

CERTIFIED MORTGAGE PLANNER®



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Strategic College Planning

Learn
to Thrive

Most parents today feel it is their responsibility to pay for their children's education. This is an enormous burden. How big? The College Board says that in 2006-2007, the yearly price for tuition, room and board at a four-year private school was \$22,218 (up 5.9 percent from last year) and a four-year public school was \$5,836 (up 6.3 percent from last year). These are not the total costs of attending college. In fact, tuition and fees constitute only 67 percent of the total budget for full-time students enrolled in private four-year, private colleges and 36 percent of the budget for in-state, public, four-year institutions. The additional costs come from things like transportation, books, supplies and basic living expenses. Multiply those figures by the average 6.2 years students attending a four-year public college take to earn their degree and the total add up to more than \$100,000!

by Jim McQuaig

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“People tend to allow the urgent to crowd out the important.”

The key to keeping a six-figure financial bump from sidetracking long-term plans could be right under

your nose — or more literally — over your head. Your home equity could ease the pending burden and improve your tax situation if properly structured. That is where a Certified Mortgage Planner can help. A good one can advise you on:

- College aid... grants, loans, scholarships, work study, etc.
- Test preparation resources
- College selection tips
- FAFSA and CSS application filing
- Calculators for Expected Family Contribution and strategies to lower it via equity management
- Analysis of financial aid packages
- Completion of Stafford or Plus loan applications
- Ongoing consulting services

Case Study

How much of a difference can a Mortgage Planner make? Let's look at an example. The Greens attended a college funding workshop when Mrs. Green lost her job, putting their dreams for sending their children to school in jeopardy. They had saved \$200,000 in a mutual fund account to fund educational expenses for their daughter. This was a big head start compared to the average person who has saved less than \$10,000 for the purpose.

Their daughter wanted to attend Emory University in Atlanta — a school where the total yearly expenses will be around

\$42,500. Not a problem with the money they have saved, but they wanted to check on their options to see if they could avoid spending the entire amount in light of their new, lower income. That inquisitive streak made a six-figure difference in the Green's financial picture.

Prior to the workshop, the Greens were not aware there was an “expected family contribution” (EFC) or that they could qualify for aid of any type. The EFC is a government calculation that dictates how much a family is expected to contribute to the education costs.

The husband owned a gas station which allowed him to keep a pretty low taxable income through business deductions. That gave the couple an EFC of \$20,500. In essence, that means they can receive some form of aid (grants or low cost loans) for the amount above the EFC. Better yet, because Emory has such a large endowment (not uncommon for the prestigious private schools) they typically cover 95 percent of need above the EFC.

Additionally, this family had a significant amount of their assets positioned such that they were not able to take maximum advantage of the potential aid available. They had over \$400,000 in assets (home equity and mutual funds) and their “asset protection allowance” — the amount of assets allowed before registering a negative impact on the aid allowance formula was \$53,000. That is why it was important for them to reposition these assets. A new mortgage allowed the couple to convert a portion of their assets to an investment vehicle that was invisible to the aid formulas.

By doing this, the Greens lowered the EFC from \$20,500 to \$5,500. Let's add up the savings. The Greens had planned on paying \$42,500 a year. If we assume their daughter graduates in just four years, the total costs come to \$170,000. Thanks to the advice of a Mortgage Planner, they now have an EFC of \$5,500! As I said earlier, Emory typically covers 95 percent of need above EFC or \$35,150 of the remaining \$37,000, leaving the Greens only paying \$7,350 a year or a total over four years of \$29,400! That's less than the cost of one year with a total savings of \$140,600 over the entire college experience. ■



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One of the greatest compliments I can receive is a personal referral to one of your friends who may benefit from professional mortgage planning services.