

HUGHES | FINANCIAL
SERVICES, LLC



HUGHES | FINANCIAL
SERVICES, LLC



WEDNESDAY
LUNCH &
LEARN



**College
Planning
Strategies**

PRESENTER



PATRICK HUGHES, CFP®
Managing Partner
& Financial Advisor

ABOUT HUGHES FINANCIAL SERVICES



RIA

Independent
Registered
Investment
Advisor



Comprehensive
financial planning
and wealth
management



Fiduciary



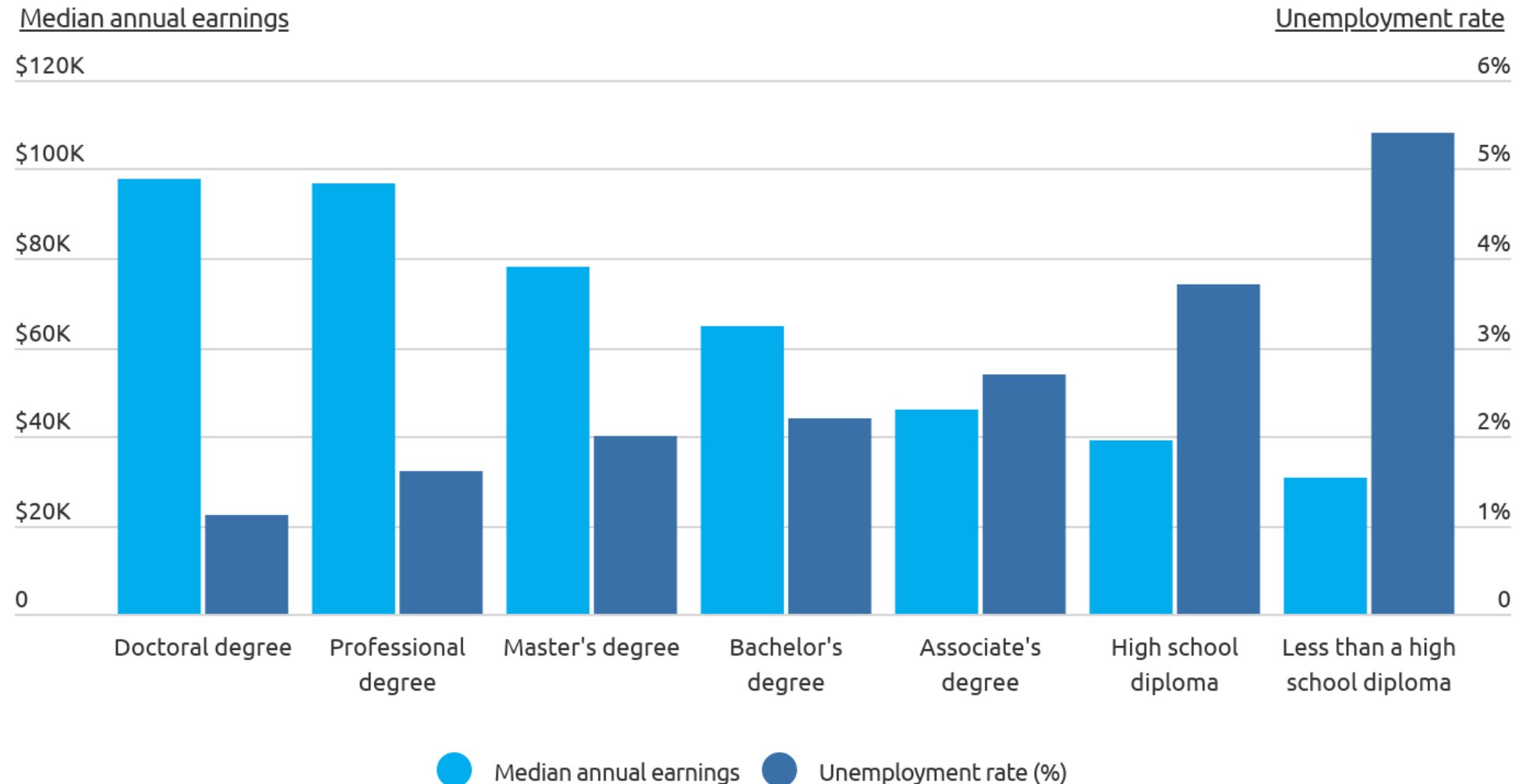
Professional
certifications
and continuing
education



Over 80 years
combined
experience

WHY COLLEGE?

Earnings & Unemployment Rates By Education Level in the U.S. (2020)



Source: Current Population Survey, U.S. Bureau of Labor Statistics; Data are for full-time wage and salary workers are 25 and over

COST OF COLLEGE HAS SKYROCKETED

Value of college degree increasing; salaries higher, job loss lower for graduates

WORKERS WITH A COLLEGE DEGREE
EARN WELL OVER \$1 MILLION MORE
THAN THEIR COUNTERPARTS WITH
ONLY A HIGH SCHOOL DIPLOMA.

*Skyrocketing tuition ramps
up student debt*

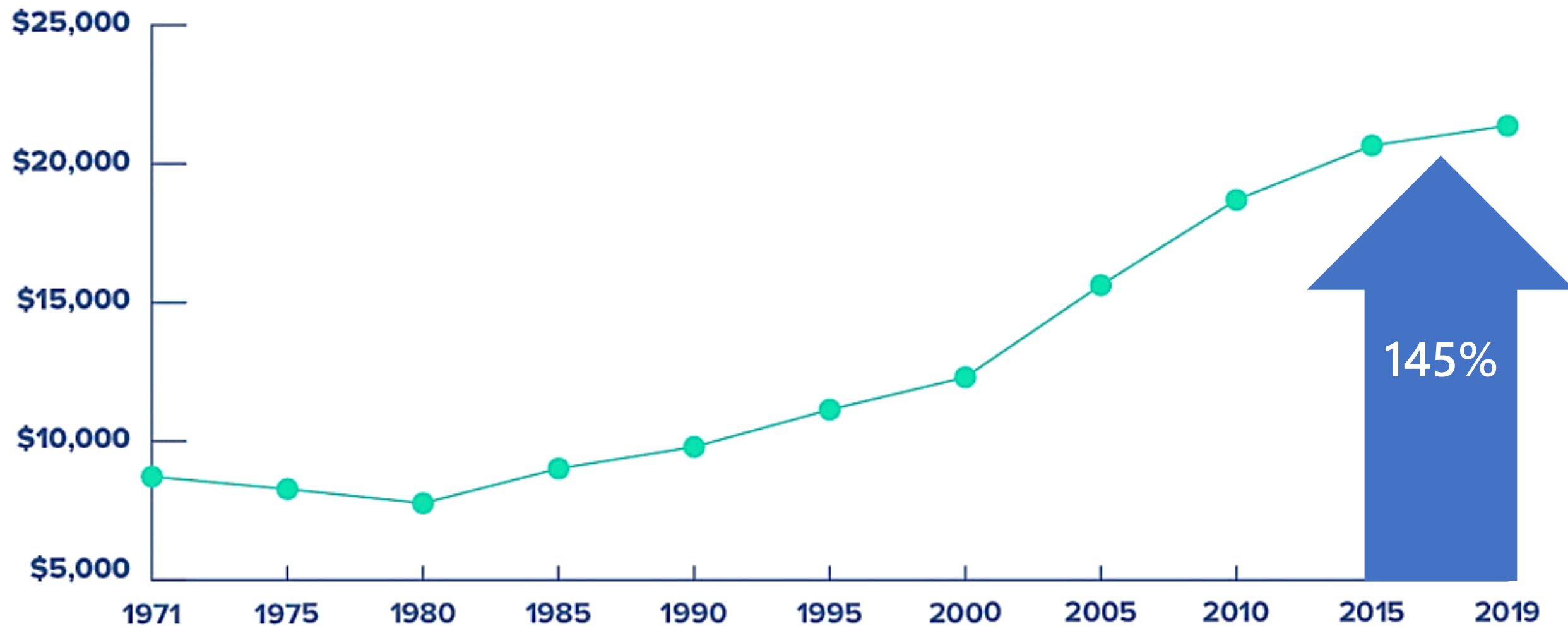
College tuition cost up 11 percent.

STUDENT LOAN DEBT THREATENS GRADUATES' FINANCIAL FUTURE

*529 plan benefits: an education
for your student, tax breaks for you*

COST OF COLLEGE HAS SKYROCKETED

Average Education Costs 1971-2019



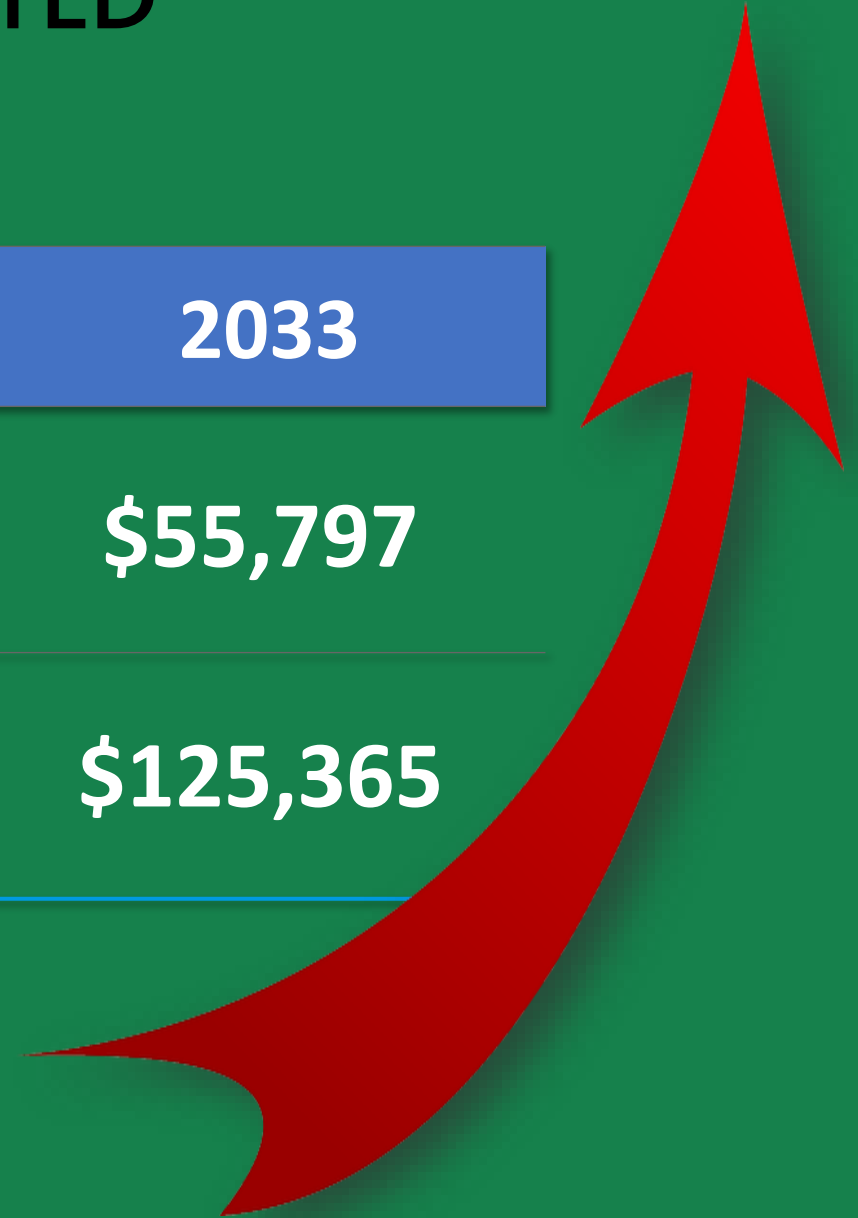
A man with a surprised expression, wearing a light blue button-down shirt and a yellow patterned tie, is sitting on a set of dark, weathered metal stairs. He is holding a large, torn piece of cardboard in front of him with both hands. The cardboard has handwritten text in black marker. In his left hand, he also holds a clear plastic container filled with US dollar bills. The scene is set outdoors, with blurred figures of people in the foreground, suggesting a busy public space.

THREE KIDS IN
COLLEGE.
(ANYTHING HELPS.)
GOD BLESS.

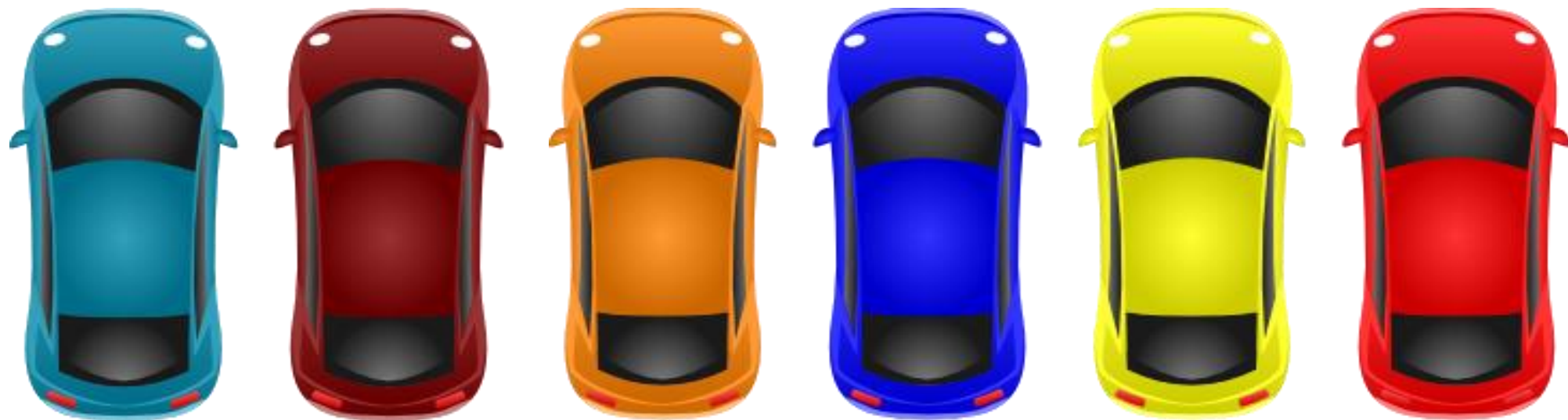
COST OF COLLEGE HAS SKYROCKETED

Average Annual Cost for U.S. Colleges

	2019-20	2033
Public University in State (includes tuition, fees, room and board)	\$21,950	\$55,797
Private University (includes tuition, fees, room and board)	\$49,879	\$125,365



Example assumes college cost inflation of 6% per year



COLLEGE COST-CUTTING STRATEGIES

What You Need to Know

Pricing Realities

What's Your Number

Financial Aid

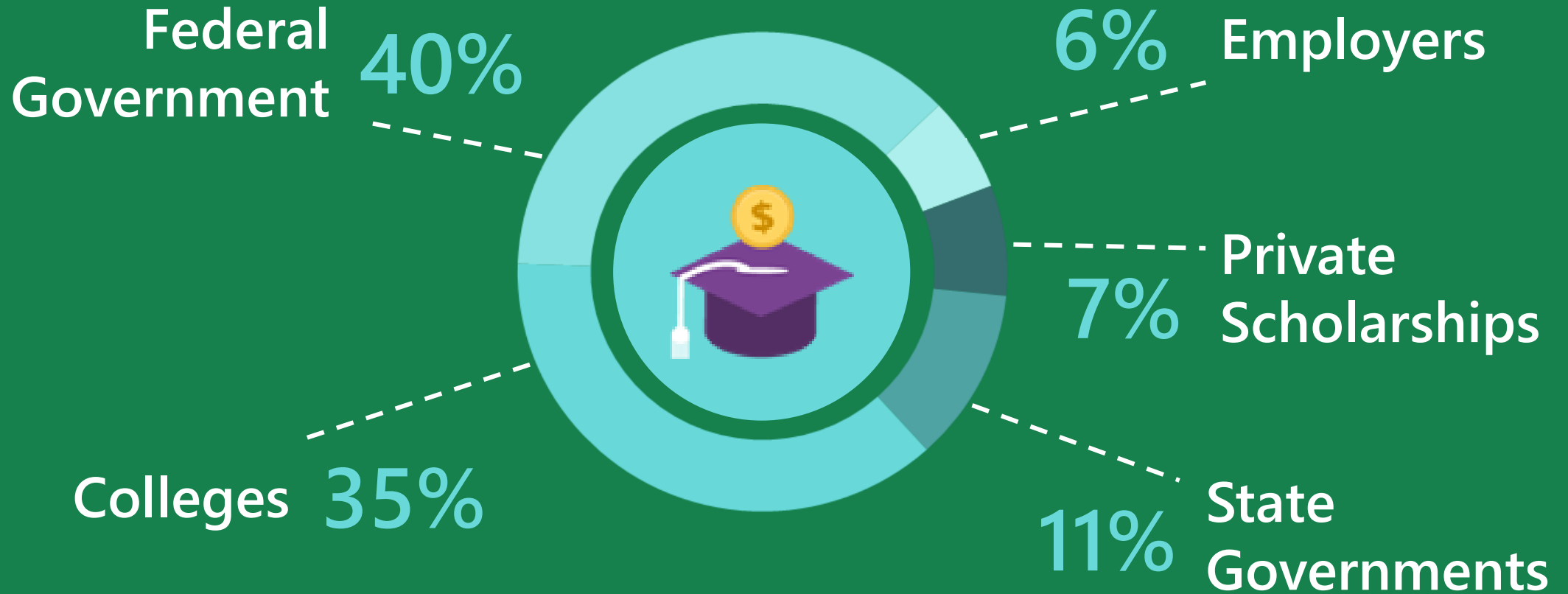
Net Price Calculators

Four-Year Grad Rates



COLLEGE COST-CUTTING STRATEGIES

Main Sources of College Aid



COLLEGE COST-CUTTING STRATEGIES

Financial Aid Resources



FAFSA

- Free application
- Must complete to qualify for federal and state aid

CSS/PROFILE

- Institutional money
- Used by almost 400 schools
- Application fee

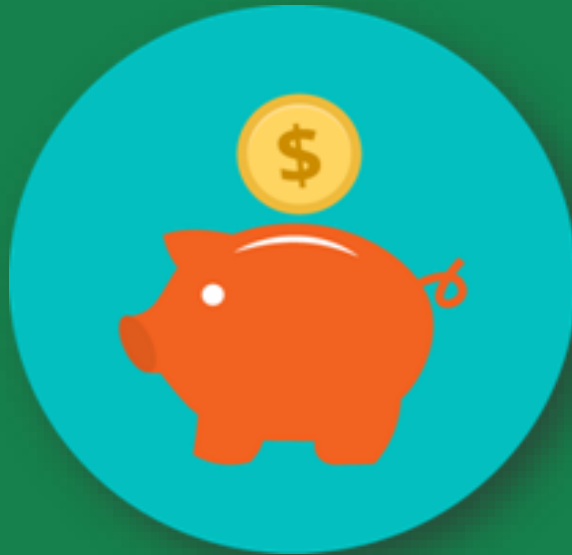


COLLEGE COST-CUTTING STRATEGIES

What All Financial Aid Formulas Look At



Taxable
Investments



Child's
Assets



College
Accounts

COLLEGE COST-CUTTING STRATEGIES

FAFSA Formula Exceptions

- Retirement accounts/annuities
- Equity of primary home
- Family-owned business with <100 FT workers
- Income of non-custodial parent in case of divorce



COLLEGE COST-CUTTING STRATEGIES

CSS/Financial Aid PROFILE Requirements

- Home equity value
- Adjusted net worth of business or farm
- Non-qualified annuities
- Life insurance cash value
- Treats divorce differently than the FAFSA

COLLEGE COST-CUTTING STRATEGIES

What's the most important number you'll need to know?

Expected Family Contribution (EFC)



The amount your family is expected to pay for one year of college

COLLEGE COST-CUTTING STRATEGIES

Student Assets

- Best to not have money in child's name; need based aid formulas treat student assets more harshly (20% - 25%)
- No student asset protection allowance provided
- Student income protection allowance varies:
 - FAFSA FORMULA: Shields \$6,660 in income
 - CSS/PROFILE FORMULA: Assumes average child contribution of \$1,850 - \$2,200
- Use student assets for: car, test prep, tutoring, camps, computer

COLLEGE COST-CUTTING STRATEGIES

Impactful Considerations



- Income from tax return
- Parents' non-retirement assets, including all 529 accounts
- Number of children in college
- Student's assets and income, including UGMA/UTMA and grandparents' donations

COLLEGE COST-CUTTING STRATEGIES

Be Strategic When Filing Financial Aid Forms



- File as early as possible
- Must report value of assets as of the day you file for financial aid
- Pay your bills – less cash assets to report – then file
- File on a day stock market is down
- Print account statements as proof of balances on the day you file for financial aid

COLLEGE COST-CUTTING STRATEGIES

Use Net Price Calculators to Discover the REAL Cost of College



- Estimate of what a family will pay for one year in college
- Every school's website legally must have one; google name of school + net price calculator

COLLEGE COST-CUTTING STRATEGIES

Use Higher Education Tax Credits

- American Opportunity Tax Credit: \$2,500 maximum for qualified education expenses for each child in college
- Note: parents filing “married filing separately” taxes can’t claim AOTC
- Lifetime Learning Credit : 20% of first \$10,000 of qualified education expenses or a maximum of \$2,000 per tax return



RESEARCH GENEROSITY OF COLLEGES

Find the Institutional Money

www.collegeboard.org



CHECK FOUR-YEAR GRAD RATES

<http://collegecompletion.chronicle.com>

↓ Download source data for all colleges

All graduation rates, 2013

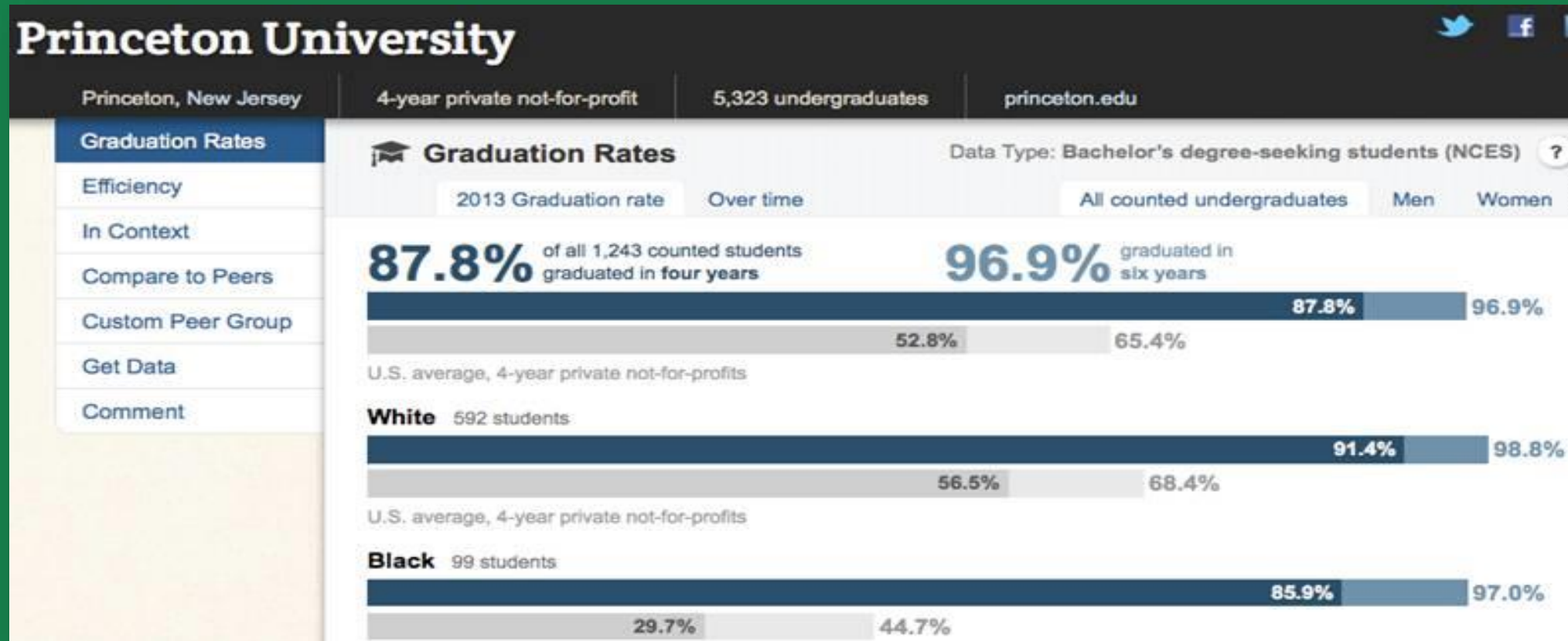
Showing 1–20 of 97 colleges

Virginia All sectors All sizes

College Location	Graduation rate (150%)	Graduation rate (100%)	Type	Undergrad enrollment	Median SAT score	Pell grant recipients	\$ spent per degree	Aid per recipient
University of Virginia Charlottesville, Virginia	93.1%	86.3%	Public 4-year	16,087	1,362	12.0%	\$108,074	\$15,508
Washington and Lee University Lexington, Virginia	90.2%	85.9%	Private 4-year	1,855	1,392	9.6%	\$188,689	\$34,128
College of William and Mary Williamsburg, Virginia	89.9%	83.1%	Public 4-year	6,271	1,358	11.7%	\$80,906	\$13,615
University of Richmond University of Richmond, Virginia	85.0%	81.5%	Private 4-year	3,215	1,313	20.1%	\$140,588	\$29,950
Virginia Tech Blacksburg, Virginia	82.6%	60.6%	Public 4-year	24,034	1,220	17.3%	\$63,119	\$8,540
James Madison University Harrisonburg, Virginia	81.5%	65.2%	Public 4-year	18,431	1,149	13.4%	\$53,415	\$6,704
Career Training Solutions Fredericksburg, Virginia	79.7%	78.9%	For-profit 2-year	280		47.0%	\$9,327	\$4,028
Sanz College at Falls Church	77.6%	31.1%	For-profit 2-year	1,373		68.6%	\$11,967	\$4,251
					1,141	15.1%	\$135,942	\$11,189

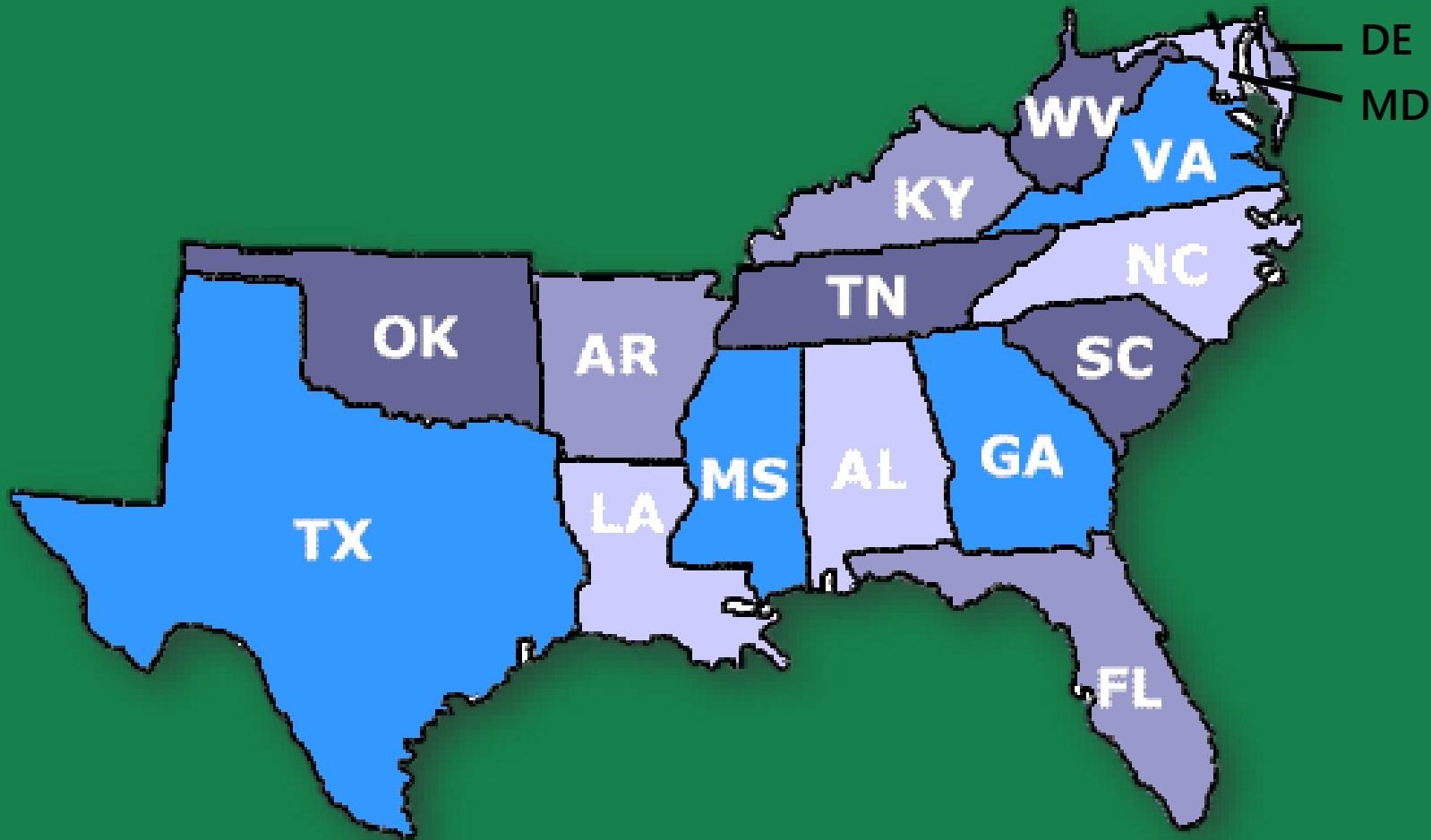
CHECK FOUR-YEAR GRAD RATES

Example: Princeton University, A High 4-Year Graduation Rate School



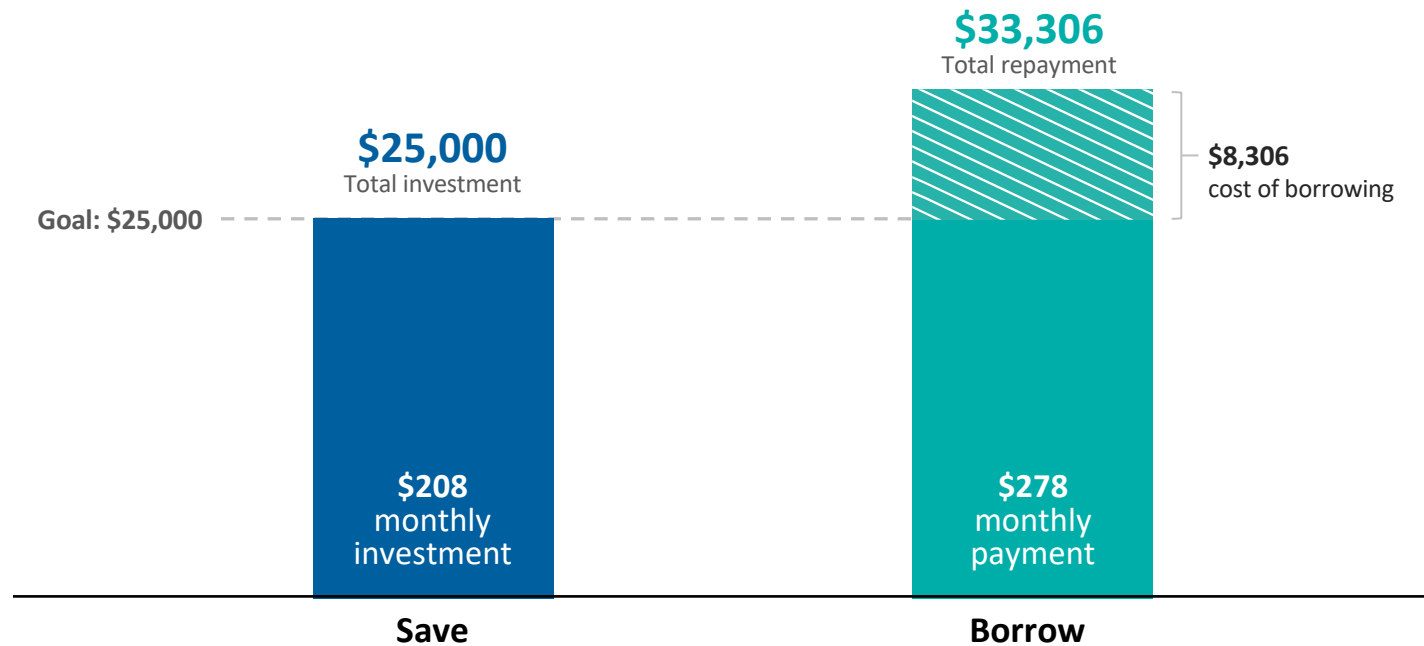
ACADEMIC COMMON MARKET

Specialty studies out-of-state at in-state rates



<http://www.sreb.org/academic-common-market>

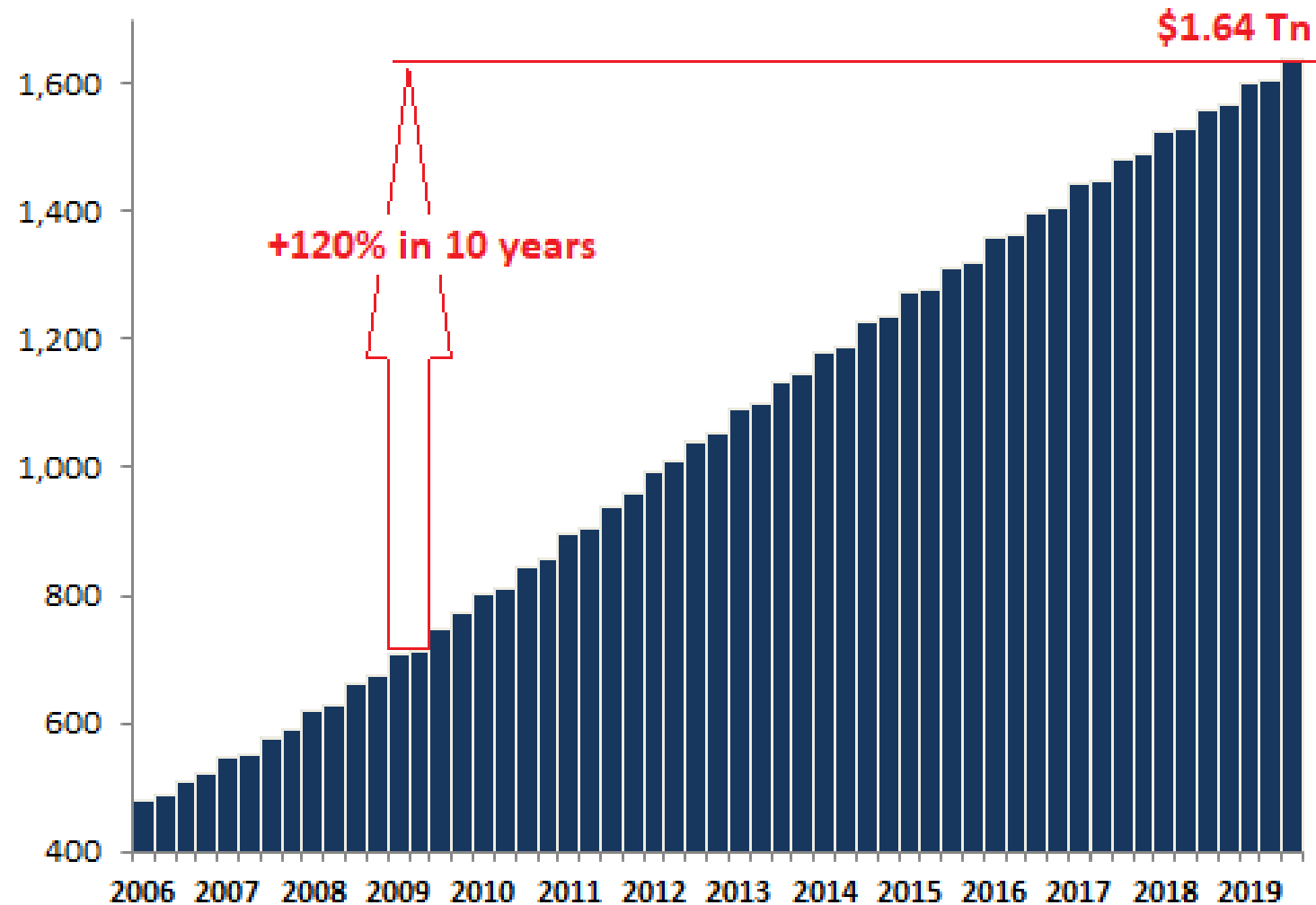
Help send someone through college without a mountain of debt



The amount of monthly investments and monthly payments assume a 10-year time frame and a 6% interest rate.

STUDENT LOANS

Not Seasonally Adjusted, in billions



Source: Fed Board of Governors

WOLFSTREET.com

529 COLLEGE SAVINGS PLANS

An Attractive Combination of Benefits



**TAX
BENEFITS**



FLEXIBILITY



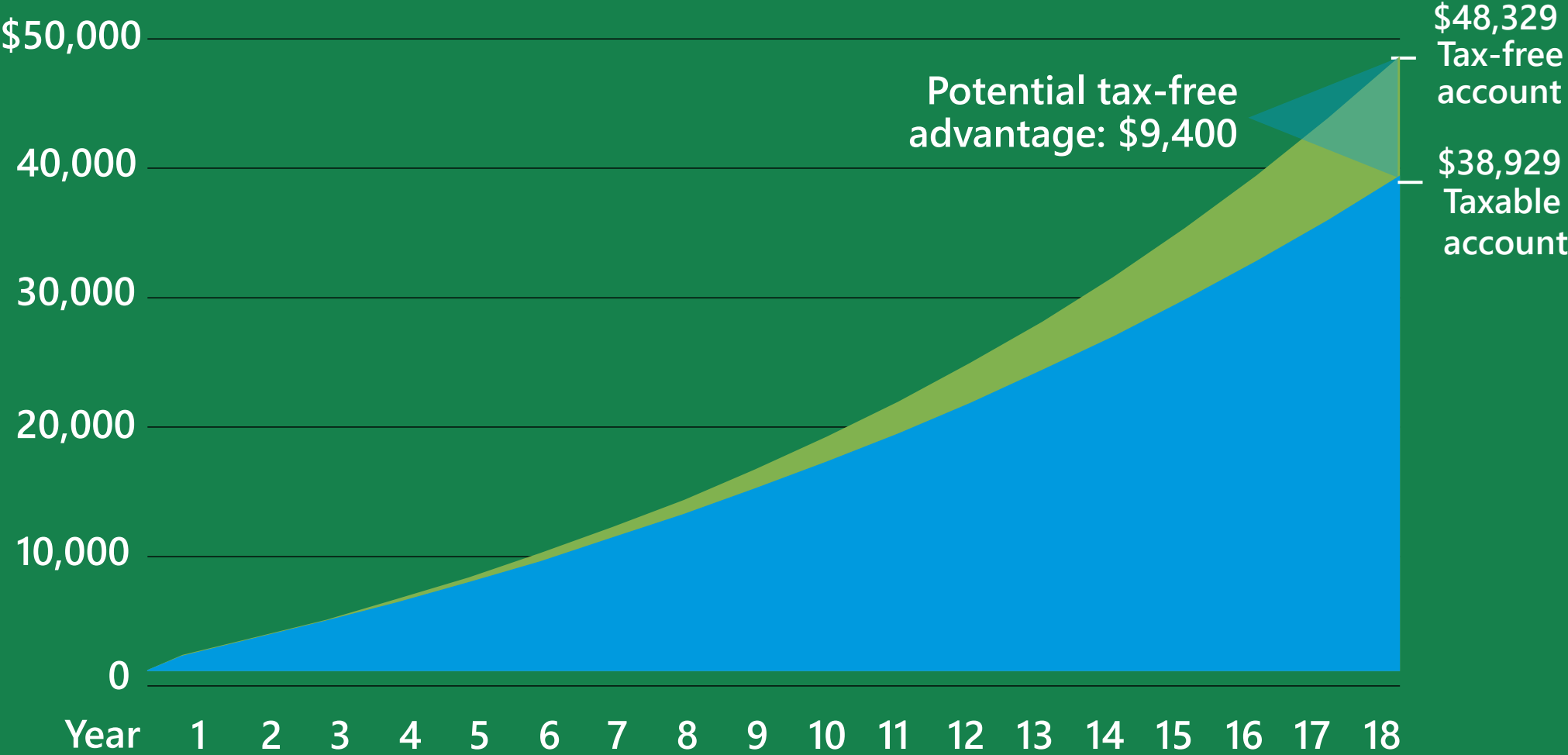
CONTROL



**ESTATE
PLANNING**

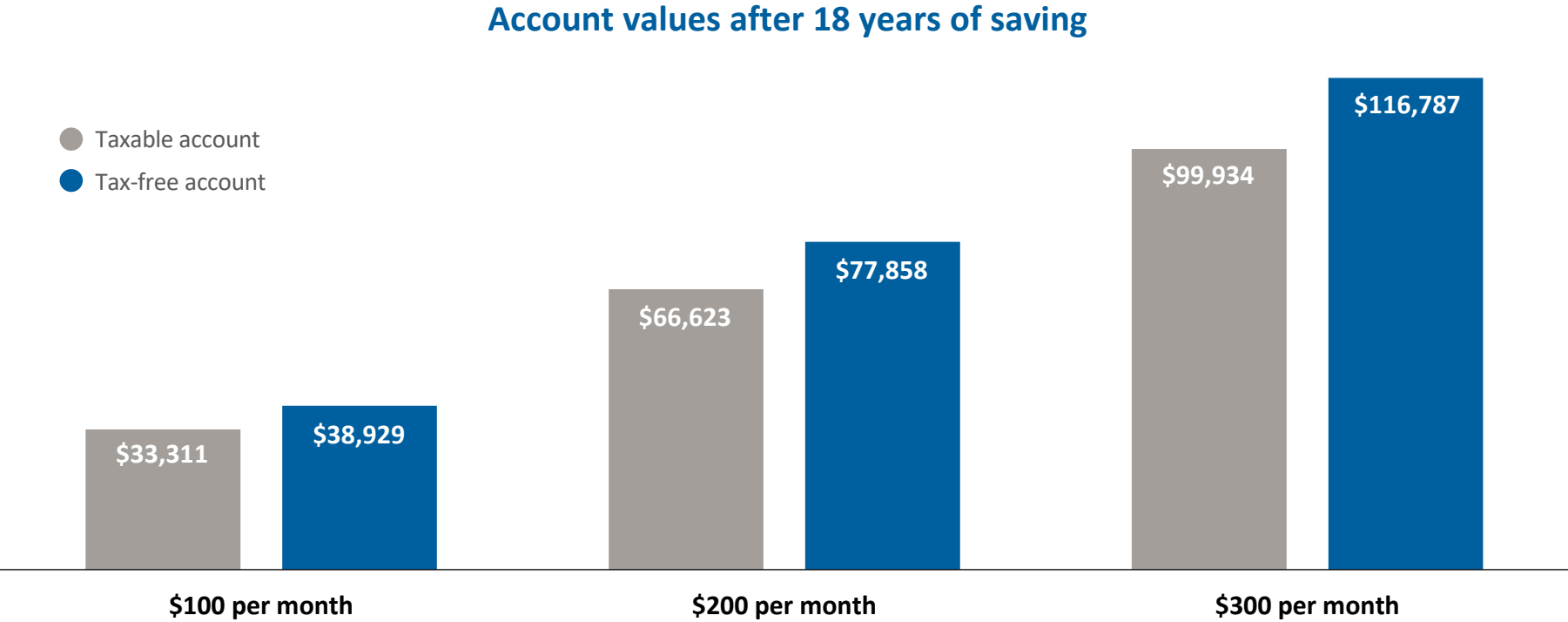
529 COLLEGE SAVINGS PLANS

The Tax-Free Advantage



529 COLLEGE SAVINGS PLANS

Tax Benefits Add Up Over Time



Assumes a 6% average annual rate of return (compounded monthly) for both investments and a 25% income tax rate. (The typical mutual fund investor falls into the 25% tax bracket.) Example assumes taxes were paid annually out of the account. Your tax rate may vary. Current minimum tax rates on capital gains and dividends could make taxable investment returns higher, thus reducing the difference between the two ending values. Results shown are hypothetical and are not intended to represent an investment in a specific fund. Your investment experience will differ. Regular investing does not ensure a profit or protect against loss. You should consider your willingness to keep investing when share prices are declining.

529 COLLEGE SAVINGS PLANS

Use a 529 account for a broad range of qualified education expenses



Tuition and related fees

Includes:

- Trade and vocational schools
- Community colleges
- Theological seminaries
- International schools
- Study-abroad programs run through U.S.-eligible schools
- Private K–12 schools*
- Apprenticeships



Room and board[†]

On and off campus



Books and supplies[†]

On and off campus

Includes:

- Textbooks
- Paper
- Pens
- Additional supplies



Computers and supplies[†]

Includes:

- Computer
- Laptop
- Printer
- Educational software
- Internet services



Student loans

Additionally, you can receive a lifetime allowance of up to \$10,000 to pay off student loan debt

If withdrawals are used for purposes other than qualified education expenses, the earnings will be subject to a 10% federal tax penalty in addition to federal and, if applicable, state income tax. States take different approaches to the income tax treatment of withdrawals. For example, withdrawals for K-12 expenses may not be exempt from state tax in certain states. Please consult your tax advisor for state-specific details.

*College savings 529 plans expanded the list of qualified expenses to include up to \$10,000 per beneficiary for enrollment at an elementary or secondary school.

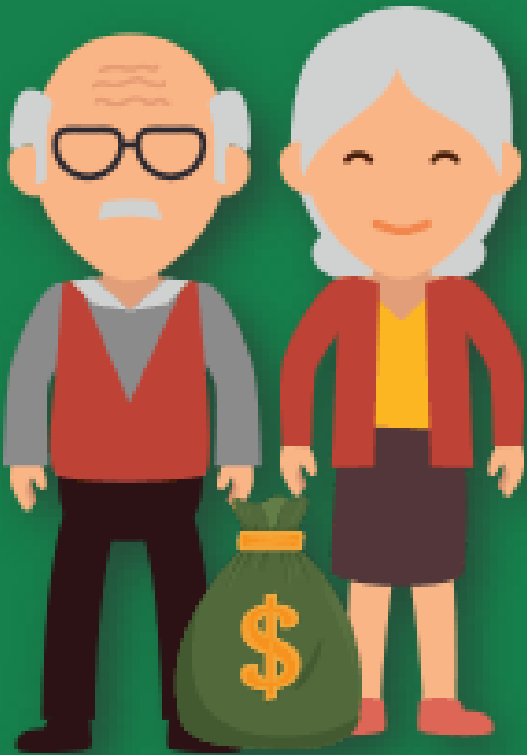
[†]Excludes expenses related to K–12.

529 COLLEGE SAVINGS PLANS

Generational Generosity: Grandparents

TO AVOID JEOPARDIZING NEED-BASED AID

- Help with college costs AFTER last financial aid form is filed in final year of college
- Can transfer 529 account ownership to parents
- Can contribute to 529 account set up by parents



529 COLLEGE SAVINGS PLANS

Make the most of generous gift contribution limits

\$15,000 a year

(\$30,000 for married couples)

Maximum contributions per beneficiary without gift-tax consequences

\$75,000 a year

(\$150,000 for married couples)

Under a special election, combine multiple years into one contribution without gift-tax consequences

Unlimited

Open as many accounts for as many beneficiaries as you'd like

IMPACT OF COVID-19

What's Changed?

- College experience: in person, hybrid, online
- CARES Act: student loan payments deferred
- CARES Act: if student withdraws due to COVID reasons, can request tuition reimbursement to return funds to 529 plan
- SECURE Act: can use \$10K from 529 plan annually
- Determine financial viability of colleges

IMPACT OF COVID-19

College's Fiscal Situations

- *Forbes* College Financial Grades: annual report on www.forbes.com
- Uses recent data from government's National Center for Education Statistics database
- Considers balance sheet strength, operational soundness, admission yield, percentage of freshmen receiving institutional grants and instruction expenses per student

Forbes' 2019 College Financial Health Grades: How Fit Is Your School?



Carter Coudriet Former Staff
Billionaires
Reporting on the world's richest movers and shakers



Matt Schiffrin Forbes Staff
Investing
I'm vice president and assistant managing editor of Money & Markets.

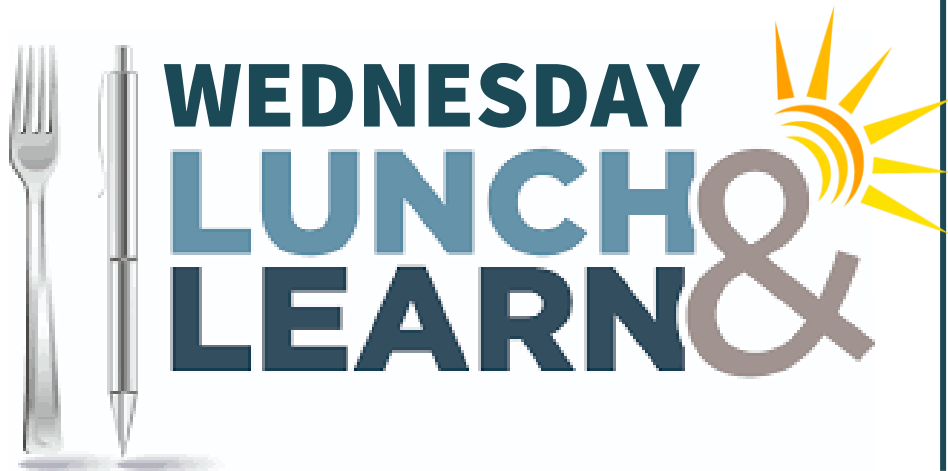


Stanford University is a rare A+ on the 2019 Forbes College Financial Grades. GETTY

The majority of the nation's institutions of higher education are in precarious financial straits, as many tuition-dependent colleges compete to fill freshman classes in order to stay open. *Forbes'* sixth report on the

Hughes Financial Services' 20-minute virtual educational Lunch & Learn webinar sessions **ARE BACK!**

Grab your device and lunch and join us **each Wednesday at Noon** to juice up your financial planning knowledge on a variety of topics!



REGISTER ONLINE AT WWW.H4FS.COM

>> Use the Events Tab and Workshops & Webinars Link

- 8/26: How to Maximize the Value of your HFS Portal, Part 2
- 9/2: Raising Financially Aware Kids & Grandkids
- 9/9: Politics & Markets: What Happens During a Presidential Election

>> PREVIOUS WEBINAR RECORDINGS AVAILABLE AT WWW.H4FS.COM

- Halftime Report: An Economic & Market Update
- Five Financial Mistakes Made in Retirement & How to Avoid Them
- Fundamentals of Investing 102: Make Your Money Work For You



If you have questions about this presentation, please contact us at:
(703) 669-3660 or clientservices@h4fs.com

Hughes Financial Services, LLC, is an independent Registered Investment Adviser (RIA) that works closely with individuals and families, helping them to accomplish their unique financial goals through the allocation of their assets. We are a fee-only firm that seeks to adhere to the highest fiduciary standards and provide clients with advice that is truly unbiased and has only our clients' best interests in mind.

We offer our clients an impressive wealth of expertise in retirement and estate planning, investment and risk management, insurance, and education planning. Our advisers hold a variety of professional designations and certifications and are well versed in a number of financial disciplines. Our combined education and experience allows us to proudly offer you independent financial advice that you can trust.

Information in this presentation is based on sources believed to be reliable; however their accuracy or completeness cannot be guaranteed. This information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. Please note that (i) any discussion of U.S. tax matters contained in this communication cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the education of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor. All examples provided are hypothetical and meant for illustrative purposes only. State income tax laws can be different from Federal income tax laws depending on your state. Be sure to take this into account before making any decisions. Individual situations will vary so please consult a tax advisor to address your specific situation.

Investing involves risk including the potential loss of principal. No investment strategy, such as asset allocation and rebalancing, can guarantee a profit or protect against loss in periods of declining values. Please note that rebalancing investments may cause investors to incur transaction costs and, when rebalancing a non-retirement account, taxable events will be created that may increase your tax liability. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 actively traded "blue chip" stocks, primarily industrials, but includes financials and other service-oriented companies. The components, which range from time to time, represent between 15% and 20% of the market value of NYSE stocks.

SOURCES: American Century Funds; US Bureau of Labor Statistics; Capital Group; Forbes.com; Federal Board of Governors; sreb.org; collegelcompletion.org; collegeboard.org

2201 Cooperative Way ■ Suite 150 ■ Herndon, VA 20171
(703) 669-3660 ■ FAX (703) 880-4905 ■ www.h4fs.com

