



Luke and Jen Smith

EDUCATION
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PREPARED BY:
John Davidson, CFP[®], ChFC[®]
1001 E. Hector St., Ste. 401
Conshohocken, PA 19428
(610) 684-1100

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Basics of Education Planning

Prepared for Luke and Jen Smith

Education planning is the process of creating a realistic strategy for funding the higher education costs of your children. It is important to create a plan that works along with other aspects of your comprehensive financial plan. The following is a list of items to consider when creating your education plan.

Total Amount You Want to Fund

Most people start with a goal of funding their children's entire education. However, this is not always possible given the specific situation of each family. You should choose a funding objective that is realistic and be flexible enough to change that goal as the situation warrants.

Remember that it is important to not commit too much money to education planning at the expense of under-funding other priorities like retirement planning. There are outside sources of help when funding college such as grants, scholarships, and loans. There is no such help for your retirement.

Type of Account(s) to Use

There are multiple types of accounts where you can save your money. Some offer significant tax benefits but possibly at the cost of higher expenses. Some offer lower expenses but potentially more taxes. Some accounts may be more advantageous if applying for financial aid for children.

While the most important action you can take is to actually save money, it is important to use the type of account most beneficial to you.

How Much To Save and How to Allocate

The amount you can save is of obvious importance when creating a plan but the proper allocation is often overlooked. Education often provides a shorter time frame to save as well as a very short timeframe for the actual event, unlike retirement for example. Therefore, it is important to use an allocation appropriate for shorter timeframes. While you can be aggressive with the allocation for young children, a more moderate allocation is generally warranted for teenagers since your timeframe is typically limited to 5 years or less. Do not overlook the importance of reviewing your allocation every few years, and making changes when appropriate.

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Cost of Education

Base Facts

Prepared for Luke and Jen Smith

Funding a child's education, either fully or partially, is considered a primary obligation by most parents. With education costs significantly outpacing inflation, the total cost of a college education can become burdensome if you don't start saving early.

For Sam's Education, you have defined that education begins in 2016, lasts for 4 years (through 2019), and will have an annual cost of \$23,242 in today's dollars. These costs are expected to grow at a rate of 3.52% beginning immediately.

You can expect the first year of college to actually cost \$28,605 when it begins, with a total cost of \$120,604 by the time it ends.

SUMMARY

Education Occurs
2016 - 2019

Annual Costs (Today's \$)
\$23,242

Costs Grow at
3.52%

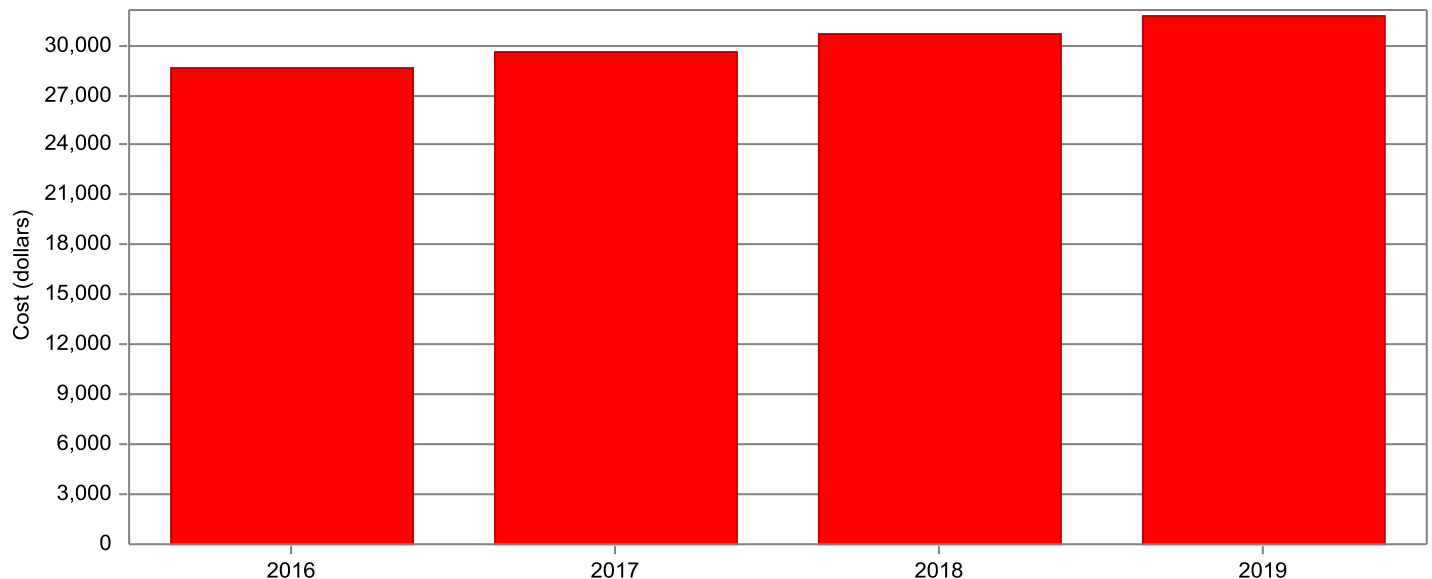
Annual Cost in 2016
\$28,605

Total 4 Year Cost
\$120,604

How Will Your Costs Grow?

The chart below illustrates the mounting costs of this education. You can expect an annual cost of \$23,242 today to grow to \$28,605 in 2016 and \$31,733 in 2019.

Projected Cost of Sam's Education



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Cost of Education

Base Facts

Prepared for Luke and Jen Smith

Funding a child's education, either fully or partially, is considered a primary obligation by most parents. With education costs significantly outpacing inflation, the total cost of a college education can become burdensome if you don't start saving early.

For Sienna's Education, you have defined that education begins in **2018**, lasts for **4 years (through 2021)**, and will have an annual cost of **\$46,580** in today's dollars. These costs are expected to grow at a rate of **6.00%** beginning **immediately**.

You can expect the first year of college to actually cost **\$74,242** when it begins, with a total cost of **\$324,782** by the time it ends.

SUMMARY

Education Occurs
2018 - 2021

Annual Costs (Today's \$)
\$46,580

Costs Grow at
6.00%

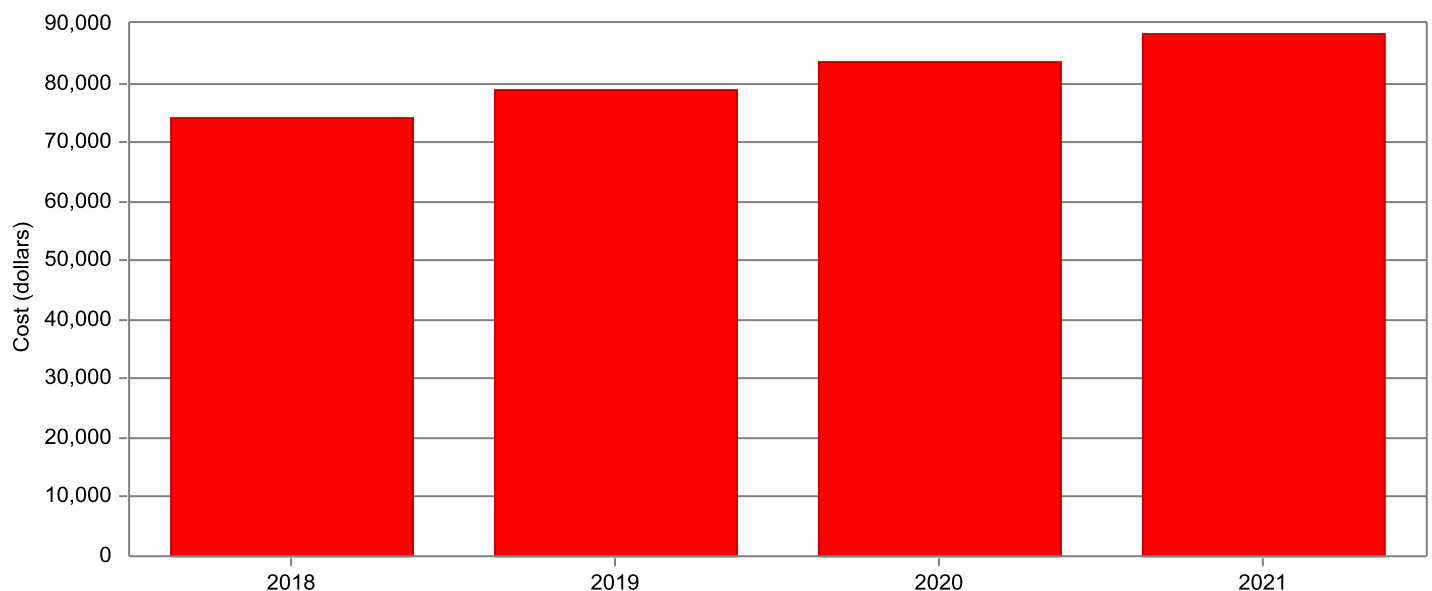
Annual Cost in 2018
\$74,242

Total 4 Year Cost
\$324,782

How Will Your Costs Grow?

The chart below illustrates the mounting costs of this education. You can expect an annual cost of **\$46,580** today to grow to **\$74,242** in **2018** and **\$88,424** in **2021**.

Projected Cost of Sienna's Education



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Funding Your Education

Base Facts

Prepared for **Luke and Jen Smith**

This report shows where you are with respect to your education funding needs.

You currently have **\$32,618** of dedicated funds available for **Sam's Education** expense. Planned savings and assumed growth would result in a total of **\$95,524** of dedicated funds available for the education goal. These funds are used against a total **4 year** cost of **\$120,604** resulting in a **\$25,080** shortfall of dedicated assets. Non-dedicated assets are assumed to fund the remaining goal shortfall.

The projected **shortfall** from dedicated assets towards **Sam's Education** expense is **\$25,080**, or **21%** underfunded. Non-dedicated assets are assumed to fund the remaining goal shortfall.

SUMMARY

Total 4 Year Cost
\$120,604

Current Funding
\$32,618 (Dedicated)

Total Funding
\$95,524 (Dedicated)
\$25,080 (Non-Dedicated)

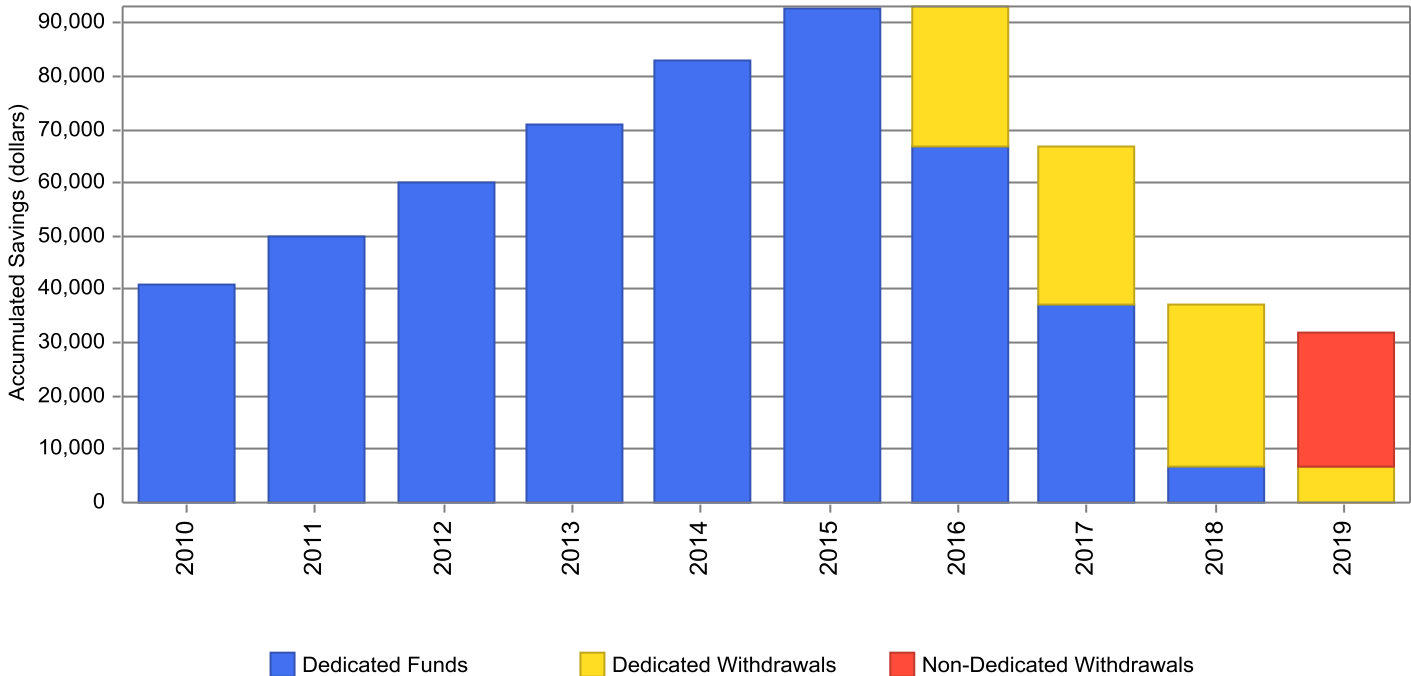
Shortfall
\$25,080 (Dedicated)
\$0 (Non-Dedicated)

Percent Funded
79% (Dedicated)
21% (Non-Dedicated)

Will There Be Enough?

The chart below illustrates your available dedicated funding for this education goal. Your dedicated assets provide a funding level of **\$95,524** towards the goal. Non-dedicated assets are used to fund the remaining **\$25,080**.

Savings and Withdrawals for Sam's Education



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Funding Your Education

Base Facts

Prepared for **Luke and Jen Smith**

This report shows where you are with respect to your education funding needs.

You currently have **\$53,447** of dedicated funds available for **Sienna's Education** expense. Planned savings and assumed growth would result in a total of **\$138,945** of dedicated funds available for the education goal. These funds are used against a total **4 year** cost of **\$324,782** resulting in a **\$185,837** shortfall of dedicated assets. Non-dedicated assets are assumed to fund the remaining goal shortfall.

The projected **shortfall** from dedicated assets towards **Sienna's Education** expense is **\$185,837**, or **57%** underfunded. Non-dedicated assets are assumed to fund the remaining goal shortfall.

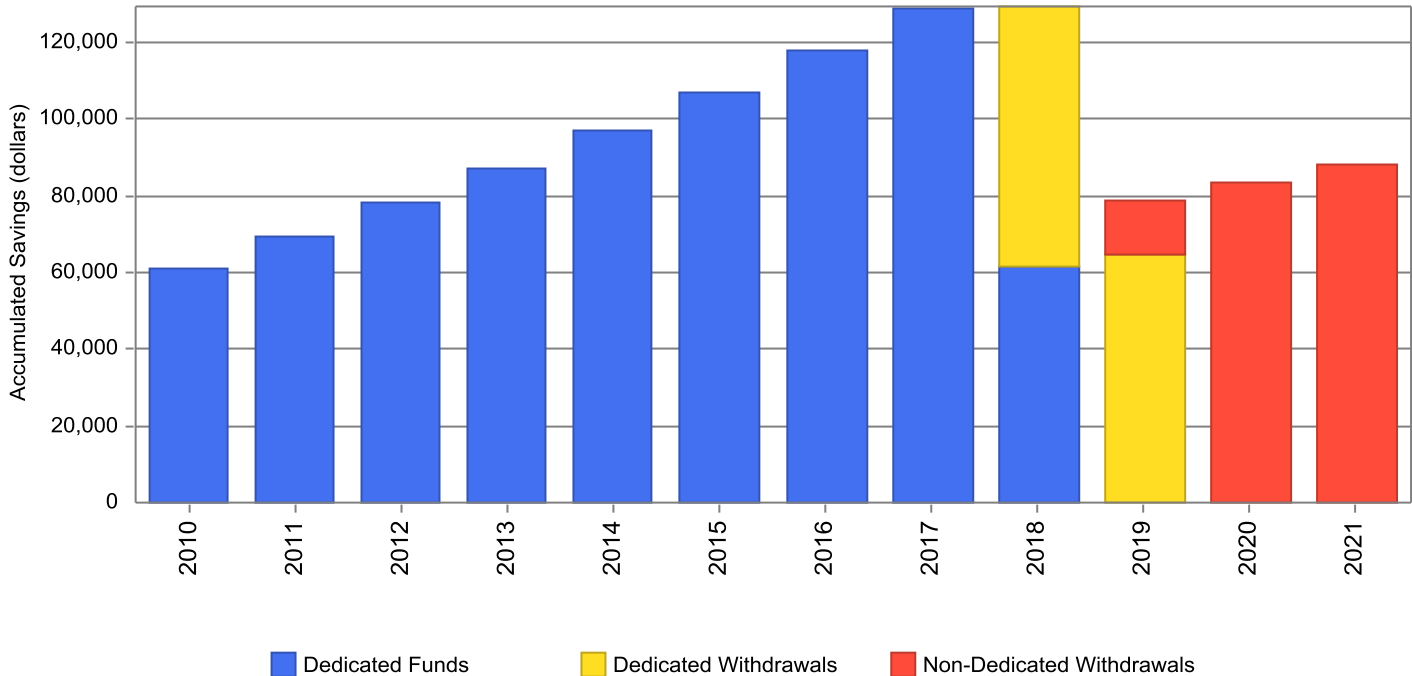
SUMMARY

| | |
|--------------------------|--|
| Total 4 Year Cost | \$324,782 |
| Current Funding | \$53,447 (Dedicated) |
| Total Funding | \$138,945 (Dedicated) \$185,837 (Non-Dedicated) |
| Shortfall | \$185,837 (Dedicated) \$0 (Non-Dedicated) |
| Percent Funded | 43% (Dedicated) 57% (Non-Dedicated) |

Will There Be Enough?

The chart below illustrates your available dedicated funding for this education goal. Your dedicated assets provide a funding level of **\$138,945** towards the goal. Non-dedicated assets are used to fund the remaining **\$185,837**.

Savings and Withdrawals for Sienna's Education



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Options for Meeting Education Needs

Base Facts

Prepared for Luke and Jen Smith

Based upon the assumed cost, existing funds, and future savings for **Sam's Education**, your education goal is not projected to be fully funded with dedicated assets. It is important to review your educational funding needs now, and implement any necessary changes. There are several options which, by themselves or in combination with each other, may help you to achieve your education funding goal. They include:

Save More Each Month

By examining your current budget and expenditures, you may be able to make changes that allow you to increase the amount you save each month for future education costs.

To cover your funding shortfall solely from dedicated assets by saving more each month, you would need to save an additional **\$195 per month** (or **\$2,335 per year**) through **2018**. This solution assumes that these new funds will grow at a rate of **3.52%**.

SUMMARY

Increase Savings by
\$195 (monthly)
\$2,335 (annually)
Total Cost of Education
\$120,604
Total Funding
\$120,604
Percent Funded
100%

Set Aside More Now

One option for making up the shortfall is to set aside an additional lump sum today.

To make up your funding shortfall solely from dedicated assets by increasing the lump sum available today, you would need to put aside **\$18,369** in addition to the **\$32,618** currently available, for a total of **\$50,987**. This solution assumes that these new funds will grow at a rate of **3.52%**.

SUMMARY

Increase Funds by
\$18,369 to a total
of **\$50,987**
Total Cost of Education
\$120,604
Total Funding
\$120,604
Percent Funded
100%

Reduce Costs

You may consider reducing the actual cost of the goal. The student might qualify for scholarships, or could attend a less expensive educational institution. In-state schools typically have lower tuition than comparable out-of-state schools.

To fully fund the goal solely from dedicated assets by reducing the expense, the annual cost would need to be reduced by **\$4,832** to **\$18,410** per year. This solution assumes that your education cost will grow at a rate of **3.52%** each year.

SUMMARY

Reduce Annual Cost by
\$4,832 to a total
of **\$18,410**
New Cost of Education
\$95,522
Total Funding
\$95,522
Percent Funded
100%

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Options for Meeting Education Needs

Base Facts

Prepared for Luke and Jen Smith

Based upon the assumed cost, existing funds, and future savings for **Sienna's Education**, your education goal is not projected to be fully funded with dedicated assets. It is important to review your educational funding needs now, and implement any necessary changes. There are several options which, by themselves or in combination with each other, may help you to achieve your education funding goal. They include:

Save More Each Month

By examining your current budget and expenditures, you may be able to make changes that allow you to increase the amount you save each month for future education costs.

To cover your funding shortfall solely from dedicated assets by saving more each month, you would need to save an additional **\$1,161 per month** (or **\$13,935 per year**) through **2020**. This solution assumes that these new funds will grow at a rate of **3.52%**.

SUMMARY

Increase Savings by
\$1,161 (monthly)
\$13,935 (annually)
Total Cost of Education
\$324,782
Total Funding
\$324,782
Percent Funded
100%

Set Aside More Now

One option for making up the shortfall is to set aside an additional lump sum today.

To make up your funding shortfall solely from dedicated assets by increasing the lump sum available today, you would need to put aside **\$129,710** in addition to the **\$53,447** currently available, for a total of **\$183,157**. This solution assumes that these new funds will grow at a rate of **3.52%**.

SUMMARY

Increase Funds by
\$129,710 to a total
of **\$183,157**
Total Cost of Education
\$324,782
Total Funding
\$324,782
Percent Funded
100%

Reduce Costs

You may consider reducing the actual cost of the goal. The student might qualify for scholarships, or could attend a less expensive educational institution. In-state schools typically have lower tuition than comparable out-of-state schools.

To fully fund the goal solely from dedicated assets by reducing the expense, the annual cost would need to be reduced by **\$25,513** to **\$21,067** per year. This solution assumes that your education cost will grow at a rate of **6.00%** each year.

SUMMARY

Reduce Annual Cost by
\$25,513 to a total
of **\$21,067**
New Cost of Education
\$146,893
Total Funding
\$146,893
Percent Funded
100%

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Education - Funding & Spending Details

Base Facts

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For each year through the end of your goal, the table below displays the savings to and the withdrawals from the funds you dedicated to this goal, the amount spent on the goal, and the balance of funds at the end of each year.

Sam's Education

| Year | Age | Dedicated Assets (BOY) | Growth, Savings & Other Expenses | Dedicated Withdrawals for Expense | Dedicated Assets (EOY) | Non-Dedicated Withdrawals |
|------|-------|------------------------|----------------------------------|-----------------------------------|------------------------|---------------------------|
| 2010 | 53/51 | \$32,618 | \$8,252 | \$0 | \$40,870 | \$0 |
| 2011 | 54/52 | 40,870 | 9,075 | 0 | 49,945 | 0 |
| 2012 | 55/53 | 49,945 | 9,980 | 0 | 59,925 | 0 |
| 2013 | 56/54 | 59,925 | 10,975 | 0 | 70,900 | 0 |
| 2014 | 57/55 | 70,900 | 12,069 | 0 | 82,969 | 0 |
| 2015 | 58/56 | 82,969 | 13,272 | 0 | 96,241 | 0 |
| 2016 | 59/57 | 96,241 | 9,595 | 28,605 | 77,231 | 0 |
| 2017 | 60/58 | 77,231 | 7,700 | 29,612 | 55,319 | 0 |
| 2018 | 61/59 | 55,319 | 5,515 | 30,654 | 30,180 | 0 |
| 2019 | 62/60 | 30,180 | 3,009 | 6,653 | 26,536 | 25,080 |

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Education - Funding & Spending Details

Base Facts

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For each year through the end of your goal, the table below displays the savings to and the withdrawals from the funds you dedicated to this goal, the amount spent on the goal, and the balance of funds at the end of each year.

Sienna's Education

| Year | Age | Dedicated Assets (BOY) | Growth, Savings & Other Expenses | Dedicated Withdrawals for Expense | Dedicated Assets (EOY) | Non-Dedicated Withdrawals |
|------|-------|------------------------|----------------------------------|-----------------------------------|------------------------|---------------------------|
| 2010 | 53/51 | \$53,447 | \$7,822 | \$0 | \$61,269 | \$0 |
| 2011 | 54/52 | 61,269 | 8,235 | 0 | 69,504 | 0 |
| 2012 | 55/53 | 69,504 | 8,670 | 0 | 78,174 | 0 |
| 2013 | 56/54 | 78,174 | 9,128 | 0 | 87,302 | 0 |
| 2014 | 57/55 | 87,302 | 9,610 | 0 | 96,912 | 0 |
| 2015 | 58/56 | 96,912 | 10,117 | 0 | 107,029 | 0 |
| 2016 | 59/57 | 107,029 | 10,651 | 0 | 117,680 | 0 |
| 2017 | 60/58 | 117,680 | 11,214 | 0 | 128,894 | 0 |
| 2018 | 61/59 | 128,894 | 6,806 | 74,242 | 61,458 | 0 |
| 2019 | 62/60 | 61,458 | 3,245 | 64,703 | 0 | 13,994 |
| 2020 | 63/61 | 0 | 0 | 0 | 0 | 83,419 |
| 2021 | 64/62 | 0 | 0 | 0 | 0 | 88,424 |

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