LIVING DEBT FREE AND TRULY WEALTHY

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HELPING FAMILIES TO TURN ALL THEIR DREAMS INTO REALITY...

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I Started a college plan and still fell short, Now What?

In an ideal world**,** parents would start socking away money for their children's college educations even before they're toilet-trained. But with college costs soaring, even the early birds can fall woefully short, when it comes time to write the checks.

Don't panic. Even if your child has already begun to apply to schools, there's still time to find the extra funds needed to pay the tab. But be warned: If you're one of those generous parents who insists on funding your kids' entire education, you might need to make a real sacrifice.

Here are some last-minute tips to help ease the pain.

Financial Aid

Not everyone is eligible for financial aid, but everyone should apply. The key, naturally, is to present your assets in the most advantageous manner. Schools expect parents to contribute up to 5.6% of their assets toward a child's tuition. So instead of leaving money in a savings or investment account, put that money to better use. Consider paying off all high-interest consumer debt, such as credit-card balances. And make sure to max out your 401(k) and IRA. As a general rule, financial-aid officers don't expect parents to cash out their retirement accounts to pay for their kid's education.

Borrowing

The quickest way to raise funds is to borrow. Just keep in mind that all loans aren't created equal. Some have higher interest rates; others have inflexible payment schedules. So make sure you find one that suits your needs.

One of the most over looked methods for a financially strapped parent is using the equity in **...Continued on top of page 2**

Interesting Facts:

Fish are the only vertebrates that outnumber birds.

A mosquito has 47 teeth.

The human body has enough fat to produce 7 bars of soap.

Hummingbirds are the only animals able to fly backwards.

It's impossible to sneeze with your eyes open.

Every time you lick a stamp, you're consuming 1/10 of a calorie.

Hawaii is moving toward Japan 4 inches every year.

Which is better: a cash incentive or 0% financing?

When auto manufacturers want to move certain models or generate more traffic in their dealerships, they'll typically offer new car purchasers a choice between a cash rebate and low-interest financing, sometimes as low as 0%. Which is the better deal?

For some buyers, the question is moot. While cash rebates are available to anyone, 0% financing is usually available only to those who have excellent credit and reach a certain income level. Further, special financing is often limited to loans with terms of 36 months or less. Shorter-term loans mean higher monthly payments, which may not fit into some buyers' budgets. In these cases, the cash rebate may be the only viable option.

If you do have a choice, though, the better deal depends on many factors, including the price of the car, the size of the rebate, the interest rates available for financing, and how much you're putting down.

For example, say the car you want has a price tag of $20,000, and you're putting

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What does FICA mean and why are Social Security taxes called FICA contributions?

Social Security payroll taxes are collected under the authority of the Federal Insurance Contributions Act (FICA).

In the original 1935 law, the benefit provisions were provided under Title II of the Social Security Act (which is why we sometimes call Social Security the "Title II" program). The taxing provisions were under a separate title, Title VIII. There is a valid reason for this, which pertains to the constitutionality of the law. As part of the 1939 Amendments, the Title VIII taxing provisions were taken out of the Social Security Act and placed under the Internal Revenue Code. Since it wouldn't make any sense to call this new section of the Internal Revenue Code "Title VIII," it was renamed the "Federal Insurance Contributions Act." The payroll taxes collected for Social Security are of course taxes, but they can also be described as contributions to the social insurance system that is Social Security. Hence, the name "Federal Insurance Contributions Act." So, FICA is nothing more than the tax provisions of the Social Security Act, as they appear in the Internal Revenue Code.

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their homes. A home-equity loan or line of credit not only offers a low interest rate these days, but also a tax deduction for the interest payments on the first $100,000.

As a second choice, parents borrow from the government-sponsored Plus Loan program. Under this program, parents can borrow up to the full amount of their child's tuition, at rates that are lower than traditional consumer loans. You might also be able to deduct a small portion (up to $2,500) of your interest payments, provided your income doesn't exceed the phase-out level of between $50,000 and $65,000 for single filers and $100,000 and $130,000 for married couples filing jointly. (For 2005, the joint filer phase-out range is $105,000 - $135,000.) There's one drawback: You'll need to start making interest and principal payments right away on your loan.

As a last resort, parents can dip into their retirement savings. Many companies allow employees to take out loans against their 401(k)s for education purposes. Under such programs, you generally have five years to repay the money, plus interest. If, however, you leave your job for any reason, you'll have 30 days to pay off the remaining balance of the loan or face paying income taxes and a 10% penalty on the entire amount borrowed.

With all this being said the best thing to do is start planning NOW! As parents we don't plan to fail, we just fail to plan!

"Keeping score of old scores and scars, getting even and one-upping, always make you less than you are." *~Malcom Forbes*

Which is better: a cash incentive or 0% financing?

$1,500 down. Your choice is 0% financing for 36 months or a $2,500 cash rebate. You can get 36-month financing at your bank at 4.5%. With 0% financing, your total payments would be $18,500. With the rebate, your total payments would be approximately $17,134. In this case, you'd save $1,366 by choosing the rebate.

Before you go to the dealer, find out if any of the cars you're looking at qualify for rebates or special financing. Unscrupulous dealers may not disclose incentives to you. And always negotiate the car price separately, before considering the rebate or financing--or any trade in for that matter--as the dealer may bump up the car price to compensate for them.

For more information please contact our office today!

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