Education Funding

Prepared for:

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(Main Scenario)

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Education Goals

FYI

A key to your child's future is a post-secondary education.

Two important questions relating to education are: 1) How much is it going to cost? 2) How are you going to pay for it?

In 2017, college costs (tuition, room and board) at a public institution averaged $20,770. At private institutions, the average was $46,950. It is likely that these costs will more than double over the next ten years.

Source: The College Board, "Trends in College Pricing," 2017.

Is it worth it?

Men with college degrees earned 72% more, and women 64% more, in hourly compensation than those with a high school diploma.

Source: Usual Weekly Earnings of Wage and Salary Workers (Quarterly), BLS Oct. 2017

Historically, education costs have outpaced inflation. General inflation averaged 1.62% from 2008 to 2017. Education inflation averaged 4.89% during this same period.

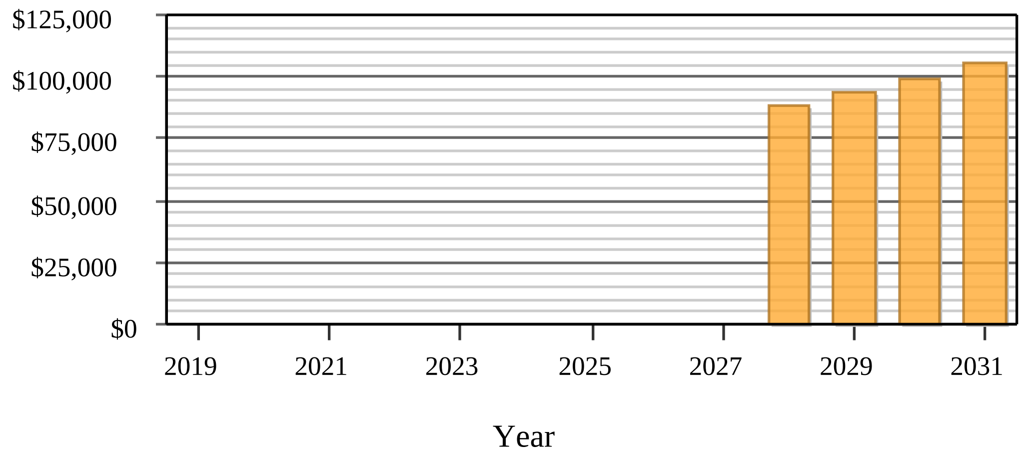
Source: Education Inflation: The College Board "Trends in College Pricing," 2017. General inflation: U.S. Department of Labor, Bureau of Labor Statistics, Washington D.C., 2017.

Student/Goal Name	Current Age	Start Age	Years of Need	Annual Cost (today's dollars)	School Name	Percent to Fund	Total Cost (future dollars)
u	9	18	4	$52,283	U. of Southern California	100%	$386,414

Total education cost (future dollars) **$386,414**

Future Education Funding Needs

This chart shows the estimated total amounts required per year to fund your education goal.



- An assumed education inflation rate of 6.00% is used to project goals.

Current Funding

FYI

An education funding program should be:

- Affordable
- Flexible
- A suitable risk
- Tax favorable

In addition, money should be available for education even if you die or become disabled.

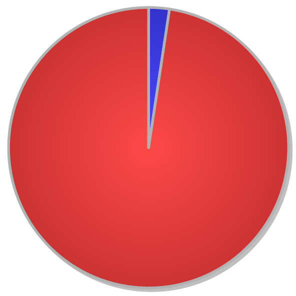
To reach your goals, your money needs to grow. For money to grow, you need:

- Resources
- Time
- Earnings

Many special programs and strategies are available to help with education funding. Eligibility for these programs is based on several factors which you should review before implementing a program or strategy.

- "529" Plan
- Coverdell Education Saving Accounts
- Hope Credit
- American Opportunity Tax
- Lifetime Learning Credit
- Student Loan Interest Deduction
- Financial Aid
- Custodial Accounts
- Trust Accounts

Currently, your plan is estimated to fund about 2.39% of your education goal.



Current Resources:	2.39%
Shortfall:	97.61%

Current Resources	Current Value	Contribution Amount	Begin Year	End Year
Savings	$5,000	$0	2019	2026
Total current value	**$5,000**			

Additional Funding Needed

Additional amount needed to fully fund your education goal(s)*

Monthly for the next 144 months	$2,029
- OR -	
Yearly for the next 12 years	$24,349
- OR -	
Lump sum today	$204,132

* The suggested amount is in addition to the projected funding identified above. The suggested monthly amount of $2,029 assumes annual compounding. If monthly compounding were assumed, $1,993 would need to be saved monthly.

Proposed Funding

Additional monthly contributions (During the next 144 months or 12 years)	$400

Assumptions	Current Program	Proposed Funding
Contributions increase each year by	See "Data and Assumptions"	0.00%
Assumed annual rate of return (before tax)	6.00%	6.00%
Assumed effective income tax rate for education assets	0.00%	0.00%

Summary

FYI

Setting financial goals is the first step to reaching them.

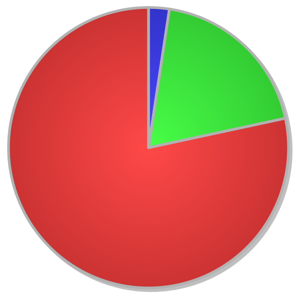
Knowing where you are in relation to your education goals can help you know how to achieve them.

To reach your education goals, you should start an accumulation plan and stick to it.

It is important to regularly review your education goals and your progress.

A periodic meeting with your financial professional will be helpful as you work together toward achieving your goals.

Additional monthly funding may provide about 19.24% of your education needs, bringing your total education funding to 21.63% of your goal.



Current Resources	2.39%
Proposed Funding	19.24%
Total Need Funded	**21.63%**
Shortfall	78.37%

Your Education Goal(s)

Student/Goal Name	School	Total Cost (future dollars)
u	U. of Southern California	$386,414

Your Current Situation

Percent of goal funded by current programs	2.39%

Your Solution

Total additional monthly funding of	$400
Number of years for funding	12
Percent of goal projected to be funded by proposed solution	21.63%

Assumptions	Current Program	Proposed Funding
Contributions increase each year by	See "Data and Assumptions"	0.00%
Assumed annual rate of return (before tax)	6.00%	6.00%
Assumed effective income tax rate for education assets	0.00%	0.00%

Education Tax Incentives

American Opportunity Tax Credit (Replaces Hope Credit for 2011-17)

For students in the first four years of college, an American Opportunity tax credit may be available. The American Opportunity tax credit may reduce your tax liability by as much as $2,500 per year allowing 100% of the first $2,000 of qualified expenses and 25% of related expenses that exceed $2,000 up to $4,000. This credit is phased out when adjusted gross income is above a certain amount, depending on the tax filing status (in 2017 $80,000-$90,000 if single and $160,000 - $180,000 if married filing jointly). One American Opportunity Tax Credit may be claimed per year for each student who meets all the qualifications.

To qualify, the student must be within his/her first four years of higher education and registered at least half-time at an accredited school. The credit covers qualified education expenses, which are generally limited to tuition and related expenses to include course materials.

* Consult with your tax advisor to review your particular situation.

Lifetime Learning Credit

For students beyond the first two years of college, or enrolled part-time or to improve job skills, a tax credit may be available. A Lifetime Learning Credit may reduce your tax liability by as much as $2,000 per year by allowing 20% of qualified expenses incurred to be claimed as a credit. The credit is non-refundable: it cannot reduce your tax liability below zero. The tax credit is phased out when adjusted gross income is between certain amounts, depending on tax filing status (currently $55,000 - $65,000 if single and $111,000 - $131,000 if married filing jointly in 2018). One tax payer may claim a Lifetime Learning Credit for multiple students in the same year, up to the credit limit, as only one credit can be claimed per year. The credit covers only qualified education expenses, which are generally limited to tuition and fees required for enrollment.

* Consult with your tax advisor to review your particular situation.

Student Loan Interest Deduction

Individuals with qualified education loans used to pay higher education expenses for the taxpayer, a spouse, or a dependent may claim an 'above-the-line' deduction for interest paid during the first 60 months in which interest payments are required. Up to $2,500 of interest may be deducted, 2nd the deduction is phased out when adjusted gross income is between certain amounts, depending on tax filing status ($65,000 - $80,000 if single and $130,000 - $160,000 if married filing jointly in 2018).

* Consult with your tax advisor to review your particular situation.

Coordination of Benefits

Federal tax rules allow tax benefits to be coordinated with withdrawals from tax-deferred accounts for the funding of qualified education expenses. Each year qualified education expenses occur, a taxpayer may claim one tax credit (American Opportunity or Lifetime) or deduction per student. After a credit or deduction is claimed, no other credit or deduction will be available for the student. If a taxpayer claims multiple students as dependents on his or her tax form, the taxpayer may claim a combination of credits and deductions, one for each student. The remaining balance of qualified expenses may be funded through withdrawals from tax-deferred accounts.

For example, assume a taxpayer claims one student as a dependent, and that student has $8,000 of qualified education expenses in a calendar year. Because the student is eligible for the American Opportunity Tax Credit, the taxpayer uses the first $4,000 of those expenses to qualify for the full $2,500 American Opportunity Tax Credit. The taxpayer funds the remaining $4,000 by making penalty-free withdrawals from tax-deferred or tax-exempt accounts such as Coverdell Education Savings Accounts or IRAs. In another situation, assume that a taxpayer claims two students as dependents. The first student qualifies for either the American Opportunity Credit or the Lifetime Learning Credit. The second student qualifies only for the Lifetime Learning Credit. The taxpayer elects to claim the full $2,500 American Opportunity Credit for the first student (using $4,000 of qualified education expenses to claim this). Additionally, the taxpayer claims up to $10,000 of qualified expenses for the second student via the Lifetime Learning Credit. The taxpayer then funds the remaining balance of each student's expenses by making penalty-free withdrawals from tax-deferred or tax-exempt accounts.

Note that expenses paid with funds withdrawn from a tax-deferred account may not be claimed for tax credits or as deductions.

Tax benefits and education funding accounts have different definitions of what constitutes "qualified education expenses". Always check the specific rules for each benefit and resource in conjunction with each education expense, and review your particular situation with a tax specialist, such as a CPA.

Data and Assumptions

Personal Information

Marital status		Married
First name	**Tommy**	**Tammy**
Last name	Trojan	Trojan
Birth date	01/01/1960	01/01/1960
Gender	Male	Female

Education Goals

Student/Goal Name	Start Age	Years of Need	Annual Cost	School Name	Percent To Fund
u	18	4	$52,283	U. of Southern California	100%

Current Resources

Description	Current Value	Annual Contribution	Contributions Begin	Contributions End	Contribution Increase Rate
Savings	$5,000	$0	2019	2026	0.00%

General Assumptions

Annual rate of return (before tax)	6.00%
Education inflation rate	6.00%
Effective income tax rate (state and federal) for education assets	0.00%
Fund **To** the beginning of your first goal or **Through** the end of your last goal	Through
Tax treatment of education assets	tax-free

Proposed Additional Funding

Additional monthly funding	$400
Number of months for additional funding	144
Additional funding annual rate of return (before tax)	6.00%
Rate additional funding increases annually	0.00%

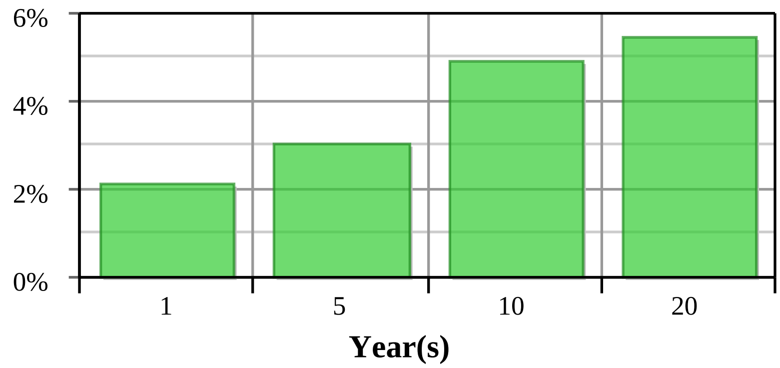
Education Inflation

For the past two decades, costs associated with an education (tuition, room and board, etc.) have increased significantly faster than the overall rate of inflation. To better understand the impact of education inflation, please review the historical information below.

The chart to the right illustrates the average historical education inflation rates for last year, the last 5 years, the last 10 years, and the last 20 years.

The average education inflation rate for the last 20 years was 5.44%. A $1,000 education expense incurred at the beginning of 1998 would cost $2,883 at the end of 2017.

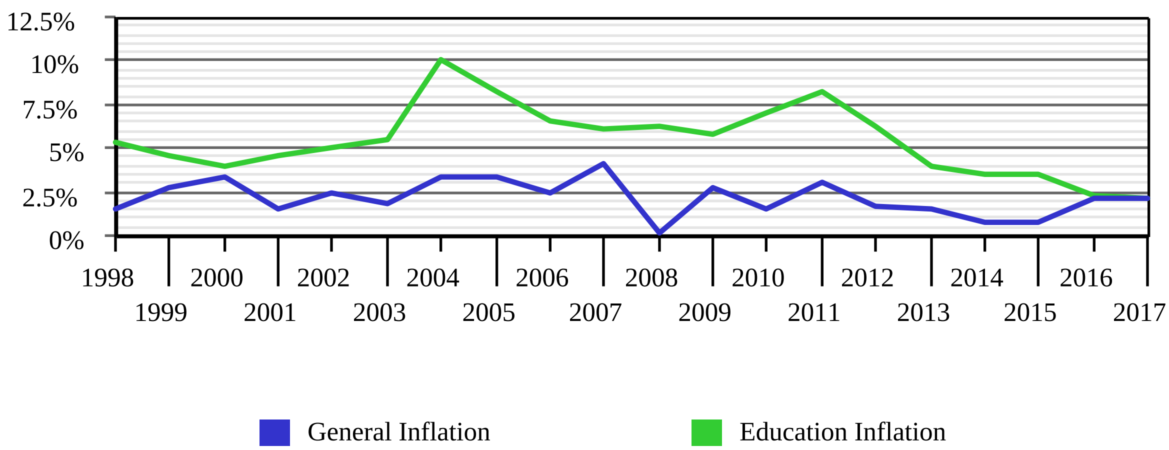
Historical Average Education Inflation Rates



Education costs have outpaced inflation over the past 20 years.

Education inflation rates have varied from year to year and will likely continue to vary in the future. For analysis purposes, you should use an average assumed education inflation rate to compensate for annual variations.

*The average education inflation rate was determined by averaging tuition costs at public and private institutions. Remember that historical rates are no guarantee of future rates.



Sources: Education Inflation: The College Board "Trends in College Pricing," 2017. General inflation: U.S. Department of Labor, Bureau of Labor Statistics, Washington D.C., 2017.

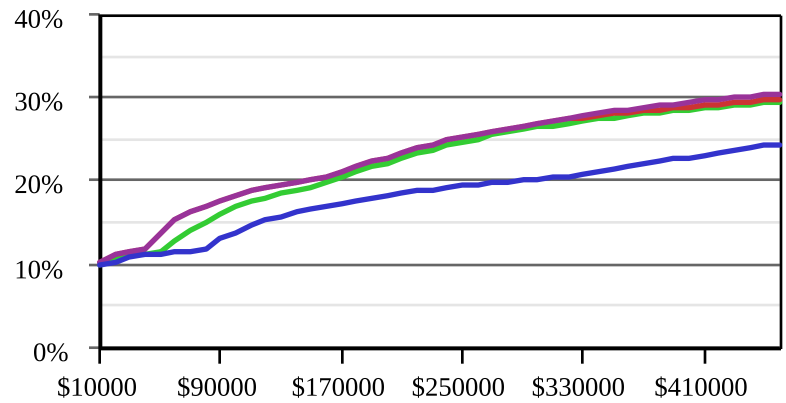
Federal Income Tax

Average tax rates are used in this analysis to estimate future taxes on income from assets and other sources. By taxing future income, the future after-tax amount available to spend can be more correctly estimated.

Federal Taxable Income

The chart to the right illustrates the average federal tax rates for Single, Married Filing Jointly, Married Filing Separately, and Head of Household filing status.

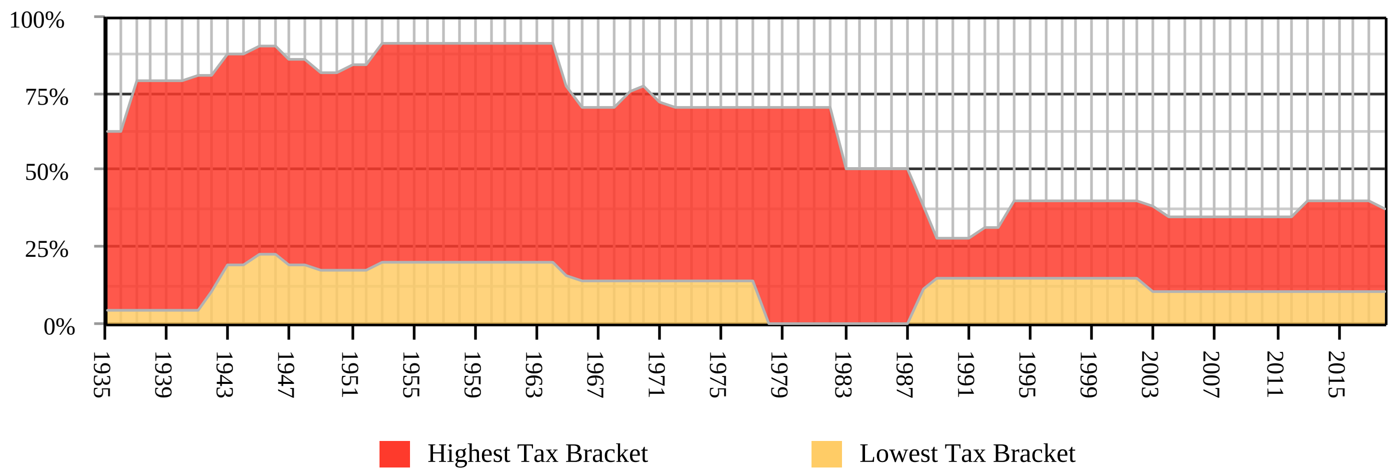
- Married Filing Jointly
- Married Filing Separately
- Single
- Head of Household



Historical Federal Income Tax Brackets

Federal tax rates have varied widely in the past. It is important to take this into consideration as you select an assumed effective income tax rate for planning purposes that may span several years. See the graph below to review past variations in the highest and lowest federal income tax brackets.

The graph below illustrates historical high and low federal income tax rates. Exemptions, deductions, and state and local taxes are not taken into account when illustrating marginal rates. Your actual tax rates may vary from those shown on the graph. Remember that historical rates are not a guarantee of future rates.



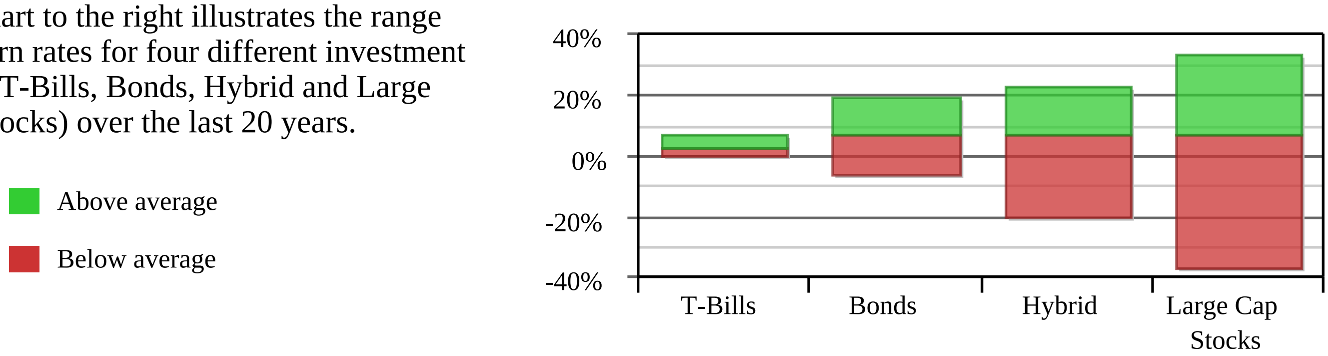
Sources: Historical Federal Tax Rates 2017. U.S. Department of Treasury, Internal Revenue Service, Statistics of Income, Individual Income Tax Returns (2017).

Risk and Return

The rates of return that are used to project your assets will have a significant impact on your planning results. Remember loss of principal is a risk with any investment and that historical return rates are not a guarantee of future performance.

The chart to the right illustrates the range of return rates for four different investment types (T-Bills, Bonds, Hybrid and Large Cap Stocks) over the last 20 years.

Actual Return Rates for Last 20 Years (1998 - 2017)



Risk of Loss of Principal

The greater the potential return on an investment, the greater the risk of loss of principal. U.S. government obligations, which are backed by the full faith and credit of the U.S. government as to the timely payment of principal and interest, are generally the safest investment because the purchaser should receive the entire principal plus interest when the bonds are bought at issue and held to maturity. Therefore, U.S. government obligations are a benchmark for investment risk. Examples of U.S. government obligations are: Treasury Notes, T-bonds, T-bills, and U.S. Savings Bonds. While U.S. government obligations offer credit safety, higher returns have historically been realized from other investments, including corporate bonds and equities, which also have been more volatile than U.S. government obligations. The above information illustrates this point. Keep in mind, past performance is not a guarantee of future results.

Historical Returns: Unpredictability of Future Performance

Risk of loss of principal must be considered along with other risks such as: inflationary risk (loss of purchasing power due to an investment's return being lower than the rate of inflation), timing risk (selling at the wrong time), market risk (price fluctuations due to price volatility in overall market), credit risk (risk of default of bond issue), liquidity risk (inability to liquidate or readily sell a security), etc. An investor should evaluate the level of risk of each investment and his/her level of comfort with such risks.

Definitions and Sources

Treasury Bills: performance data is based on the average yield of a one year T-Bill as published in the Federal Reserve Bulletin, years 1961-1981, and in Frontier Analytics' FactMaster, CITI 1 yr. Treasury Benchmark, 1982-2017.
Long-Term Corporate Bonds: performance is calculated from the yield and price index from bonds with maturities of ten years or more as published in the Federal Reserve Bulletin, years 1961-1981, and in Frontier Analytics' FactMaster, CITI Corp 10+ yr., 1982-2017.
Hybrid is composed of 50 percent Long-Term Corporate Bond and 50 percent Large Company Stock.
Large Company Stocks: performance is calculated based on the S&P 500 Stock Index and yield as published in the Federal Reserve Bulletin, years 1961-1981, and in Frontier Analytics' FactMaster, S&P 500 Composite, 1982-2017. The S&P 500 is an unmanaged index generally considered representative of the large-cap U.S. stock market.

The example illustrated is hypothetical and does not represent a specific investment. An investment cannot be made directly into an index. The performance of any index is not indicative of the performance of a particular investment and does not take into account the effects of inflation, taxes or the fees and expenses associated with investing. This example reflects reinvestment of all dividends and income. Actual investor results will vary.

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Notes