College Planning

Helping you save ON, not just for the cost of a college education!

According to the latest information available, if **LL** starts college in **3 year(s)**, **Yale University** will have a four-year projected cost of **$327,935** using a **5% annual inflation rate**.

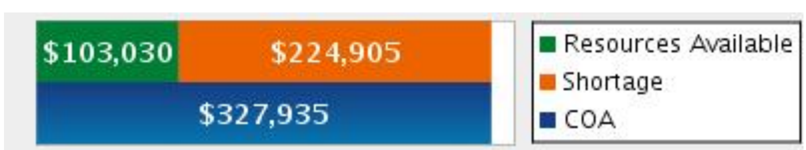
The "**Before**" column in the table below is an estimate of your costs and financial aid eligibility at Yale University using your current calculated Expected Family Contribution (EFC). The "**After**" column is an estimate of your EFC and financial aid eligibility based on the implementation of financial aid enhancing strategies that may reduce your out-of-pocket college costs for the first year by **$15,530**.

SCHOOL NAME: YALE UNIVERSITY

EFC method used by School - Federal (FAFSA) or Institutional (PROFILE)	Institutional Methodology	
Estimated Cost of Attendance (COA) - Determined for each college by totaling the costs for tuition and fees, room and board, books and supplies, personal expenses and travel. This is an annual amount.	$65,725	
6-year Graduation Rate	96%	
Projected cost and need-based financial aid eligibility	**Before**	**After**
Expected Family Contribution amount (EFC) - The before value is based on current financial snapshot. The after value is based on implementation of EFC reducing strategies.	$67,905	$50,195
Unmet Need - The amount of your financial need that the school **will not** meet. For example if the school's COA is $20,000, your EFC $10,000 and the average need met is $5,000 (50%), then there is an additional $5,000 needed to cover the COA. You are responsible for this amount.	$0	$0
Total Family Contribution - EFC plus any unmet need. This is the amount you are responsible for paying.	$65,725	$50,195
Total First Year Savings		**$15,530**

Merit Scholarships - Number of merit-based scholarships **LL** may qualify for at **Yale University**: **Requires GPA/SAT Entry**

The College Funding Gap - Based on the projected four-year COA and resources currently allocated for college costs.



Contact Stuart Siegel at 814-528-5243 or Dir@CollegeFamilyCareCenter.com to schedule a free consultation to learn how we can help you increase your financial aid eligibility and reduce your estimated out-of-pocket college costs at Yale University.

College Planning

POWERED BY CFS
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Helping you save ON, not just for the cost of a college education!

Comprehensive Planning Includes:	How this helps you become an informed buyer of a college education and save money in the process:
Estimate Expected Family Contribution (EFC)	The amount a family will be expected to pay toward the cost of college at the school selected before qualifying for any need-based financial aid at that school. This is the all-important starting point for becoming an informed buyer of a college education. By starting with the EFC, you'll have a much better idea as to which schools are REALLY affordable!
EFC Formula Used By Your School	There are two different methods for determining EFC. The method used by the school being evaluated can make a big difference in how much a family will be expected to pay at the school as well as strategies for increasing financial aid eligibility at that school.
Strategies for Maximizing Education Tax Credits	Tax credits can help significantly reduce the cost of college. Every tax dollar saved is like a "scholarship dollar" so you need to know the strategies for maximizing them.
Strategies for Increasing Financial Aid Eligibility	This is a one of the most valuable aspects of our service. We'll evaluate and propose specific strategies that can be implemented to help maximize your financial aid eligibility and minimize your out-of-pocket college costs at the school being evaluated.
Comprehensive Financial Aid Analysis	This is a reasonable estimate of the amount and type of financial aid that can be expected at the school being evaluated as well as how much you'll pay out-of-pocket, after accounting for financial aid. At many of the higher priced schools - particularly private colleges - actual out-of-pocket costs will be less than many public universities with a lower sticker price. Schools that you'd think are not affordable may be very affordable when you factor in financial aid. This information can be very helpful in determining what school to apply to in the first place. You shouldn't give up on the school of your student's dreams just because you don't think you can afford it. You may be delighted to learn they can!
College-Savings Strategies	From the myriad of options we'll advise you as to which savings option is best suited for you. Savings options are evaluated based on critically important categories such as whether the option is favorable for financial aid eligibility or disastrous, is it a good option if you don't use it for college but for retirement instead, etc. Choosing the wrong option can cost thousands of dollars in lost financial aid.
School-Specific Merit Scholarships	We'll identify school-specific scholarships that your student qualifies for based on academic performance and how to obtain them. This actionable information, which cannot be easily obtained otherwise, can help you significantly reduce your out-of-pocket costs.
Funding Options for Covering Shortfalls	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 you thousands of additional dollars on out-of-pocket college costs.
College Funding Cash Flow Strategies	Paying for college can be a tremendous cash flow problem for many families. We'll evaluate strategies that can help you increase cash flow during the college funding years and maybe even increase retirement account contributions during the college years.

College Tuition Solutions, Inc" - Solutions Plan

Disclaimer - This report is intended to help you in making decisions concerning college planning and funding strategies. The contents of this report do not constitute financial planning advice and should be used solely in conjunction with the professional advice and counsel of a qualified financial advisor, tax advisor or legal professional and are not intended to be used as a substitute for professional guidance or oversight. This report is intended for illustrative purposes only . Results are based on data provided by you, your financial advisor or other third parties and CFS makes no representations or guarantees that the data or any of the results shown in this report is accurate, complete or current. Collegiate Funding Solutions (CFS) makes no representations or guarantees that any forecasted results can or will be achieved. You are further specifically advised that the Expected Family Contribution ("EFC") as shown in the report is a projected estimate and is not identical to the EFC that will actually be used by any particular institution in calculating a family's ability to pay educational costs. CFS shall not have and you hereby release CFS from any liability for the use or reliance by you on the results showing in this report.

Prepared for LL

Contents

Section I

How Much Will Yale University Cost for LL?

According to the latest information available, if **LL** starts college in **3 year(s)**, **Yale University** will have a four-year projected cost of **$327,935** using a **5% annual inflation rate**.

Yale University uses the **Institutional Methodology** to determine your Expected Family Contribution (EFC). Your EFC is what your family is expected to contribute toward the annual cost of attendance, before qualifying for any need-based financial aid. Your current EFC is calculated to be **$67,905**. Implementing the strategies in this plan may help to lower your EFC amount to **$50,195**.

Warning: The school selected requires the CSS PROFILE to determine the EFC. For schools requiring the PROFILE, the EFC can be impacted by a variety of factors such as the school assessing home equity differently than the standard PROFILE assessment, divorced parents, special cases, etc. The EFC calculated does not take into account any special considerations. For this reason it is strongly advised that the client consider college admissions and financial aid counseling services if they intend to apply to PROFILE schools.

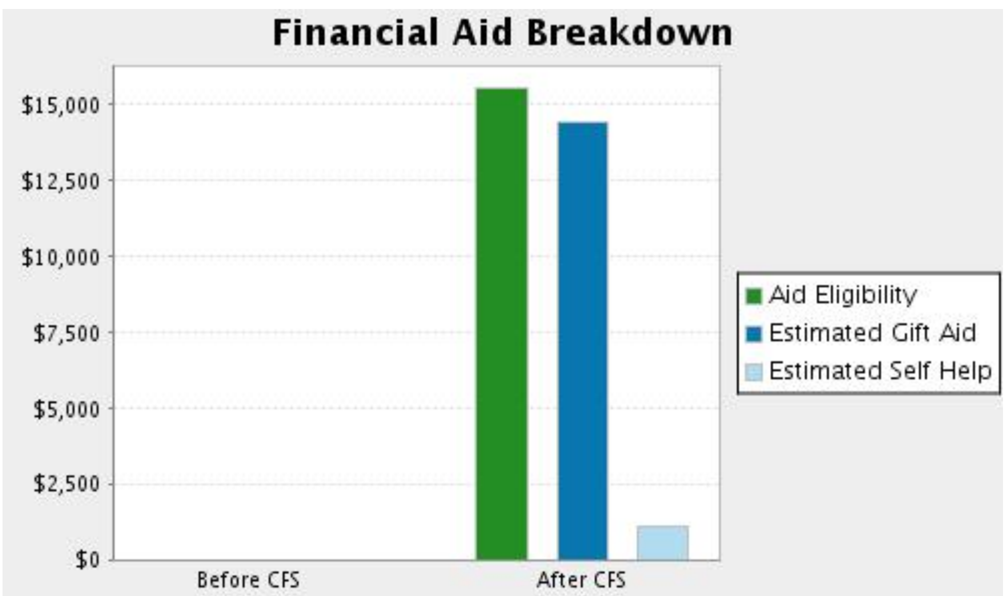
Cost and Financial Aid Summary For Yale University

Estimated COA	$65,725
4-year/6-year Graduation Rate	89%/96%
EFC method used by School	Institutional Methodology
Average Need Met %	100%

Gift Aid %	93%	
Self Help %	7%	
Projected Cost/Financial Aid	**Before**	**After**
Estimated EFC	$67,905	$50,195
Unmet Need	$0	$0
Total Family Contribution	$65,725	$50,195
Financial Aid Eligibility	$0	$15,530
Estimated Self Help	$0	$1,087
Estimated Gift Aid	$0	$14,442

By implementing strategies that can reduce your EFC, you may **increase your financial aid eligibility and reduce your out-of-pocket college costs.** On average, **100% of financial need is met at Yale University**. Of the percentage of need met, **93%** is met with grants and scholarships (referred to as Gift Aid because it doesn't have to be paid back), while **7%** is loans/work study (referred to as Self Help). Your current estimated financial aid eligibility is **$0** (**$0** from Gift Aid and **$0** from Self Help).

Tip: You may be able to increase your financial aid eligibility to **$15,530** (**$14,442** from Gift Aid and **$1,087** from Self Help) through the implementation of financial aid enhancing planning strategies.



Tip: Assessment of home equity is an important part of determining the EFC for schools that require the PROFILE. The standard is to assess 100% of the home equity in the EFC calculations. However, the school selected has been identified as one that MAY cap the amount of the equity assessed in the EFC at some amount less than 100%. Consider contacting the school for their current policy. The answer can have a significant impact on your EFC as well as financial aid enhancing strategies related to home equity. As it is, the EFC calculated in this report and any related financial aid enhancing strategies are based on the standard assessment of home equity in the EFC calculations.

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Section II

Important Terms You Need to Know to Become an Informed Buyer of a College Education

COST OF ATTENDANCE (COA) at a school is determined for each college by totaling the costs for tuition and fees, room and board, books and supplies, personal expenses and travel.

UNMET NEED is the amount of financial need that the school will not meet. For example if the school's COA is $20,000, your EFC $10,000 and the average need met is $5,000 (50%), then there is an additional $5,000 needed to cover the COA. You are responsible for this amount.

The **EFC METHODOLOGY** indicates whether the school in question uses the Federal Methodology (**requires the FAFSA**) or Institutional Methodology (**requires PROFILE**) to determine your financial need.

TOTAL FAMILY CONTRIBUTION is equal to the EFC plus any unmet need.

The **AVERAGE NEED MET** is the amount of your total need that the school is most likely to meet. Data is based on incoming freshman the previous year.

FINANCIAL AID ELIGIBILITY is calculated by subtracting the EFC from the COA (which is the financial need amount) and multiplying this by the **AVERAGE NEED MET** percentage at the school.

GIFT AID % is the percentage of the need that the school will meet in the form of scholarships, grants etc. This is money that will not have to be paid back to the school. This percentage is based on incoming freshman the previous year.

ESTIMATED SELF-HELP is determined by applying the self-help % to the financial aid eligibility total. This is a forecast of the amount that you may receive in the form of Self-Help (loans and work-study).

SELF HELP % is the amount of need that the school will meet in the form of loans and work-study. This percentage is based on incoming freshman the previous year.

ESTIMATED GIFT AID is determined by applying the gift aid % to the financial aid eligibility total. This is a forecast of the amount that you may receive in the form of Gift Aid (grants and scholarships).

ESTIMATED EFC is your Expected Family Contribution amount (**EFC**), using either FM or IM, depending on what the school requires. Both the initial (based on data provided on data form) and adjusted EFC (after applying EFC reduction strategies) are shown.

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Section III

Merit Scholarships for LL at Yale University

College Scholarships

Based on the student's academic profile: SAT/ACT scores, GPA, Class Rank, etc., following are merit money opportunities at Yale 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.

To show the list of scholarships the student is eligible for at Yale University, please specify either the student's GPA or SAT score (or both).

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Section IV

Strategies for Increasing Financial Aid Eligibility at Yale University

In this section, specific strategies are suggested that may be used to decrease your out-of-pocket college costs by decreasing your expected contribution. This may result in financial aid eligibility or increased eligibility (see **Section V**), depending on important factors such as the cost of attendance of the school being considered and the adjusted EFC amount. It is important to note that once the financial aid forms have been completed and submitted, the ability to improve your position is considerably reduced. **Therefore, implementation of the strategies outlined in this section should be completed before the financial aid forms are submitted.** Since the base income year for the family is from Jan. 1 of the student's junior year to Dec. 31 of their senior year, the sooner the financial aid strategies are implemented the better. Any asset strategies need to be executed before the financial aid forms are signed.

In addition to the specific strategies, included in this report are **additional cost cutting strategies** that can also have an impact on your college costs and therefore may be useful for advance planning.

The overall strategy for maximizing your aid eligibility is to leverage the financial aid system in a way that offers the greatest benefits for your family and your student. The following strategies are based on an in-depth understanding of the workings of the financial aid system and how the financial aid formulas will assess the income and assets of the parents and the student in order to determine financial aid eligibility. Each of the strategies offered in this section is intended to provide you with the information needed for you to determine what strategies are available based on your particular situation to help you in your efforts to reduce the cost of college.

Strategies For Parents

Income Planning Strategies:

This section contains a list of specific income strategies available to you based on the information you submitted on the dataform. Each of these income related strategies might enhance your financial aid eligibility. Where appropriate, examples are included, showing to what extent implementation of the strategy may enhance your aid eligibility at the school you have selected.

Tip: The Income Protection Allowance for the parents is $28,870. This means that the parents are allowed up to $28,870 in income before the income is assessed in the EFC. For example, if the parents' income is $50,000 and the income protection allowance is $40,000 then $10,000 of income will be included in the EFC calculations. Knowing the parents income protection allowance is important to helping them plan for financial aid. In the strategies below, the examples show the benefit to the client from implementing the strategy highlighted.

This strategy is available because you have taxable interest income. Consider moving assets that generate taxable interest income to investments that do not generate taxable income. Possibilities include tax-deferred investments like annuities, cash value insurance policies (whole life, Universal Life, Variable Universal Life), IRA, growth stock, tax-efficient mutual funds, etc. Avoid cashing in U.S. savings bonds during a base year unless you have been paying taxes on the interest each year as it accrues. Otherwise, the interest (even if tax free in the case of EE or I Bonds) will be considered income in the financial aid formulas and may reduce your financial aid eligibility.

Warning: Variable insurance guarantees are based on claims paying ability of the insurer. Withdrawals made may be subject to fees when distributed, and treated as ordinary income. Outstanding policy loans at death, and withdrawals, will reduce the policy death benefits and cash values. The investment returns and principal values of the available sub-account portfolios will fluctuate so that the value of an investors' unit, when redeemed, may be worth more of less than their original value. Life insurance should foremost be considered a vehicle to provide a death benefit but may also carry certain other cash value features.

Warning: Investing in mutual funds involve risk, including possible loss of principal. Investments in specialized industry sectors have additional risks, which are outlined in the prospectus.

Tip: The implementation of this strategy is included to arrive at the **After CFS** Estimate EFC and Total Family Contribution in the table in Section I.

Implementing this strategy may reduce your EFC by $1,263.

This strategy is available because you have taxable interest income. During base income years, consider not reporting the interest income of minor children on the parents' tax return. By reporting the income on the parents' tax return, financial aid eligibility may be decreased. Instead, consider reporting each minor child's interest income on a separate tax return for the child. This will reduce the parents' AGI and may increase financial aid eligibility.

This strategy is available because you have dividend income. Consider moving the investment that is generating dividend income to something that does not generate dividend income. The dividend income is included in the financial aid formulas and therefore decreases financial aid eligibility. Avoid cashing in U.S. savings bonds during a base year unless you have been paying taxes on the interest each year as it accrues. Otherwise, the interest (even if tax free in the case of EE or I Bonds) will be considered income in the financial aid formulas and may reduce your financial aid eligibility.

Tip: The implementation of this strategy is included to arrive at the **After CFS** Estimate EFC and Total Family Contribution in the table in Section I.

Implementing this strategy may reduce your EFC by $894.

This strategy is available because you have a taxable pension or annuity distribution. Try to avoid during base years. For example, if you bought an annuity for $10,000 and cashed it in at $12,000, you would show a distribution of $12,000 and a taxable amount of $2,000. For financial aid purposes, the $2,000 will be assessed as income and the $10,000 of principal as untaxed income, thereby assessing $12,000 of income. Therefore, if at all possible, avoid cashing in annuities during college years.

Tip: The implementation of this strategy is included to arrive at the **After CFS** Estimate EFC and Total Family Contribution in the table in Section I.

Implementing this strategy may reduce your EFC by $899.

Income Planning Tips:

This section contains a variety of general income related strategies (important tips) that should be considered by all families applying for financial aid since they may enhance financial aid eligibility.

- The number of exemptions can be adjusted to avoid obtaining a refund that will be taxed in the EFC.
- Consider the viability and ways of concentrating federal income taxes during the base year to lower the EFC. For example, if you can't make yearly retirement account contributions, consider maximizing contributions before base years and avoiding during base years. This will increase taxes in base years and lower the EFC which may increase financial aid eligibility.

  Tip: With respect to cash charitable contributions from income during the base years, the charitable contributions (which are itemized deductions) will lower your taxes which will have the effect of increasing your EFC. They have no effect on AGI since they are itemized deductions. If you are a financial aid candidate consider minimizing charitable contributions from income during the base years. On the other hand, if you are considering gifting assets to charity during the base years, the gifting of the asset will reduce your assessable assets which may decrease your EFC which may increase your financial aid eligibility.

- Avoid taxable and nontaxable withdrawals during the college years. Examples include retirement accounts, annuities, life insurance and pension plans. Otherwise the withdrawal will be assessed as income in the financial aid formulas.
- Avoid the sale of appreciated investments during the base years in order to avoid the income being assessed in the financial aid formulas.
- Consider selling investments that will generate losses during the base years in order to lower income and increase financial aid eligibility.

Asset Planning Strategies

This section contains a list of specific asset strategies available to you based on the information you submitted on the dataform. Each of these asset related strategies might enhance your financial aid eligibility. Where appropriate, examples are included, showing to what extent implementation of the strategy may enhance your aid eligibility at the school you have selected.

Tip: The Asset Protection Allowance for the parents is $51,360. This means that the parents are allowed up to $51,360 in assets before the assets are included in the EFC. For example if the parents' assets are $50,000 and the asset protection allowance is $40,000 then $10,000 of assets will be included in the EFC calculations. Knowing the parents asset protection allowance is important to helping them plan for financial aid. In the strategies below, the examples show the benefit to the client from implementing the strategy highlighted.

This strategy is available because you have other real estate. If this is a second home, consider renting it during the college years. Expenses may outweigh income and reduce AGI. For example, the extra income may be significantly offset by the expenses that you will now be able to legitimately subtract from it (such as repairs, remodeling, depreciation, etc.) By changing how interest expense and real estate taxes are reported, from an itemized deduction on schedule A to a reduction of rental income, you may be able to reduce the EFC.

This strategy is available because you have stocks and/or mutual funds. Consider converting stocks/mutual funds to a non-assessable asset (cash value life insurance). Since capital gains will increase the AGI and reduce aid eligibility and since capital losses (which would reduce AGI) are not permitted by schools that use IM to determine aid eligibility, **it is best to implement this strategy prior to the base year (January of the student's junior year in high school through December of senior year).** Otherwise your AGI may be inflated for the year because of capital gains - which would reduce financial aid eligibility - and you won't be able to benefit from any capital losses as far as financial aid eligibility is concerned. Be careful to assess the cost/benefit of selling stock/mutual funds and converting to a non-assessable asset and the potential gain in financial aid. This strategy would only make sense if the gain in financial aid eligibility far surpassed the cost of converting the stock or if you were already considering a change.

Warning: Variable insurance guarantees are based on claims paying ability of the insurer. Withdrawals made may be subject to fees when distributed, and treated as ordinary income. Outstanding policy loans at death, and withdrawals, will reduce the policy death benefits and cash values. The investment returns and principal values of the available sub-account portfolios will fluctuate so that the value of an investors' unit, when redeemed, may be worth more of less than their original value. Life insurance should foremost be considered a vehicle to provide a death benefit but may also carry certain other cash value features.

Warning: Investing in mutual funds involve risk, including possible loss of principal. Investments in specialized industry sectors have additional risks, which are outlined in the prospectus.

Tip: The implementation of this strategy is included to arrive at the **After CFS** Estimate EFC and Total Family Contribution in the table in Section I.

If you move your stocks/mutual funds to non-assessable asset you may increase your financial aid eligibility by $670 at Yale University.

Implementing this strategy may reduce your EFC by $2,850.

This strategy is available because you have funds in a company retirement account and are interested in attending a college that uses the Institutional Methodology to determine the EFC. Consider making maximum contributions for retirement to your 401K. Always fund your retirement plan as a first priority, especially when your employer will match, up to a limit, your contributions. Consider using cash flow from "college allocation" for contribution to company "matching plan" - 401K. If needed, you may be able to borrow against the 401K plan for college. This strategy enables you to fully fund your retirement plan and can provide a source of funds for college if needed.

This strategy is available because you have cash in CD's, Money Market funds, or Savings. Consider the negative effect of CD's on financial aid. Not only is any interest income assessed in the EFC formulas, but also the value of the asset as well. Besides, CDs have historically generated low interest rates. Consider re-positioning the CD to a non-assessable asset or the following strategies:

1. Prepay premiums for any life or health insurance policies
2. Pay down consumer debt, pre-pay taxes, or fund retirement accounts
3. Consider accelerating any anticipated future purchases such as a car, furniture, computer, etc.
4. Evaluate the benefits of an annuity versus the CD. Annuities can offer significantly better interest rates and tax deferral. In addition, they may not be assessed in the financial aid formulas.

Warning: If the school you are considering requires the CSS PROFLE and you are considering using an annuity as a non-accessible asset, we strongly suggest you engage a financial aid expert for advice and guidance with the completion and filing of the CSS PROFILE.

Warning: CD's are FDIC insured and offer a fixed rate of return if held to maturity. Annuities are not FDIC insured. Annuities are long-term, tax-deferred investment vehicles designed for retirement purposes. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Withdrawals made prior to age 591/2 are subject to 10% IRS penalty tax. Surrender charges may apply. Guarantees are based on the claims paying ability of the issuing insurance company.

Tip: The implementation of this strategy is included to arrive at the **After CFS** Estimate EFC and Total Family Contribution in the table in Section I.

If you move your CD's to a non-assessable asset you may increase your financial aid eligibility by $9,820.

Implementing this strategy may reduce your EFC by $12,000.

This strategy is available because you are eligible for a ROTH IRA. For income below $116000 for single tax-filer or $183000 for married filing jointly, consider benefits of a ROTH IRA. The tax deferral and tax-free distributions of a ROTH make it an outstanding retirement savings vehicle. See Section VI - Investment/Funding Options for a detailed description of ROTH IRAs and their use for a financial aid candidate.

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.

This strategy is available because you have equity in your home. Consider refinancing the home or a taking a home equity line of credit in order to reduce the equity in the home. IM formulas assess the equity in the home. Consider using a portion of the proceeds to pay down consumer debt. Any remaining proceeds would need to be invested in a non-assessable asset such as cash value life insurance or retirement accounts in order to remove the assets from the financial aid formulas. Note that contributions to retirement accounts are counted in the financial aid formulas. In order to avoid this, consider doing so before the base years.

Tip: Here are other strategies to consider: find out which colleges count your home equity and don't apply there, or apply to the one that does, but also apply to competing colleges that don't. Sometimes a college will waive the assessment of home equity if another college that offers more aid doesn't count home equity in the EFC

Warning: Although removing the equity in the home may have a very significant effect on increasing financial aid eligibility at schools that use IM, the effect of reducing the equity in the home is NOT included in the "After" column of the table in Section I. The reason for this is so as to not exaggerate the "After" column based on the implementation of just one strategy. To estimate the effect of implementing this strategy on overall results, reduce the "After" EFC by the amount shown in this example and increase the "Financial Aid Eligibility" by the amount shown in this example.

By eliminating 80% of the equity in your home you may increase your financial aid eligibility by $15,244.

Implementing this strategy may reduce your EFC by $17,424.

This strategy is available because you have equity in your home. Since the school selected requires the CSS Profile to determine financial aid eligibility, it will take home equity (the market value of the home minus the unpaid mortgage) into account in determining the Institutional EFC.

Over-estimating the fair market value of your home can adversely affect your eligibility for financial aid.

Beyond the stated value of the home entered into the dataform, the value of the home has been calculated using the purchase price of the home and multiplying that amount by a multiplier value obtained from Federal Housing Finance Authority (http://www.fhfa.gov) for the year the home was purchased. This is a very conservative figure for the value of your home. Consider adding at least an extra 10% to the calculated value. If you have a recent appraisal that is higher than this figure, we recommend using the assessment to be safe.

Warning: In the unlikely event that a college would want to verify your home value, you may want to be prepared to provide documentation for the indicated value of the home.

You did not provide the year you purchased your home or your home was purchased before 1990 and there is not housing index data available for your home

Asset Planning Tips:

This section contains a variety of general asset related strategies (important tips) that should be considered by all families applying for financial aid since they may enhance financial aid eligibility.

- When completing the financial aid forms, the net value of the asset is to mean that taxes on gains (whether realized or not), and any costs associated with the brokering of that investment should be taken into consideration and deducted from the market value of the investment. **For example:**

  $10,000 stock current value
  $5,000 stock basis

  Subtract long term capital gains tax on $5,000 gain or $750.00 (15%)
  Subtract the cost of stock redemption (what your broker charges for selling the investment - say $250)
  True current value of stock $9,000
- Consider the merits of converting liquid assets like cash to non-assessable assets, such as annuities or life insurance, particularly if the assets are earmarked for retirement. Otherwise, some percentage of the value of the asset will be included in your EFC.
- Consider using investment assets to pay down personal debt or pre-pay personal expenses. Simple advanced planning like this can increase financial aid eligibility by using an asset that would be assessed in the financial aid formulas to pay for something that has to be paid for anyway - like expenses or debt reduction.
- Consider the overall effect of shifting income-generating assets/investments to growth assets that generate little or no income. The income generated by the assets/investments may be assessed at a rate of almost 50% by the financial aid formulas. Not only might this affect your

financial aid eligibility, but it effectively reduces the "yield" of the investment/asset during the four base years - January of the student's junior year in high school through their junior year in college.

- Since you can make an IRA contribution from January 1 - April 15 for the previous year, a couple can shelter assets up to $5500 each from the aid formulas by contributing to the previous year and the current year prior to completing the financial aid forms. In addition, the interest accruing in the IRA will not be counted in the formulas. By maximizing IRA contributions in non-base years, you'll decrease your tax burden during this time and shelter assets from the financial aid formulas. During the base years, Roth IRA contributions will have no affect on AGI or tax and therefore no effect on aid eligibility. The benefit of contributing is the deferred income. For Traditional IRAs, contributions will not lower the AGI because the EFC formulas require that you add back retirement contributions, and the lower tax may slightly decrease financial aid eligibility. Nevertheless, consider maximizing IRA contributions due to the overall long-term benefit on retirement savings.

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.

Education Tax-Credit Strategies

Household Planning Strategies

This strategy is available because you have more than four people in your family. If you have children that are close in age, and one of the children will attend college or is considering returning to school, consider the fact that by having them enroll at the same time, the financial aid eligibility of both students will be significantly enhanced. The family EFC used by each school for determining aid eligibility is dramatically reduced by the number of children in college at the same time. By overlapping the college years, the likelihood of qualifying for financial aid is increased.

Strategies For The Student

Income Planning Strategies

This is a general student income strategy. Minimize tax refunds during the college years.

Asset Planning Strategies

Deduct future tax liability to show net worth. Include tax liability for any asset that has appreciated in value that can be liquidated.

This strategy is available because the student has money in cash, checking, or savings. Consider converting into non-assessable assets such as annuity, life insurance, etc. Otherwise will be assessed at a rate of .25% if the school uses the Institutional Methodology or .2% if it uses the Federal Methodology to determine EFC.

Tip: The implementation of this strategy is included to arrive at the **After CFS** Estimate EFC and Total Family Contribution in the table in Section I.

Implementing this strategy may reduce your EFC by $164.

This strategy is available because the student has money in cash, checking, or savings. Consider using these liquid assets to pay down the student's personal debt. Doing so will reduce the student's contribution toward the EFC and can help increase financial aid eligibility.

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Section V

College Savings and Funding Strategies

This is the default investment call to action.

Since you may be a candidate for financial aid, you will be responsible for covering both your EFC and any part of the cost of college that is not covered by financial aid, merit aid, etc. This is known as your **"total contribution."** See **Section V** for an estimate of your total contribution for one year of college. Implementing strategies contained in this plan may decrease this cost. The **"AFTER"** column includes an estimate of what your **total contribution** may be after implementing strategies highlighted in the plan.

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

Cash= $100,000

Growing these investments for the next 3 years till your child begins college yields approximately $103,030. The projected four-year cost of attendance (note - this is not the same as your total contribution because it does not account for any financial aid) at Yale University using a 5% annual inflation rate is: $327,935.

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

College Savings Strategies:

Consider investments that will not adversely affect your financial aid eligibility. The effect on financial aid of using these investments to fund college costs are described.

These strategies are based on the lead-time available to you and your particular investment philosophy. The investment philosophy you have chosen is **Conservative**. **Consider the following investment options with the $2,500/month you indicated were available for college costs.**

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.

Warning: Financial Aid Treatment of CD's, T-Bills and Money Market accounts:
The asset is assessed by the aid formulas as well as any interest income generated.

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

Coverdell Education Savings Accounts (CESA) can provide long-term tax-free earnings and proceeds if utilized for qualified education expenses. For the CESA this includes "qualified elementary and secondary school expenses." While age limitations apply, $2,000 non-deductible per year contributions are available to the beneficiary. Contributions cannot be made after the child's age of 18. The balance of a CESA must be distributed when the beneficiary reaches 30 years of age. The phase-out levels for 2015 the CESA are $190000-$220000 for married taxpayers and $95000-110000 for single or head of household tax payers. Although contributions to a CESA are not deductible, withdrawals from it are exempt from tax to the extent of the beneficiaries' qualified higher education expenses incurred during the year. If withdrawals are taken from a CESA in excess of the qualified education expenses for the year, the earnings portion of the excess withdrawal is subject to income tax and an additional 10% excise tax is imposed on the earnings.
CESA Advantages

1. You can contribute to both and CESA and a Section 529 plan in the same year.
2. You can claim the education tax credit (American Opportunity/Hope Credit) along with a tax-free withdrawal from the CESA as long as they are not used for the same education expenses.

Tip: Keep in mind the following two points when considering a CESA:

1. Financial Aid Treatment of CESA: A CESA is regarded as assets of the parent if the parent is the owner of the account. If a dependent student owns the account, the value is included on the FAFSA form and therefore included in the EFC calculations. If the school in question uses the IM formulas to determine EFC and requires the Profile form, then the value of the plan will be assessed at the student rate of 25%. If a relative owns the plan, such as grandparent or a **non-custodial parent**, it will not typically be assessed. However, the school may use professional judgment to include in the EFC the value of plans it discovers are held by others, but only in unusual circumstances and on a case-by-case basis where the school has determined

there is something special about the case

2. Distributions from a CESA that are not subject to federal income tax are not counted as parent or student income in the determination of federal financial aid eligibility. Distributions for qualified educational expenses therefore do not reduce financial aid eligibility.

Tip: If the taxpayer has phased out of the CESA, they could gift the cash to another taxpayer (likely the beneficiary) who is below the threshold level and they could make a CESA contribution

Tip: **Rating of CESA as a college/retirement investment**

Category	Rating
Rate of return vs college inflation	good
Effect on financial aid eligibility	good
Tax favored access for college	excellent
Tax favored access for retirement	N/A
Use for college and retirement	N/A

This savings strategy is available to you based on your income. **Roth IRAs** allow non-deductible contributions that grow tax-deferred. Total earnings on a Roth IRA can escape income tax entirely if those earnings are paid out after age 59 1/2 and the Roth IRA is at least 5 years old. As long-term investments they provide withdrawals for qualified college expenses. If withdrawals are taken prior to age 59 1/2, the income exclusion no longer applies, although withdrawals can be taken without penalty. Withdrawals from the Roth IRA are first considered to be non-taxable withdrawals of contributions, and only after the principal has been withdrawn do earnings begin to be taxed on further withdrawals. For these reasons, the Roth IRA is an excellent college savings/retirement vehicle. The disadvantages are the phase-out levels, which, for 2015 begin at $116000 for single tax-filers and $183000 for married taxpayers, with upper limits of $131000 for singles and $193000 for couples.

Tip: A Roth IRA as a college savings vehicle would be more appropriate for a student that has earned income than for a parent using it primarily as a retirement savings plan. If the student doesn't use the IRA for college costs it can be used for other purposes such as a first time home purchase or retirement savings

Warning: Financial Aid Treatment of Roth IRA
Withdrawals from IRAs are considered taxable income and as such can reduce the financial aid eligibility of the student by as much as 47% (the parents' top assessment rate for income). Therefore a $10,000 IRA withdrawal could reduce aid eligibility by $4,700

Tip: **Rating of Roth IRA as a college/retirement investment**

Category	Rating
Rate of return vs college inflation	excellent

Effect on financial aid eligibility	poor
Tax favored access for college	good
Tax favored access for retirement	excellent
Use for college and retirement	good

Traditional IRAs are tax-deferred accounts with tax-deductible contributions subject to several restrictions. Since 1997, penalty-free withdrawals from IRAs are allowed to pay for "qualified" undergraduate or graduate higher education expenses. The taxpayer will owe federal income tax on the amount withdrawn, but will not be subject to the 10% early withdrawal penalty.

Tip: An IRA as a college savings vehicle would be more appropriate for a student that has earned income than for a parent using it primarily as a retirement savings plan. If the student doesn't use the IRA for college costs it can be used for other purposes such as a first time home purchase or retirement savings

Warning: Financial Aid Treatment Traditional IRAs
Withdrawals from IRAs are considered taxable income and as such reduce the financial aid eligibility of the student by up to 47% (the parents' maximum assessment rate for income). Therefore a $10,000 IRA withdrawal could reduce aid eligibility by up to $4,700

Tip: **Rating of Traditional IRA as a college/retirement investment**

Category	**Rating**
Rate of return vs college inflation	excellent
Effect on financial aid eligibility	poor
Tax favored access for college	fair
Tax favored access for retirement	fair
Use for college and retirement	fair

529 College Savings Plans are tax-deferred trust accounts that are used to pay for qualified education expenses. This includes tuition, fees, books, supplies, equipment and room and board. 529 Plan benefits include:

Income Tax Advantages

1. Tax-deferred growth of the investment
2. Withdrawals are tax-free for if they are used for qualified education expenses
3. Contributions are treated as gifts and are not considered gross income to the beneficiary
4. The owner and beneficiary are not subject to tax on income earned during the accumulation period
5. Distributions are excluded from income tax if they are rolled over within 60 days to another 529

or if the beneficiary of the 529 changes to another family member

Income Tax Disadvantages
There is a 10% penalty on nonqualified distributions; that is, distributions not used for qualified education expenses. In addition, the withdrawal will be taxed as income to the account owner.

Estate and Gift Tax benefits

1. The money comes out of the donor's taxable estate and the gift qualifies for the annual gift tax exclusion.
2. In 2015 up to $140,000 (for married filing joint or $70,000 for single filing individual) can be contributed to an account tax-free, assuming no other gifts are made during the five-year period.

Availability and Flexibility

1. There is no income phase-out level for owning a 529 plan. Therefore, high-income earners can participate when other options are not available (i.e. Roth IRA, EE Bonds, etc.).
2. Owner maintains control of the account. The owner can change the beneficiary of the account and even refund the account (possibly subject to a penalty).

Maximum Contribution Allowed
Each state determines the maximum allowable contribution.

Interaction with education tax credits (American Opportunity/Hope Credit)
A taxpayer may claim the education tax credit and take a tax-free distribution from a 529 plan as long as the credits and the 529 plan distributions are not used for the same education expenses.

Warning: Be aware that withdrawals from 529 Plans are only tax-free if they are used for qualified education expenses. There will be a 10% penalty on any non-qualified withdrawals. For example if you make a withdrawal to cover qualified education expenses that you were also planning to apply to education tax credits! Therefore, you must be aware of the implications of 529 plan withdrawals or you may be severely penalized!

Warning: Financial Aid Treatment of Section 529 Plans: 529 Plans are regarded as assets of the parent if the parent is the owner of the account. If a dependent student owns the account, the value is included on the FAFSA form as an asset of the parent. If the school in question uses the IM formulas to determine EFC and requires the Profile form, then the value of the plan will be assessed at the student rate of 25%. If a relative owns the plan, such as grandparent or a **non-custodial parent**, it will not typically be assessed. However, the school may use professional judgment to include in the EFC the value of plans it discovers are held by others, but only in unusual circumstances and on a case-by-case basis where the school has determined there is something special about the case. Distributions from 529 College Savings Plans that are not subject to federal income tax are not counted as parent or student income in the determination of federal financial aid eligibility. Distributions for qualified educational expenses therefore do not reduce financial aid eligibility.

Tip: **Rating of529 Savings Plans as a college/retirement investment**

Category	Rating
Rate of return vs college inflation	good
Effect on financial aid eligibility	good

Tax favored access for college	excellent
Tax favored access for retirement	poor
Use for college and retirement	fair

College Funding Strategies

This is the default funding call to action.

Consider the following funding strategies if there is a shortfall between your available college funds and your **total contribution.**

This strategy is available because you have a sick relative. If you provide over half of a relative's support, you can claim that person's medical bills on your tax return. The tax savings can be used to help fund the cost of college for the child.

Example: Suppose you have a widowed parent (15% tax bracket) with nursing home cost of $60,000 per year and an estate significantly less than the unified lifetime credit as well as taxable income of $28,000. The medical deduction is more beneficial to the child with a high income tax bracket (28%). By gifting $60,000 annually in assets to the child (that would otherwise be liquidated by the parent to pay nursing home costs), that are then liquidated by the child to help pay nursing home costs and provide over half of the support for the parent, the child can benefit from the medical deduction and may be able to claim the parent as a dependent as well with tax savings of $16,800 ($60,000 x 28%) + $1,106 (personal exemption for 2014 or $3,950 X 28%) for total tax savings of $17,906 for the child. The child will have to pay capital gains on the sale of the appreciated asset. The tax savings to the child can be used to help pay college costs. Note: There is an assumption that the medical deduction exceeds the 10% AGI for the son/daughter.

Loan Strategies:

Reasons to Consider College Loans

Following are reasons, beyond necessity, for a family that **will qualify for financial aid** to consider using loans to pay for college:

1. **Loan Proceeds Are Not Penalized By the Financial Aid Formulas.** Probably the best reason for a financial aid candidate to use loans to pay for college is that proceeds are not penalized by the financial aid formulas, whereas proceeds from assets (except for 529 plans and Coverdell Savings Plans) will be! The impact of this can be dramatic. For example $10,000 withdrawn from a Roth IRA, although penalty free if used for education expenses, will still decrease your financial aid eligibility by $4,700 since the withdrawal will be counted in the financial aid formulas as income.
2. **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!
3. **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.

4. **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 $130000 to $160000 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.

Home Loan

Since the school selected uses the Institutional Methodology to determine your ability to pay for college, the equity in your home may be included in your EFC as an asset to help pay college expenses - whether or not you were planning to use the equity to help pay for college. In essence, the formula (and the school using the formula) is forcing your hand either to use the equity in the form of a loan, or to implement a strategy that removes the equity and redeploys it into some instrument that will not be assessed by the formula. Whether it makes sense to access the equity in the home, either for a loan or some type of equity management strategy can be based in part on how much, if any, of the equity will be assessed (in other words how much of the equity in your home is included in your EFC).

Each family has a certain amount of assets protected from the financial aid formulas. This is known as the asset protection allowance. If your allowance is greater than the amount of equity that will be assessed, then there would be no financial aid benefit to you from removing the equity (since it won't be assessed anyway). If the equity is going to be assessed (because it exceeds the asset protection allowance) then evaluate the financial aid benefit of removing the equity from the home (and using it as a loan or redeploying it in some type of equity management strategy), versus the costs associated with tapping the equity. Refer to the **Asset Strategy** Section of this plan for the financial aid benefit, if any, of removing the equity in the home. Compare the potential financial aid savings to the cost of tapping the equity either with a line of credit or another mortgage.

If you have phased out of the student loan interest deduction (therefore no longer available on PLUS loan interest) then the mortgage interest deduction on the home loan will reduce the real interest rate on the loan. The higher your income, the lower the real interest rate on the home loan (the higher your tax bracket, the greater the interest deduction on the loan).

You may want to consider alternatives to using the equity in the home in the form of a non-productive loan. If you are already willing to borrow against the equity, consider the benefits of borrowing the equity and investing it in an asset that could be liquidated or borrowed against for college expenses. With interest on the borrowed funds tax deductible (effectively increasing the spread on the cost of borrowing and the return on the investment), and by investing the equity in something that earns compounded interest, you may be able to create a source of funds for college and even retirement as opposed to simply using the equity in the form of a loan.

Tip: If you have a primary need for life insurance, you might consider investing the proceeds from a refinance of the home into a cash value life insurance policy and borrowing against the cash value of the policy to help pay education expenses. This will prevent the asset from being counted in the financial aid formulas. Borrowing will prevent an increase in AGI that would occur from liquidating an appreciated asset that may decrease financial aid eligibility. The new debt as well as the future college costs can be covered by the insurance policy

Equity Line of Credit - If a home equity line of credit is used to fund college, only the amount of money needed for that year can be borrowed. Therefore, interest will only be paid on the borrowed amount. Cash outflow can be minimized during college years by making only interest payments and larger payments after college. Note that only the amount of the line of credit advanced is considered a debt against the equity and remaining equity will be assessed by the financial aid formulas until it likewise is advanced.

Refinance/Second Mortgage - Since a lump sum is borrowed (in contrast to the line of credit), which probably will not be used all at once, interest is paid monthly on funds not currently needed. Therefore, consider investing the excess funds in a short-term investment until the funds are needed. If the home is refinanced or a second mortgage is secured, consider moving the un-needed funds to an instrument that will not be assessed by the financial aid formula.

The repayment term on residence loans is usually longer than retirement account loans and other types of loans, which makes the monthly payments smaller and helps with cash flow.

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 3.86%. 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.

Federal PLUS Loans

Federal PLUS (Parents' Loans for Undergraduate Students) loans are not need-based loans. Therefore, a parent can obtain this type of loan even if the student has no financial need. The PLUS loan interest rate is 6.41%. These loans are taken out in the parent's name. The parents can claim the student loan interest deduction, if their income is within the phase-out limits.

The maximum amount that can be borrowed by the parent is the cost of attendance at the student's college, less any tax-free scholarships.

Example: If the cost of attendance at the student's college was $25,000 per year the parents could borrow $25,000 in PLUS loans each year. PLUS loans are only for undergraduate college expenses and do not cover graduate school expenses.

PLUS loans are signature loans (no collateral required). Only one parent must sign the loan application. If the signatory parent dies or becomes permanently disabled during the repayment period, the remaining loan principal balance is forgiven.

Repayment of a PLUS loan begins within 60 days after the final loan disbursement for the academic year. However, if the signatory parent is enrolled in college on a half-time basis (six credits) the repayment may be deferred. PLUS loans can be consolidated and repaid over a 30-year period.

Retirement Account Loans If you are considering using your retirement account to help pay education expenses, consider borrowing from it instead of a "hardship" withdrawal. Generally, you can borrow up to $50,000 or half of the account balance - whichever is less - and pay back the loan over five years. Interest rates vary, but are typically the prime rate plus one percentage point.

Warning: If a parent loses his job, or changes jobs, the outstanding balance must be immediately repaid on a retirement loan, or it will become taxable income, subject to ordinary taxes plus penalties. Also, even though the retirement fund is earning interest on the college loan, it is foregoing the higher rate of return it was earning in the investment.

Some retirement plans may disallow distributions before retirement. However, hardship distributions from 401(k) plans (subject to the 10% penalty) are allowed to meet certain college expenses.

Warning: Due to the significant limitations and penalties, borrowing from your retirement funds to pay for college should generally be avoided. In addition, if you borrow from your retirement account for college expenses you will not be able to deduct the interest as student loan interest on your tax return.

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Section VI

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.

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Section VII

Roadmap for Filing for Financial Aid

A. APPLY FOR ADMISSIONS

Grants and scholarships are limited and are given out on a first-come, first-served basis. Therefore, apply for admission into college early in the student's senior year in high school.

B. FILE FINANCIAL AID APPLICATION FORMS

The basic types of financial aid application forms are the **FAFSA** and the **Profile** form.

The **FAFSA** can be filed as early as January 1. For the 2015-2016 school year, online applications must be submitted by midnight Central Time, June 30, 2016. Note that colleges have their own deadlines for filing this form for their financial aid funds. The student may miss out on all financial aid (except the Pell Grant and Stafford loan), if they miss the college's deadline. The FAFSA cannot be filed before Jan. 1. Submission of an accurate and early form is critical. The FAFSA form is complex and mistakes can be easily made. Forms with errors are returned and need to be corrected and resubmitted. Since financial aid is first-come, first-served, you may lose out on aid if your form is incorrect. One way to ensure accurate and timely completion of the form is to file on the Internet: **www.fafsa.ed.gov.**

Some colleges require the **Profile** form. The filing deadline for the Profile varies. Some private schools require the Profile to be submitted by mid- to late-December of the student's senior year for the following school year, and may be filed at any time before that for the following college year. As with the FAFSA, certain schools have their own deadline. Check with the school to determine their deadline. You need to obtain a registration form and send it to the College Scholarship Service(CSS), which administers the forms, and complete the forms you receive from them. You can obtain the registration form from your high school guidance office, or you can call CSS **(305 829-9793)** for information concerning the application, or you can register for it online (where you can also complete the application) at **www.collegeboard.com.**

Tip: Every family, irrespective of income level, should file the FAFSA and the Profile (if required) whether or not you will (or think you will) qualify for any aid. The reasons are:

- An appeal cannot be made to the Financial Aid Officer (FAO) for increased financial aid unless these forms have been filed.
- Unless the applications have been filed in prior college years, some schools (usually high-priced private colleges), will not consider the student for future financial aid.
- In order to qualify for both the PLUS loans and Unsubsidized Stafford loans, the family has to have completed the FAFSA.

Tip: Many colleges' financial aid deadlines are before Feb.15. Few families have their tax forms completed by then. Since much of financial aid is distributed on a first-come, first-served basis **the chances to receive aid are enhanced by estimating the financial information on the application forms, and later reporting the actual figures as corrections on the Student Aid Report (SAR).**

C. REVIEW THE STUDENT AID REPORT (SAR)

Within a month or so after filing the FAFSA form the student will receive the SAR form. The SAR will indicate the family's EFC. Errors or estimated information must be immediately corrected or updated on this form and the form re-filed.

D. FINANCIAL AID AWARD LETTERS

The types of financial aid awarded on your award letter will include:

1. Gift-Aid (Grants and Scholarships)
2. Self-Help (Work-Study and Loans)

E. APPEAL AWARD LETTERS

Financial aid awards can often be increased by appealing the award to the college. Colleges compete with each other. Therefore, you can often leverage a good award from one school against lesser awards from other schools. Find out from the college how they reward a good student. As it relates to financial aid, the old adage "If you don't ask, you won't get it" definitely applies!

Here are some practical and effective strategies for maximizing your financial aid and successfully appealing award letters:

- A way to get the "best education for the least amount of money" is to create competition between public and private schools in the same geographic location by applying to both. Tuition discounts at private schools can be significant.
- Applying to multiple schools allows you to compare awards and to request a college with a lesser award to match the highest award. Visiting the financial aid office at the college with proof of an excellent award in hand from a competing school is a great negotiating tool.
- Another very effective technique is to collect award letters and send a copy of the best award to the other schools asking them to increase their award and informing them that you need a better award to keep them in consideration! Iterations of this process can yield excellent results.
- Colleges, particularly private schools, like geographic diversity represented in the student population and will often use grants and scholarships to attract students from other regions of the country, particularly if the geographic region is not well represented. Therefore, consider applying to schools outside your region. Even if you are not seriously considering these schools, their award letters can be the starting point for the leveraging process.
- When applying to a college, consider apply to other colleges that are in the same geographic location, athletic conference or that offer similar curriculums. These colleges may compete for the student with increased financial aid awards.

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College Planning

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Helping you save ON, not just for the cost of a college education!

According to the latest information available, if **LL** starts college in **3 year(s)**, **Yale University** will have a four-year projected cost of **$327,935** using a **5% annual inflation rate**. The current 6-year graduation rate at **Yale University** is **96%**.

FOUR-YEAR PROJECTED ANNUAL COSTS AT YALE UNIVERSITY

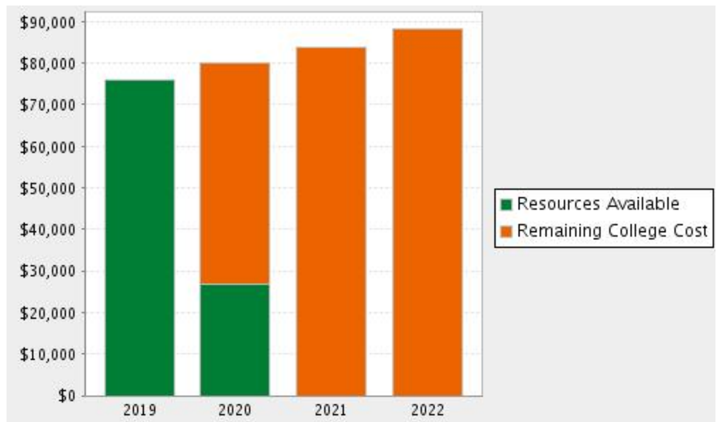
Calendar Year	Projected Annual COA
2019	$76,084
2020	$79,889
2021	$83,883
2022	$88,077

Yale University uses the **Institutional Methodology** to determine your Expected Family Contribution (EFC). Your EFC is what your family is expected to contribute toward the annual cost of attendance, before qualifying for any need-based financial aid. Your current EFC is calculated to be **$67,905**. Your Financial Need amount is determined by subtracting the Expected Family Contribution (EFC) from the Annual Cost of Attendance (COA) at the school. Your current financial need is:

2016 COA (**$65,725**) - 2016 EFC (**$67,905**) = **$0**

This table contains the type and number of college financial planning strategies in **your custom college planning report**.

Type of Strategy	Number of Strategies
Income Planning	4
Asset Planning	9
Savings	5
Funding	1
Merit Scholarships	Requires GPA/SAT Entry



Contact Stuart Siegel at 814-528-5243 or Dir@CollegeFamilyCareCenter.com to schedule a free consultation to learn how we can help you save on, not just for the cost of college by focusing on college admission, financial planning and funding strategies not related to need-based financial aid.

Prepared For: LL 02/01/2016	Company Name: College Tuition Solutions, Inc	Prepared By: Stuart Siegel Page 1 of 2

College Planning

POWERED BY CFS collegiatefundingsolutions.com

Helping you save ON, not just for the cost of a college education!

College Financial Planning Includes:	How this helps you become an informed buyer of a college education and save money in the process:
Estimate Expected Family Contribution (EFC)	This is what you will be expected to pay toward the cost of college at the school selected before qualifying for any financial aid assistance at that school. This is the all-important starting point for becoming an informed buyer of a college education. By starting with the EFC, the family has a much better idea as to which schools are REALLY affordable. For a parent with younger children, knowing the EFC is important to developing an effective college-funding plan and is used in our analysis to make suggestions as to an overall game plan.
EFC Formula Used By Your School	The method used by the school being evaluated can make a big difference in how much the family will be expected to pay at the school. This is particularly helpful for families with younger children that may end up being candidates for financial aid because it can help them to plan to maximize financial aid opportunities.
Analysis	Based on the EFC, the cost of the college selected and the amount of lead time till the student begins college, the college-planning software will provide practical recommendations for an overall game plan for planning for and paying college costs.
Planning and Funding Strategies	Many of these college planning strategies can help increase cash flow which can help pay education expenses (or be reallocated) or reduce taxes. Every dollar saved on taxes through a college planning strategy is like a "scholarship"! Strategies included for: high income earners, business owners, estate planning, education tax credits, gifting, cash flow, trust planning and more!
School Specific Merit Scholarships	We'll identify school-specific scholarships that your student qualifies for based on academic performance and how to obtain them. This actionable information, which cannot be easily obtained otherwise, can help you significantly reduce your out-of-pocket costs.
Savings Strategies	What is the best savings option for you based on your circumstances? We'll help you evaluate the options and assess critically important categories such as whether the option is tax favored for college use, rate of return versus college inflation, and use of the option for college and/or retirement.
Loan Options for Covering Shortfalls	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 you thousands of additional dollars on out-of-pocket college costs.
College Funding Cash Flow Strategies	Paying for college can be a tremendous cash flow problem for many families. We'll evaluate strategies that can help you increase cash flow during the college funding years and maybe even increase retirement account contributions during the college years.

College Tuition Solutions, Inc" - Solutions Plan

Disclaimer - This report is intended to help you in making decisions concerning college planning and funding strategies. The contents of this report do not constitute financial planning advice and should be used solely in conjunction with the professional advice and counsel of a qualified financial advisor, tax advisor or legal professional and are not intended to be used as a substitute for professional guidance or oversight. This report is intended for illustrative purposes only . Results are based on data provided by you, your financial advisor or other third parties and CFS makes no representations or guarantees that the data or any of the results shown in this report is accurate, complete or current. Collegiate Funding Solutions (CFS) makes no representations or guarantees that any forecasted results can or will be achieved. You are further specifically advised that the Expected Family Contribution ("EFC") as shown in the report is a projected estimate and is not identical to the EFC that will actually be used by any particular institution in calculating a family's ability to pay educational costs. CFS shall not have and you hereby release CFS from any liability for the use or reliance by you on the results showing in this report.

Prepared for LL

Contents

Section I

How Much Will Yale University Cost for LL?

According to the latest information available, if **LL** starts college in **3 year(s)**, **Yale University** will have a four-year projected cost of **$327,935** using a **5% annual inflation rate**. The current 6-year graduation rate at **Yale University** is **96%**.

Four-Year Projected Annual Costs

Calendar Year	Projected annual COA
2019	$76,084
2020	$79,889
2021	$83,883
2022	$88,077

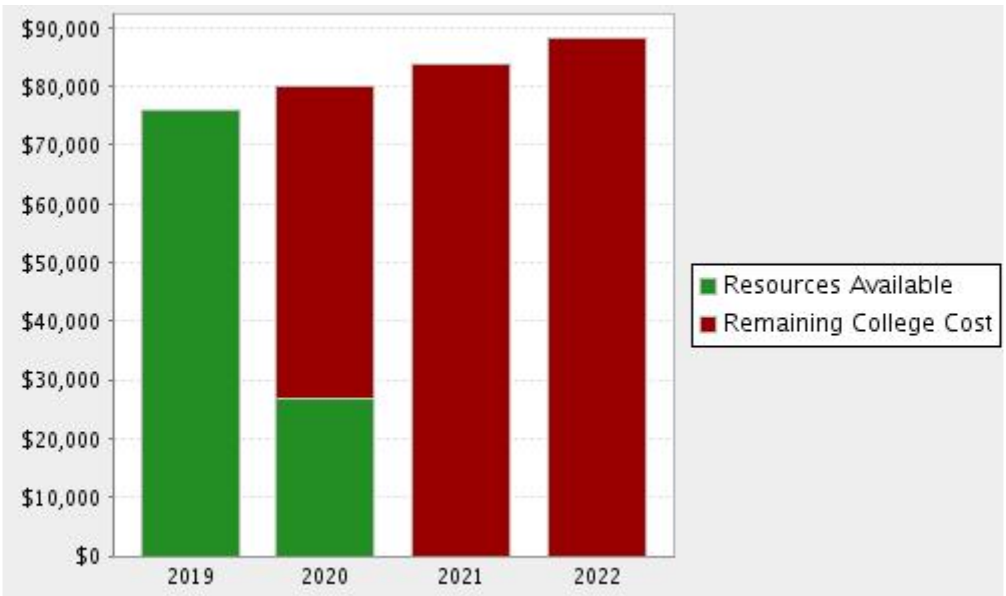
Yale University uses the **Institutional Methodology** to determine your Expected Family Contribution (EFC). Your EFC is what your family is expected to contribute toward the annual cost of attendance, before qualifying for any need-based financial aid. Your current EFC is calculated to be **$67,905**.

INITIAL EFC Based Upon Submitted Data Form	
Initial Family EFC	$67,905

The following table contains your estimated **Financial Need** at **Yale University**. The Financial Need amount is determined by subtracting the Expected Family Contribution (EFC) from the Cost of Attendance (COA) at the school. The one-year COA is determined by totaling the costs for tuition and fees, room and board, books and supplies, personal expenses and travel.

School Name	Estimated COA	Financial Need
Yale University	$65,725	$0

Annual Projected College Costs and Resources Available



Estimated Shortfall - The College Funding Gap

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Section II

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

Here are three ways that we are going to help you save on your college costs:

1. Through the college financial planning strategies in this report.
2. By referring you to a hands-on college admissions and financial aid service.
3. By helping you choose the best options for covering the college-funding gap.

Analysis

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

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.

College Admissions - Finding the Right College for All the Right Reasons

TAIL WAGS THE DOG

College success can be defined as a student graduating with marketable skills in a career(s) the student will find satisfying over a lifetime. Certain personality types are naturally suited for a career cluster or group of careers such as health care, business, social services while another type is apt to be successful in a career cluster containing entrepreneurship, marketing/creative, planning and development and politics. Too many students fail to do their due diligence before committing to a college or major. They fall in "love" only to discover that the college doesn't really meet their educational and career requirements. All too often, choosing a college is an emotional decision. Parents want their child to be happy and are willing to "gamble" up to $240,000 without really knowing if it's truly a good investment with minimal risk.

FIND BALANCE

College fit is more than just a buzzword. It means professors teaching the way your student ideally learns. It means the majority of students share the same level of commitment to learning and excellence. Finally, it means the college will be happy to invest financially in your son or daughter. Students attending the right college for the right reasons usually get that education at the right price.

AVOID COSTLY TRANSFERS

Graduating in four years is the exception rather than the rule. If the college isn't the right one, a student will have to transfer. That often means losing credits, which could delay graduation and substantially increase costs. Even if the student doesn't have to transfer, he may have to wait a year to enter another program or major. Knowing a colleges four, five and six year graduation rates can tell you a great deal as to the preparedness of the students, the commitment of the administration and resources available to both.

LEVERAGE A BETTER OFFER

Colleges often compete for the same students. Finding several appropriate colleges increases the chances one of them will actually compete for your son or daughter. If College A is your child's first choice but College B offers a bigger discount, you can leverage B's offer to increase or match A's award.

UNLOCKING TUITION DISCOUNTS

To help insure you're making the right decisions, we urge you to consider affiliating with our third party partner; Collegiate Funding Solutions' for their College Admissions and Financial Aid Services. What many parents fail to consider is that for many in house college scholarships, financial aid forms must be filed. Depending on your personal circumstances and the policies of the colleges, you may be facing an avalanche of forms all with varying deadlines, and will take a minimum of 10 hours to complete. Another reason to file the forms is colleges are very interested in knowing your ability to pay. After all, college is a business and they will often offer a discount if they know you can afford their school all four years.

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.

RECOMMENDED ACTION

Complete the brief questionnaire to determine if your child and your family would benefit from the Client Care Center's expert coaching and personal attention in finding excellent college matches to achieve the benefits described above or moving through the entire college application and forms process.

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Section III

Merit Scholarships for LL at Yale University

College Scholarships

Based on the student's academic profile: SAT/ACT scores, GPA, Class Rank, etc., following are merit money opportunities at Yale 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.

To show the list of scholarships the student is eligible for at Yale University, please specify either the student's GPA or SAT score (or both).

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Section IV

Income and Asset Planning Strategies

Introduction

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 may be available because the student has earned income. If your child has earned income, a traditional IRA contribution can be used to reduce income not sheltered by the standard deduction (perhaps to zero), thereby creating a tax savings for the child and the IRA can be used penalty-free for qualified education expenses.

By investing $888 in a traditional IRA for the next 3 years till college the value of the IRA would be $2,717 given an 8% interest rate. This can be used for qualified college expenses with no penalty on the withdrawals (distributions will be taxed at student's tax rate). Contributions to the IRA may also create a tax savings for the student for any income not covered by the standard deduction.

Consider a **"college condo"** strategy as a way to meet the housing need of the student while enjoying the benefits of investment property. The rent from roommates will provide some if not all the mortgage expense, while the property will provide interest expense, depreciation, utilities, taxes, common expenses and appreciation for resale or charitable donation after your college student graduates. Likewise, the arrangement prepares the student for practical living experience as well as homeowner responsibilities. The tax savings and any profit incurred will help offset the total costs of college. Other options include 1031 Exchange, retirement home or a charitable donation. The savings on the cost of room and board can be significant. The average annual cost of room and board exceeds $6,000/year and at many private schools is significantly higher.

Tip: As room and board costs increase annually, so can annual rent, creating more profitability.

Tip: This strategy is even more attractive when the owner of the condo is in reasonably close proximity to the property so they can actively manage it.

Warning: There may be a risk that the student drops out of school forcing the parent to sell early or find someone else to manage the condo. This is an important consideration before implementing this strategy.

Tip: **Example - of college condo strategy using the following assumptions**

Average cost of 3 bedroom condo*	$225,000
Interest rate mortgage 5/1 ARM	6%
Mortgage cost: annual	$13,500
Utilities, Taxes, Condo fees: annual**	$6,000
Liability Insurance: annual**	$250
Rent: 2 renters $500: month each	$12,000
Annual appreciation on property	5%

* 2005 national average -- National Association of Realtors
** 1990 Census Data (last year to include Condo stats) and 3% inflation between 1990-2006

College Years 1 - 4	Amount
Tax deductible items at year end	
Fees and liability insurance	$6,250
Depreciation (27.5 years straight line)	$8,182
Mortgage payment	$13,500
Total deductible at year end*	**$27,932**
Tax savings on deductions	$10,418
Annual cash outflow (mortgage, utilities, taxes, condo fees, insurance)	$19,750
Annual rental income	$12,000
Annual cash outflow to execute condo strategy	$7,750
Annual tax savings versus cash outflow	$2,668
Parents' monthly college allocation	$2,500
Monthly outflow to execute strategy	$646
Monthly surplus/shortage to execute strategy	$1,854
Revenue from executing strategy	
Proceeds on sale of the condo assuming a 5% annual appreciation rate	$48,000
Net Cost to execute Condo Strategy	$10,674
Benefit of Condo Strategy before capital gains/realtor commission or 1031 Exchange**	$58,674

* Depending on AGI the amount of tax deductions may be limited.
** If property is sold after year 4 then a 25% recapture of depreciation taken is incurred.

In addition to the benefits above, you will save the cost of room and board at Yale University. The current annual cost of room and board at Yale University is $14,600.

The excess monthly allocation amount of $1,854 can be used to cover college costs (books, tuition, etc.) or to pay interest on loans secured to cover these expenses. Consider an interest only loan on the primary residence to cover college costs and maximize tax deductibility. The monthly surplus can be invested over 4 years. After college, this investment in addition to proceeds if condo is sold can be used to retire education debt. This prevents after tax dollars from being used to cover education expenses which make the cost of college even more expensive.

Since you are already contributing the maximum amount to your company retirement plan, consider a non-qualified retirement account such as annuity or cash value life insurance. The cash value can be borrowed on a tax-free (if the policy allows) or tax favored basis. Also, if not needed for college can be used for retirement. See the "Investment" section of the report for more details.

Warning: Life insurance should foremost be considered a vehicle to provide a death benefit but may also carry certain other cash value features.

This strategy is available to you because you are not interested in setting up a trust. As an option to setting up trusts with high tax rates and loss of control, you could put funds in investments that are tax-exempt, tax-deferred, or that pay little or no current income, like growth stocks or mutual funds. You could then gift the investments to your child as needed for college expenses.

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.

Asset Strategies:

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 $327,935.

Does your current coverage include sufficient amounts for education costs?

Life insurance can be used to fund your qualified and non-qualified retirement plans. The trustee of a retirement plan can invest in life insurance policies on your life. You could borrow from the policy for college costs.

Warning: Life insurance policies are subject to substantial fees and charges. Death benefit guarantees are subject to the claims-paying ability of the issuing life insurance company. Loans will reduce the policy's death benefit and cash surrender value, and have tax consequences if the policy lapses. Life insurance should foremost be considered a vehicle to provide a death benefit but may also carry certain other cash value features.

This is a good long-term strategy. When you have maximized your retirement plans, an indexed annuity can be used as a source of supplemental retirement and college income. An indexed annuity enables you to share in the growth of the stock market (up to a limit) with a guaranteed minimum rate of return even if the market loses value.

Warning: Equity indexed annuities are not suitable for all investors. Possible surrender charges and the combination of caps and participation rates associated with a particular product are factors that must be considered in any suitability determination. Annuities are not FDIC insured, are long-term, tax deferred investment vehicles designed for retirement purposes. Surrender charges may apply. Guarantees are based on the claims-paying ability of the issuing insurance company.

This strategy is available because you have expressed an interest in gifting more than the $14000 - for 2015 - annual gift exclusion or are interested in learning ways to reduce your taxable estate. If you wanted to transfer more funds to your child or grandchild than the annual $14000 gift exclusion - for 2015 - you could accomplish this with a couple of different strategies:

- By making a loan to your child for the amount in excess of the gift exclusion limit and then forgiving up to that amount per year until the loan balance is forgiven.
- In 2015, up to $140,000 (for married filing jointly or $70,000 for single tax filers) can be contributed to a 529 savings plan tax-free, as long as no other gifts are made during the subsequent five-year period. The money comes out of the contributor's taxable estate and the gift qualifies for the annual gift tax exclusion
- If it is close to the end of the calendar year, or before you have filed taxes for that year, you could make your annual gift for that year and then in the new tax period execute the strategy above. This effectively enables you to get up to six years of contributions into a 529 plan in a short period of time

This strategy is an excellent way to immediately (within the next 2-4 years) reduce your taxable estate and gift beyond the $14000 - for 2015 - annual gift exclusion. There is a special rule for contributions to a 529 college savings plan that allows you to exceed the annual gift tax exclusion. If a contribution in excess of the annual $14000 gift tax exclusion - 2015 - is made in one year, you may elect to have the contribution treated as if made over five years to avoid gift tax. To avoid the gift tax, additional gifts cannot be made until the five-year period has ended.The limit for 2015 is $140,000 for married tax-filers (joint gift) and $70,000 for single tax-filers.

This strategy is available because you are contributing the maximum amount to your 401(k) plan and your AGI qualifies you for a ROTH IRA. A Roth IRA can be used to fund a college education. One of the main features of a Roth IRA is the tax and penalty free withdrawal of original contributions prior to age 59 1/2 (you will pay tax on the earnings), if used for education expenses, and completely tax and penalty free if over 59 1/2.

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.

This strategy is available because you have savings in money market/CD's/savings. Consider moving the amount listed for money market/savings/CD's into a tax incentive asset - something that will not generate annual taxable interest.

This could create a tax savings of $4,480 annually assuming a 1.0% rate of return.

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 $140,000 in 2015) 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 Yale University with annual tuition of $62,200 and an additional $3,525 in remaining expenses. The grandparents' could prepay, through direct payment to the school, the four years of tuition of $248,800. The remaining expenses could be covered through annual joint gifts to the grandchild.

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

Gifts you or a relative (grandparents, aunts and uncles or anyone else) make directly to an educational institution (either elementary and high school or college) for your child's tuition will not reduce the 2015 $14000 gift tax exclusion for that child. The gifts must be made directly to the educational institution. The tuition "gifts" can be unlimited, but must be made directly to the school, not to the student or the student's family. If the funds are distributed elsewhere than the school, gift tax may be due. The gift may be given only for tuition. Any gift given to help pay for room and board, transportation or entertainment will count against the gift exclusion. This can be an excellent way to reduce the value of your estate.

If the parents gift $5,000/year directly to the college, this could save $1,865 per year and $7,460 over four years.

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Section V

Investment Strategies

Strategies for paying the college bill:

This is the default investment call to action.

Since you are not likely a candidate for financial aid, you will be responsible for funding the total cost of attendance at Yale 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= $100,000

Growing these investments for the next 3 years till your child begins college yields approximately $103,030. The projected four-year cost of attendance at Yale University using a 5% annual inflation rate is: $327,935.

If there is a shortfall between your available college funds and your **total contribution** consider the following investment and funding 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 **Conservative** . **Consider the following investment options with the $2,500 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
Tax favored access for college	poor
Tax favored access for retirement	poor
Use for college and retirement	poor

This is a long-term strategy and available to you based on your income. **Roth IRAs** allow non-deductible contributions that grow tax-deferred. Total earnings on a Roth IRA can escape income tax entirely if those earnings are paid out after age 59 1/2 and the Roth IRA is at least 5 years old. As long-term investments they provide withdrawals for qualified college expenses. If withdrawals are taken prior to age 59 1/2, the income exclusion no longer applies, although withdrawals can be taken without penalty. Withdrawals from the Roth IRA are first considered to be non-taxable withdrawals of contributions, and only after the principal has been withdrawn do earnings begin to be taxed on further withdrawals. For these reasons, the Roth IRA is an excellent college savings/retirement vehicle. The disadvantages are the phase-out levels, which, for 2015 begin at $116000 for single tax-filers and $183000 for married taxpayers, with upper limits of $131000 per year contribution limit for singles and $193000 for couples.

Tip: A Roth IRA as a college savings vehicle would be more appropriate for a student that has earned income than for a parent using it primarily as a retirement savings plan. If the student doesn't use the IRA for college costs it can be used for other purposes such as first-time home purchase or retirement savings

Tip: **Rating of Roth IRA as a college/retirement investment**

Category	Rating
Rate of return vs college inflation	excellent
Tax favored access for college	good

Tax favored access for retirement	excellent
Use for college and retirement	good

This is a short-term or long-term strategy. **Traditional IRAs** are tax-deferred accounts with tax-deductible contributions subject to several restrictions. Since 1997, penalty-free withdrawals from IRAs are allowed to pay for "qualified" undergraduate or graduate higher education expenses. The taxpayer will owe federal income tax on the amount withdrawn, but will not be subject to the 10% early withdrawal penalty.

Tip: An IRA as a college savings vehicle would be more appropriate for a student that has earned income than for a parent using it primarily as a retirement savings plan. If the student doesn't use the IRA for college costs it can be used for other purposes such as first time home purchase or retirement savings

Tip: **Rating of Traditional IRA as a college/retirement investment**

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

This is a short-term or long-term strategy. **Retirement accounts** are company-sponsored tax-deferred programs designed for long-term investments. Most plans allow tax-deductible contributions with employer matching options. If you are considering using your retirement account to help pay education expenses, consider borrowing from it instead of a "hardship" withdrawal. Generally, you can borrow up to $50,000 or half of the account balance - whichever is less - and pay back the loan over five years. Interest rates vary, but are typically the prime rate plus one percentage point.

Warning: Although retirement accounts are often used as a resource to help fund college expenses, either through withdrawals or borrowing, they should not be viewed as a college savings strategy. Retirement savings should take priority over college savings and retirement accounts should be fully funded before contributions to a college savings plans specifically designed for college funding, such as a 529 or Coverdell Education Savings Account.

Tip: **Rating of Retirement Accounts as a college/retirement investment**

Category	**Rating**
Rate of return vs college inflation	good
Tax favored access for college	poor

Tax favored access for retirement	fair
Use for college and retirement (only if borrowing from account)	fair

This is a long-term strategy. **529 College Savings Plans** are tax-deferred trust accounts that are used to pay for qualified education expenses. This includes tuition, fees, books, supplies, equipment and room and board. 529 plan benefits include:

Income Tax Advantages

1. Tax-deferred growth of the investment
2. Withdrawals are tax-free if they are used for qualified education expenses
3. Contributions are treated as gifts and are not considered gross income to the beneficiary
4. The grantor and beneficiary are not subject to tax on income earned during the accumulation period
5. Distributions are excluded from income tax if they are rolled over within 60 days to another 529 or if the beneficiary of the 529 changes to another family member.

Income Tax Disadvantages

There is a 10% penalty on nonqualified distributions; that is, distributions not used for qualified education expenses. In addition, the withdrawal will be taxed as income to the account owner.

Estate and Gift Tax Benefits

1. The money comes out of the donor's taxable estate and the gift qualifies for the annual gift tax exclusion.
2. In 2015, up to $140,000 (for married filing jointly or $70,000 for single filing individual) can be contributed to an account tax-free, assuming no other gifts are made during the five-year period.

Availability and Flexibility

1. There is no income phase-out level for owning a 529 plan. Therefore, high-income earners can participate when other options are not available (i.e. Roth IRA, EE Bonds, etc.).
2. The owner of the plan maintains control of the account. The owner can change the beneficiary of the account and even refund the account (possibly subject to a penalty).

Maximum Contribution Allowed

Each state determines the maximum allowable contribution.

Interaction with Hope and Lifetime Learning Credits

A taxpayer may claim a Hope or Lifetime Learning credit and take a tax-free distribution from a 529 plan as long as the credits and the 529 plan distributions are not used for the same education expenses.

Warning: Be aware that withdrawals from 529 plans are only tax-free if they are used for qualified education expenses. There will be a 10% penalty on any non-qualified withdrawals; for example, a withdrawal to cover qualified education expenses that you were also planning to apply to either the Hope or Lifetime Learning credits. Therefore, you must be aware of the implications of 529 plan withdrawals or you may be severely penalized.

Tip: **Rating of 529 Savings Plan as a college/retirement investment**

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

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.

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Section VI

Funding Optimization Model

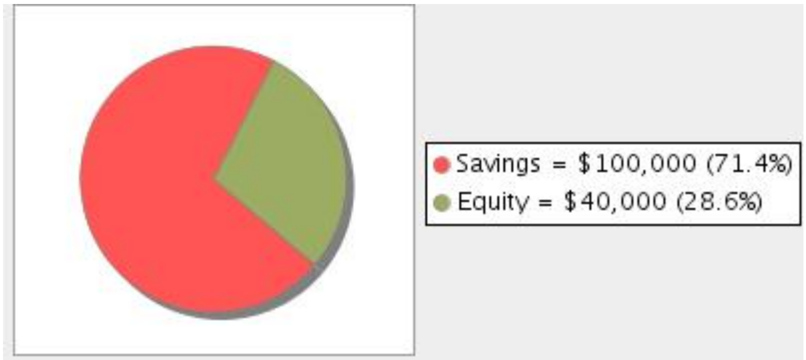
The objectives of this model are to identify:

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 - Sources for contributions into a college savings plan

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

- $100,000 from Savings currently allocated for college.
- $40,000 from Equity in home.



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. By securing a home equity loan, you can fund a 529 College Savings Plan to help pay college costs. Benefits to consider include:
   1. The ability to invest within the 529 savings plan at returns possibly exceeding the appreciative value of the residence
   2. Since the interest on the home equity loan is tax-deductible on schedule A of form 1040, no matter what use is made of the borrowed funds, the after-tax interest payment on the loan may be less than the tax-free earnings on the 529 plan.
   3. The tax deferral accumulation of the income and appreciation of the value of the 529
   4. Tax-free withdrawal of the funds if used for qualified education expenses.

The monthly payment on the mortgage taken out to fund the 529 is = $415

You indicated that you could allocate $2,500/month for college costs. Consider accessing the equity in the home in the amount of $40,000 that will be included in a lump sum contribution to the 529 plan. The monthly allocation can be applied to pay down the mortgage on the home. The cost of the mortgage payment is $415/month. The remaining available college allocation of $2,085/month could also be allocated to the 529 plan (or another investment to be used for college and retirement if the five-year gift limit is reached. [See Miscellaneous Notes below.])
The benefits to this particular application of the monthly college allocation are:

1. The greater the initial amount of the investment, the greater the tax-deferred compounded growth of the investment over time.
2. The rate of growth on the investment will likely be greater than the interest rate on the loan - particularly when considering the mortgage interest deduction which will decrease the cost of the loan. For example, if your combined state and local tax rate is 32% then the actual cost of a 6% loan is only 4%. Given the lower actual interest rate on the mortgage (which is a simple interest loan) and a comparable interest rate on the investment (which grows tax deferred) you will always come out ahead over time.
3. The higher your income (or as it increases over time) the lower the actual cost of the loan and the greater the spread on the growth rate versus the cost of the loan of the loan.
4. By removing and investing the equity in the home, the asset can appreciate in value over time. Dormant equity in a home has a zero rate of return!
5. A lump sum amount will increase in value faster than contributions over time that will ultimately equal the same lump sum amount. For example, a starting amount of $10,000 over 10 years at 8% will grow to $21,589. On the other hand, $1,000 annual contributions to an investment growing at 8% will only grow to $15,645 over 10 years. So, if possible, start with a lump sum amount!

Projected Value of Parents' and Student's College Savings

Student resources available for college expenses: $677
Student Savings = $677

Parent resources available for college - excluding amounts reallocated for a lump-sum contribution to a 529 or other college investment: $0

Projected value of the parents' 529 plan and non-529 investments using monthly college allocation and lump sum contributions = $230,333

Planning for Education Credits

Note that if you are eligible for the American Opportunity/Hope education credit, you can claim the credits AND use 529 (or a CESA) proceeds for the same qualified expenses, **but** you will pay income tax on some portion of the 529 proceeds that were applied to the same expenses for which you claimed the credit. A solution is to use non-529 proceeds for these expenses. The full American Opportunity credit consumes $4,000 in tuition and fees. You will need approximately $16,000 in non-529 proceeds to be able to claim the full credit over four years. Since the parent and student combined will likely have more than $16,000 in non-529 college savings assets, these can be used for the credits. Since the parents and student combined will not likely have more than sufficient non-529 college savings assets, consider having the parent or the student allocate a greater percentage of college savings to non-529 plan contributions that could be used for the credits. Attempt to minimize tax associated with liquidating an investment to be used for qualifying expenses.
Examples of sources that would be good candidates include tax-efficient mutual fund, borrowing from a cash value insurance policy or using loans - like a Stafford or PLUS for these expenses. Any tax on liquidating investments in order to maximize the education credit will likely be outweighed by the tax savings due to the tax credit. Using low interest loans (student loan, borrowing against an insurance policy) to pay qualifying expenses (you would still be eligible for the credit) and then retiring the debt after college allows investments to grow for longer period of time.

Student's non-529 resources = $677

Parent's non-529 resources = $0

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:

Contributions to a 529 college savings plan are treated as gifts to the beneficiary and qualify for the $14,000 gift-tax exclusion. A special provision allows you to gift up to $140,000 for married filing jointly and $70,000 for filing single at one time as long as no other gifts are made over the next 5 years. Since your lump sum into the 529 plan is already at the limit, or if the lump sum plus the amount of monthly allocation over the next 5 years would exceed the limit, consider applying the monthly allocation to another investment at least for the next five years, that could be used for college if needed. By gifting one year prior to liquidation, the student can use this resource in their effort to pass the support test which would enable them to claim tax independence from the parents. If the student can pass the support test and claim tax independence, then tax savings would result on the liquidation of the asset since the student will likely pay lower capital gains (or no gains) on the liquidation of the asset. For the non-529 investment, consider a tax-incentive investment that could be used for either college or retirement savings (for maximum flexibility), such as a tax-efficient mutual fund, cash value life insurance policy (borrowed against for college costs), etc.

Once you are beyond the 5 years on the 529 lump sum gift, consider gifting up to $28,000/year (for married filing, $14,000 for single tax filers) to the student to be used for college. By gifting one year prior to the liquidation of the asset, the student can use this resource to pass the support test which would enable them to claim tax independence from the parents (which could yield additional tax savings). The difference between the parents' capital gains rate and the student's rate will yield family tax savings the senior year in college.

The projected cost of college is likely greater than the amount that will be available based on projected amounts of available sources for parent and student. Consider gifting to the student after college to help student pay off any loans incurred to cover shortfalls. Other possibilities include increased monthly allocation or, if the student is employed by parent in a business, increase wages.

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. The child can then claim the education credit and possibly offset all the tax due on the proceeds.

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.

Interest Rate Assumptions

1. College Inflation Rate (Annual) - 5%
2. 529 - 3%
3. Interest on Home Loan - 4.5%
4. Federal Income Tax Rate - 28%
5. State Income Tax Rate - 9%

Results of Implementing the Above Strategies

The projected cost of attending Yale University is $327,935.
The total amount available for college using this model is $231,010 which is comprised of the following:

- Withdrawals from the parents 529 Plan and any 529 overflow account = $230,333
- Student investments = $677

Wages paid to student to be used for college = $0
Amount Contributed to Roth by student and available tax-free for college = $0
Lump sum amount into 529 plan = $140,000
Parent's available monthly college allocation = $2,500
Monthly allocation required by this model = $2,500
Parent's 529 funds and any 529 overflow account funds = $230,332
Student's tax-free 529 funds available for college = $0
Tax paid by child = $0
Total funds available for college = $231,009
Total tax savings for family = $6,712

Breakdown of total tax savings:

Tax savings resulting from 529 lump sum contribution:

- Tax savings on savings contributions to 529 plan = $1,130

Pre-College Years:

- Tax savings on mortgage interest = $3,635

College Years:

- Tax savings on 529 earnings (Parent) = $1,947

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Section VII

Loan and Funding Options

This is the default funding call to action.

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 $130000 to $160000 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 3.86%. 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.

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.

Tip: A Stafford Loan usually offers more benefits for the student than a PLUS loan taken out by the parents and therefore should be considered before a PLUS loan. Here are a couple of reasons:

1. The interest rate on a Stafford Loan is lower than the interest rate on a PLUS loan.
2. 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.

Federal PLUS Loans

Federal PLUS (Parents' Loans for Undergraduate Students) loans are not need-based loans. Therefore, a parent can obtain this type of loan even if the student has no financial need. The PLUS loan interest rate is 6.41%. These loans are taken out in the parent's name. The parents can claim the student loan interest deduction, if their income is within the phase-out limits.

The maximum amount that can be borrowed by the parent is the cost of attendance at the student's college, less any tax-free scholarships.

Example: If the cost of attendance at the student's college was $25,000 per year the parents could borrow $25,000 in PLUS loans each year. PLUS loans are only for undergraduate college expenses and do not cover graduate school expenses.

PLUS loans are signature loans (no collateral required). Only one parent must sign the loan application. If the signatory parent dies or becomes permanently disabled during the repayment period, the remaining loan principal balance is forgiven.

Repayment of a PLUS loan begins within 60 days after the final loan disbursement for the academic year. However, if the signatory parent is enrolled in college on a half-time basis (six credits) the repayment may be deferred. PLUS loans can be consolidated and repaid over a 30-year period.

Retirement Account Loans

The benefits of borrowing from retirement accounts are reasonable interest rates, repayment terms, and ease of obtaining the loan. However, if these loans are not repaid within a certain period of time, usually five years, the outstanding principal balance will become taxable income and subject to a 10% penalty if the borrower is under age 59 1/2.

Warning: If a parent loses his job, or changes jobs, the outstanding balance must be immediately repaid on a retirement loan, or it will become taxable income, subject to ordinary taxes plus penalties. Also, even though the retirement fund is earning interest on the college loan, it is foregoing the higher rate of return it was earning in the investment.

Some retirement plans may disallow distributions before retirement. However, hardship distributions from 401(k) plans (subject to the 10% penalty) are allowed to meet certain college expenses.

Warning: Due to the significant limitations and penalties, borrowing from your retirement funds to pay for college should generally be avoided. In addition, if you borrow from your retirement account for college expenses you will not be able to deduct the interest as student loan interest on your tax return.

Funding Strategies:

Consider the following additional funding options if your college savings and investments will not cover all your college costs.

This strategy is available because you have a sick relative. If you provide over half of a relative's support, you can claim that person's medical bills on your tax return. The tax savings can be used to help fund the cost of college for the child.

Example: Suppose you have a widowed parent (15% tax bracket) with nursing home cost of $60,000 per year and an estate significantly less than the unified lifetime credit as well as taxable income of $28,000. The medical deduction is more beneficial to the child with a high income tax bracket (28%). By gifting $60,000 annually in assets to the child (that would otherwise be liquidated by the parent to pay nursing home costs), that are then liquidated by the child to help pay nursing home costs and provide over half of the support for the parent, the child can benefit from the medical deduction and may be able to claim the parent as a dependent as well with tax savings of $16,800 ($60,000 x 28%) + $1,106 (personal exemption for 2014 or $3,950 X 28%) for total tax savings of $17,906 for the child. The child will have to pay capital gains on the sale of the appreciated asset. The tax savings to the child can be used to help pay college costs. Note: There is an assumption that the medical deduction exceeds the 10% AGI for the son/daughter.

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Section 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.

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