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Financial Briefs

MAY/JUNE 2018

Myths about College Planning

The college planning, admission, and financial aid process can seem opaque to both students and their parents. And given all the concerns about rising tuition and confusion about how aid is allotted, it's not surprising that some myths have arisen about the best way to plan for college costs.

Myth #1: We earn too much to qualify for financial aid. Some families with high incomes and a lot of assets may indeed not qualify for need-based financial aid. But chances are, you aren't one of them. By some estimates, only 4% of households have too many assets to qualify for financial aid. The truth is, financial aid formulas are complicated; and if you don't apply, it's hard to predict how much or what type of aid you might get. Filling out the Free Application for Federal Student Aid (FAFSA) as well as any institutional aid forms is almost always worth it.

Myth #2: I'll never be able to afford to send my child to a private school. There's no doubt private colleges and universities are expensive, and there's a lot of debate about whether they're worth the cost. But keep in mind that while the sticker price may be high, private schools typically have more money to spend on financial aid

than their public counterparts. And if a student is exceptionally talented, a private school may offer generous financial aid to encourage them to attend. If your child is considering private schools, do research on the net price, not the sticker price, to get a sense of what it might really cost to attend. You should be able to find calculators to help make these esti-

mates on schools' websites.

Myth #3: It's better to borrow money from my retirement accounts for college costs than to have my child take out student loans. Borrowing money from your 401(k) or other retirement accounts to pay for college is rarely a good idea. Unless you've oversaved for retirement (and few people have),

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7 Ways to Pay Less for College

With the cost of college steadily rising, students and their parents are looking for ways to ease the financial burden. Fortunately, there are ways to reduce college expenses for your child, even if a free-ride scholarship isn't a possibility.

1. Take College-Credit Courses in High School

Pack your child's high school schedule with advanced placement classes so he/she can start earning college credits now. Students who do well on AP exams may be able to skip general education requirements, which could mean graduating from college early. Some high schools also offer dual-credit courses, allowing students to earn college credit for high school classes or enroll in classes at a local college or university.

2. Apply for Aid

Always apply for financial aid even if you think you might not qualify. Even if you make a lot of money, your child may still be granted some assistance depending on your family circumstances. And remember that some assets (like those in retirement plans) aren't counted when determining federal student aid.

3. Start at a Community College

Tuition at two-year community colleges is more affordable than at four-year private and public universities. Many students can save money by beginning their college education at these schools and then transferring to a four-year university to complete their degree.

Community college may also be
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College Planning

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you're going to need that money when you stop working. Pausing your contributions or drawing down your balance will set you back significantly. While you don't want to overburden your kids with debt, a small amount in student loans may give them skin in the game, so to speak — modest student loan debt at a low interest rate won't jeopardize your child's future. And by keeping your retirement savings safe, you'll be less likely to have to turn to your children for financial help in the future.

Myth #4: I'm not sure my child will attend a four-year college, so I shouldn't bother to set up a 529 plan. The funds you put in a 529 plan can be used for qualified expenses at a wide variety of schools, including community colleges and accredited trade and vocational schools. You can even use the money at some foreign schools. Plus, if your child ends up not needing the money, you can name a new beneficiary for the funds, like another child, your brother or sister, a niece or nephew — even yourself. In the worst-case scenario, you simply use the money for noncollege expenses, though that comes with a penalty. But whatever you do, don't let the chance that your child won't attend school stop you from saving.

Myth #5: My child is a genius or a great athlete and will get a scholarship, so I don't need to save. Scholarships are a great way to help for college, and more than \$3 billion in gift aid for education is awarded to students every year. That sounds like a lot. But unless your child is a true phenom, you can't be sure he/she will get a piece of that pie — or if he/she does, how much. Plus, you really should start saving for college when your children are very young, well before you have any idea of whether they're a math genius or football star.

Myth #6: We should put all the money we save for college in a 529 plan. Not necessarily. A 529 plan

Help Your Teen Prepare for College

Getting into college has become very competitive; and for those who intend to go to college, preparation needs to start in the freshman year of high school. Here's a checklist of what your high-schooler should be doing:

Freshman Year

- With a school counselor, develop a yearly schedule for meeting high school graduation requirements.
- Take challenging classes in core academics and consider taking AP and honors courses.
- Get involved in extracurricular activities and find leadership opportunities.
- Perform community service.
- Begin a running list of accomplishments, awards, and recognitions.

Sophomore Year

- Continue with the activities listed above during all four years of high school.
- Attend information events on colleges and careers.
- Start researching colleges of interest.
- Research funding opportunities to understand the requirements for scholarships, grants, and loans.
- Take practice tests for the PSAT to qualify for National Merit scholarships and programs.
- Take practice tests for the SAT

and ACT to prepare for college entrance exams. There are online tools and books that can be used to prepare for these tests.

Junior Year

- Continue practicing for PSAT, SAT, and ACT exams.
- Attend college fairs and college prep presentations.
- Make a list of colleges that you want to consider and request information and applications.
- Define the requirements you will need to complete for scholarships and grants.
- Take the PSAT, SAT, and ACT.

Senior Year

- Visit schools and narrow down your college choices.
- Complete the FAFSA application for financial aid consideration.
- Retake entrance exams if you are not satisfied with your scores or need a higher score to get into a particular school.
- Submit college applications prior to deadlines.
- Submit scholarship and grant applications prior to deadlines.
- Complete applications for student loans if necessary.
- Review college acceptances and compare costs and any financial assistance offered.
- Finalize college funding.
- Decide on the college you want to attend and follow acceptance requirements. ■■■

has many advantages, like tax-free withdrawals for educational expenses. But you may want to diversify your savings. If your son or daughter does get a scholarship, drops out, or doesn't attend college, you can use those other savings however you want without paying a penalty (unlike a 529 plan).

Myth #7: I should put college savings in my children's names. It certainly seems like it might be a good idea to keep your child's college savings in his own name. But that's not always a good idea. For one, college financial aid formulas generally see 20% of a student's total

assets as being available to pay for education every year, compared to just 5.6% of a parent's assets. More assets in his/her name could translate into less financial aid for your child. Plus once your child turns 18, that money is his/hers to do with as he/she wishes (unless it's money held in a trust with restrictions on its use). And not all young adults will have the wisdom to use that money wisely.

Want to take steps to avoid getting caught by these college planning myths? Please call to discuss college planning in more detail. ■■■

7 Ways to Pay Less

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a good option for students who are not sure whether college is right for them or not sure what they want to study. Attending a two-year school offers a more affordable way to explore different fields and can ease the transition from high school to college. However, if your child is considering this option, make sure you understand how and if credits will transfer.

4. Stay Close to Home

Heading halfway across the country for college is going to be expensive. If your child stays closer to home for school, he/she will spend less on travel and may even be able to live with you, cutting costs even further. Plus, in-state public universities and community colleges are typically cheaper than their out-of-state counterparts.

5. Get a Job

College is hard work, but many students benefit from working at least a few hours a week while in school. Consider having your child rely on a part-time job rather than you for spending money. Students may also want to seek out jobs at companies that help pay employees' college costs.

6. Look for Scholarships

Scholarships aren't just for top athletes and those with perfect SAT scores. There's money out there for all kinds of students, including those belonging to certain ethnic or religious groups, pursuing certain majors, or attending certain schools. Check with local groups, organizations your child participates in, and even your own employer to see if there are any scholarships offered, and then apply.

7. Choose a School That Charges No or Minimal Tuition

Yes, there are colleges that charge students nothing, or virtually nothing, to attend. While admission to these schools is competitive and won't be an option for all students, they are worth exploring, especially if you feel college is financially out of reach.

Decisions Regarding College Funding

Don't let the high cost of a college education prevent you from developing an effective strategy to deal with those costs. Before you can determine how much to save for your children's college educations, there are several decisions to make:

Does each child require the same level of support? While parents typically want to treat children equally, each child's needs may differ. One child may excel in school and want to attend an expensive private college, while another child may feel more comfortable at a local public university. Thus, consider the best options for each child realizing the price tag may differ.

What is your savings goal? Setting a savings goal can be difficult if your child is many years from college. With college costs increasing so significantly in recent years, assuming similar increases in the future may make your savings goal seem overwhelming. To keep your savings amount reasonable, you can estimate your savings target based on today's college costs, increasing that amount every year to cover actual college cost increases. Also decide whether you are aiming for a public or private college, which have vastly different costs. If you're not sure, start with private college costs. It's easier to reduce savings than to increase them.

Will your child contribute toward college costs? Most children would have difficulty paying for all college costs, but you may expect your children to help fund certain costs or a certain percentage of total costs.

Will your family qualify for fi-

nancial aid? Even if your child is several years from college, it is worthwhile to evaluate whether you would be eligible for financial aid. Don't just assume that you will be precluded from aid if your income is high. Also, be aware that many scholarships are awarded based on merit, not need.

Will you need loans to pay some college costs? By starting a savings program early, hopefully you won't need to borrow money. Borrowing can put a significant strain on your finances, usually at a time when you should be concentrating on saving for retirement. However, there are a variety of loan options available, with some of the least costly available only to students. Even if you don't want to burden your child with these loans, it may make sense for your child to obtain a loan. You can then give the funds to him/her at a later date to repay the loan.

How much can you save on an annual basis for college? You don't have to select a fixed amount to contribute annually. You may decide to increase savings in the early years or contribute an increasing amount every year.

How will you save for college? There are a number of ways to save for college and reduce your after-tax costs. Look into Section 529 plans, Coverdell education savings accounts, education tax credits and deductions, savings accounts in your child's name, and using IRA funds to pay college costs. Evaluate all options in light of your financial situation.

If you'd like help with this process, please call. ■■■

The U.S. federal service academies, including West Point and the U.S. Air Force Academy, charge no tuition in exchange for a service commitment after graduation. A number of work colleges allow students to attend free or at a nominal cost in exchange for work-

ing on campus. However, keep in mind that despite free or discounted tuition, students may still be responsible for room, board, and other fees.

Please call to discuss how college planning fits into your broader financial plan. ■■■

Business Data

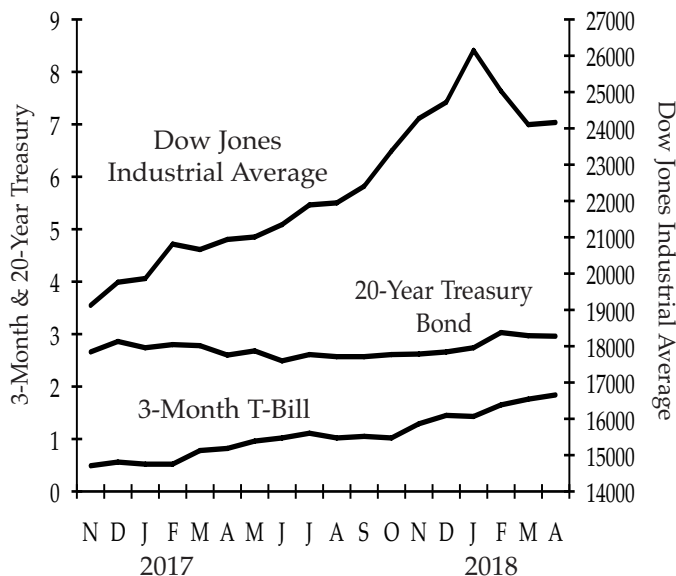


Indicator	Month-end				
	Feb-18	Mar-18	Apr-18	Dec-17	Apr-17
Prime rate	4.50	4.75	4.75	4.50	4.00
3-month T-bill yield	1.65	1.76	1.84	1.45	0.82
10-year T-note yield	2.87	2.86	2.88	2.46	2.23
20-year T-bond yield	3.03	2.97	2.96	2.66	2.60
Dow Jones Corp.	3.63	3.70	3.88	3.13	3.09
GDP (adj. annual rate)#	+3.20	+2.90	+2.30	+2.90	+1.20

Indicator	Month-end			% Change	
	Feb-18	Mar-18	Apr-18	YTD	12-Mon.
Dow Jones Industrials	25029.20	24103.11	24163.15	-2.2%	15.4%
Standard & Poor's 500	2713.83	2640.87	2648.05	-1.0%	11.1%
Nasdaq Composite	7273.01	7063.44	7066.27	2.4%	16.8%
Gold	1317.85	1323.85	1313.20	1.3%	3.7%
Unemployment rate@	4.10	4.10	4.10	0.0%	-8.9%
Consumer price index@	247.90	249.00	249.60	1.2%	2.4%
Index of leading ind.@	108.00	108.70	109.00	2.4%	6.2%

— 3rd, 4th, 1st quarter @ — Jan, Feb, Mar Sources: *Barron's*, *Wall Street Journal*
 Past performance is not a guarantee of future results.

18-Month Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield November 2016 to April 2018



News and Announcements

A Budget for College Students

Many students will first handle money without parental supervision during college. To help keep expenses down and avoid conflicts, you might want to develop a budget to guide your child's spending. As you go through the process, consider the following:

- First consider all potential expenses, including food, travel, clothing, entertainment, phone, periodicals, computer expenses, medical and dental expenses, and insurance.
- Develop a preliminary budget for the first couple of months of college. You may find that you forgot about certain items. After your child has lived on his/her own for a few months, you can develop a more realistic budget.
- If your child has trouble sticking with the budget or can't account for large sums, have him/her keep a journal that details all expenditures. Go over the journal together to determine how expenses can be

reduced.

- Consider providing your child with a debit card rather than a credit card. Since your child's spending will be limited to the amount on deposit, it is harder to overspend.
- Explain the basics of credit cards. Make sure your child doesn't use a credit card as a means to overspend. Go over which types of items your child can use the credit card for and which items should not be charged. Make sure your child understands if the balance isn't paid in full each month, a significant amount of interest will be due on the outstanding balance. If you teach your child nothing else, try to instill the concept of paying credit card balances in full every month.
- Have your child provide you with a written monthly comparison of his/her actual expenses to budgeted amounts.

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