT and ACT?



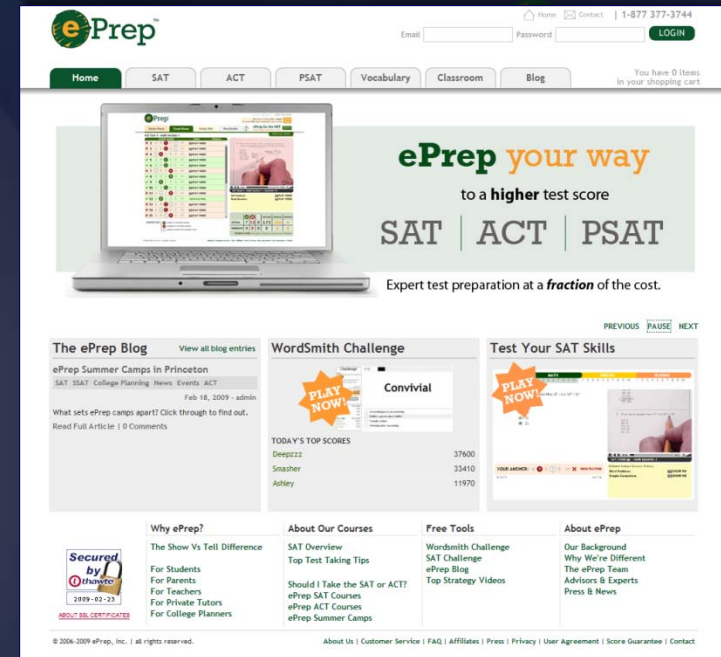
SAT v ACT

- Aptitude/Reasoning (SAT) vs Achievement (ACT)
- Essay
 - ACT – 4 subjects and optional Essay question
 - SAT – 3 subjects and mandatory essay question
- Different Scoring Methods
 - ACT awards up to 36 points for a given section
 - SAT awards points up to 800 per section
 - SAT subtracts partial (1/4) points for wrong answers
 - ACT does not penalize for wrong answers
- Virtually every college accepts scores from either test
- Experimenting with each is a good idea

Why is ePrep So Special?



- ✓ ePrep is the first online, video-based test prep company
- ✓ Premium, expert tutor delivered at fraction of the cost
- ✓ Proven test, grade, expert review model
- ✓ Founded in 2005 by Princeton University graduates Karl Schellscheidt and Eric Barnes



“ePrep videos are well-designed and easy to follow, but most important, the ePrep method is educational. It teaches math and English, not merely how to take math and English tests.”

Don Betterton
Former member of Admission Committee and Director of Financial Aid, Princeton University



Career and Major Planning

- ✓ Uncovers student's interest areas that may help them:
 - ✓ Identify a career path
 - ✓ Choose a major
 - ✓ Confirm career or major already chosen
- ✓ Keeps students focused
- ✓ Eases the decision process (funnels)
- ✓ Saves money!

How My Career Profile Works

1st Student Self-Assesses

- *Interest Values Skills Personality*

2nd Explore Careers

- *Student's attributes matched with most compatible career fields and occupations. (Broadens their career horizons)*
- *Student narrows down options & compares pros & cons.*

3rd Identify Majors Supporting Favorite Occupations.

- *Majors related to the occupations they like.*

4th College Search based on

- *Majors Needed Costs Location Student Mix Size
Sports Activities*

The right college can save you money too!

Find a college that matches your student's FUNNELS

- ✓ Examples -Career Goals/Major, Personality, Interests, abilities and needs, Budget

Apply to 6-8 colleges

Apply Early

Apply to competing colleges

Low Yield Schools (High Offers vs. Low Acceptance)

Offer the most Aid



Paying for College

Having a plan to make college affordable!



Paying for College

Average 6.8% Educational Inflation for 5 years

Assuming your student starts tomorrow

Averages:

California State	\$118,000
UC California	\$165,000
Out of State Public	\$190,000
Private	\$285,000

BUT THIS IS NOT THE REAL COST!

You must pay with AFTER-TAX dollars!



College is Paid in “After Tax” Dollars!

30% Combined Federal and State Tax

Amount you must earn to pay for college

	<u>Cost</u>	<u>Earned</u>
California State	\$118,000	\$150,000
UC California	\$165,000	\$209,000
Out of State Public	\$190,000	\$239,000
Private	\$285,000	\$358,000

These costs are for ONE child's college expenses!



Most families pay by.....

Spending savings

Borrowing way too much

Digging into their retirement

Choose a less desirable (cheaper) school

Try on their own to qualify for financial aid

- Who let's the IRS do their taxes for them?
- There is no Turbo Tax for this kind of planning

How will you pay for education costs ?

Your Money

Savings

Current Income

Borrow

Education Tax Strategies

Children's Resources

Financial Aid

Gifts from Relatives

Other People's Money



APSG

ASSET PROTECTION STRATEGIES GROUP, INC.

COLLEGE PLANNING



Financial Aid

- ✓ Many upper middle income families do qualify for Financial Aid
- ✓ 80% of students attending private schools receive aid
- ✓ There are millions of dollars of merit based aid for academic, athletic, and artistic talents
- ✓ Every family should submit a FAFSA - not all do!
- ✓ 90% of all FAFSA forms are completed incorrectly and financial aid is first come first serve.
- ✓ Beware of scholarship scam companies (1%)

Financial Aid is Based on:

- Merit
 - Academic
 - Athletic
 - Other
- Financial need
 - Family income and assets



Merit Aid

- Scholarships based on talent
- Tuition discounts to fill seats
- Colleges desire diversity
- Create competition with UC system for the child

Need-Based Financial Aid

Based on a "needs analysis" formula

****COA-EFC=Need- Resources=Modified Need****

EXAMPLE:

Cost of Attendance (COA)	\$ 35,000
Expected Family Contribution (EFC)	<u>-\$ 20,000</u>
Financial Need	\$ 15,000
Resources (i.e. scholarships)	<u>-\$ 4000</u>
Modified Need	\$ 11,000

How Can You Get Your Share of Need-Based Aid

- By reducing your.....
 - “Expected Family Contribution”
- What is the Expected Family Contribution (EFC)
 - Government driven formula used to estimate how much the family can afford to pay for college
 - Computed based on INCOME and ASSETS

Federal Methodology

- Used by all accredited public and private colleges and universities
- Used to disburse Federal financial aid funds
- Does not assess home, family farm equity, family business or retirement accounts (including annuities and cash-value life insurance)
- FAFSA form is used to collect the information

Institutional Methodology

- Used by some private colleges to distribute endowment funds
- Assesses the home, family farm equity, and family business
- Allows for excessive non-reimbursed medical costs
- PROFILE® form is used to gather the information

Expected Family Contribution - "EFC"

STUDENT

Student's AGI					
+ Untaxed Income	- Taxes				Student's Income Contribution
+ Benefits	- Income Allowance	x 50%	=		+
Student's Assets	- Nothing	x 20%	=		Student's Assets Contribution
					+

PARENT

Parents' AGI					
+ Untaxed Income	- Taxes				Parents' Income Contribution
+ Benefits	- Living Allowance	x 22% - 47%	=		+
Parents' Assets	- Asset Protection	x 5.6%	=		Parents' Assets Contribution

EFC

FAFSA EFC- Which one are you?

Mr. and Mrs. A

Income: \$100,000

College Savings \$25,000

Other Savings \$300,000

Real Estate \$50,000

Number in Family 4

Number in College 1

EFC: \$26,065

Mr. and Mrs. B

Income: \$100,000

College Savings \$25,000

Other Savings \$300,000

Real Estate \$50,000

Number in Family 4

Number in College 1

EFC: \$18,875

Don't rule out Private School!

<u>Public College</u>		<u>Private College</u>	
Total Cost	\$27,000	Total Cost	\$47,000
EFC	<u>- 17,000</u>	EFC	<u>- 17,000</u>
NEED	\$10,000	NEED	\$30,000
<hr/>		<hr/>	
% Need Met	80%	% Need Met	90%
Financial Aid	\$8,000	Financial Aid	\$27,000
Gift Aid (25%)	\$ 2,000	Gift Aid (75%)	\$20,250
Self-Help (75%)	\$ 6,000	Self-Help (25%)	\$6,750
“Out-of-Pocket Cost” (Total Cost- Financial Aid)	\$19,000	“Out-of-Pocket Cost” (Total Cost – Financial Aid)	\$20,000
<hr/>		<hr/>	
“True Cost” (Total Cost – Gift Aid)	\$ 25,000	“True Cost” (Total Cost – Gift Aid)	\$26750



Self-Help Loans

- Interest rate
- When does interest begin accruing
- Repayment plans and start date
- Fees

Loan Balance: \$19,000.00

Loan Interest Rate: 6.80%

Loan Term: 10 years

Monthly Loan Payment: \$218.65

Cumulative Payments: \$26,238.45

Total Interest Paid: \$7,238.45

- *Note: The monthly loan payment was calculated at 119 payments of \$218.65 plus a final payment of \$219.10.*

Education Tax Strategies

“Using the IRS to help fund college”

- A tax reduction is a “tax scholarship”. It is money you can use to pay for the cost of college.
- The higher your tax bracket, the greater the benefit of any tax strategy
- All tax strategies **MUST** be coordinated with your tax advisor; to focus on the relationship between taxes and financial aid to determine which is the best route to take.

Tax Help and Credits

- ✓ Income Driven
- ✓ Hope Credit- now American Opportunity Credit
- ✓ Lifetime Learning Credit
- ✓ Student Loan Deduction
- ✓ Income Shifting strategies
- ✓ Business and rental property owners
- ✓ Gifting assets while avoiding Kiddie Tax

Which Method(s) Will YOU Use For College?



Parents' Complex Problem



Desire to provide a
good education

WITHOUT

Impacting your retirement
funding plan

AND/OR

Creating personal debt or debt
on their home or business

Your Money!

- ✓ What is the cost, what are your resources and what is the gap?
- ✓ Maximizing your resources
- ✓ Use tax and aid efficient savings plans
- ✓ Avoiding risk as you get closer to college
- ✓ Increase your cash flow to save or pay for college
 - ✓ Debt consolidation
 - ✓ Decrease expenses
 - ✓ Free up tax dollars
- ✓ Which loans to choose if you do need to borrow

There are many strategies that can help you



College Financial Plan

EXAMPLE

Total Cost of Attendance over 5 years	\$195,000
Family's College Savings	-\$50,000
Strategies to Increase Funds Available	
Tax Reduction Strategies	-\$42,000
Financial Aid Strategies	-\$48,000
Investment Strategies	<u>-\$16,000</u>
Remaining Funds Shortage	
Shortage after Strategies	\$42,000
Strategies to Reduce & Pay Shortage	
Cash Flow & Loan Strategies	<u>-\$42,000</u>
College Paid-In-Full	\$ - 0 -



So what is your game plan?

Time to get a game plan!



Drinking through a fire hose

I very much hope you feel you have benefited from today's presentation.

You may also be feeling a little overwhelmed by all the complexities of these various strategies.

Perhaps even more challenging than understanding all of this is knowing whether any of this is right for you.

That's where we come in! As licensed professionals, our job is to help you cut through the clutter.



We can Help

Our College Planning program can help you determine:

- **How to eliminate the confusion**
- **How to qualify for financial aid**
- **How to find the “Best Fit” College**
- **How to reduce your taxes**
- **How to best position your student**
- **How to increase your cash flow**
- **How to fund education and retirement**



What next?

FREE one on one discovery meeting

- ✓ We will discuss your specific situation, your goals and your needs.

Meeting will include:

- ✓ A discussion about your specific needs and answers to your specific needs
- ✓ A discussion about Expected Family Contribution (EFC)
- ✓ A FREE preliminary college funding review.

Please Take Out Your Feedback Forms

Raffle time

