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left to right: Brenda C. Bolander, Joe Bowie, Randy Thurman, Carol Ringrose Alexander, Chad Rudy, and Andrew Flinton

Financial Briefs

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How Much Will College Really Cost?

The average cost of a public four-year in-state college education, including room, board, and fees, can add up to approximately \$21,000 per year — and that's just in today's dollars (Source: *Trends in College Pricing 2018*). While your first thought may be to protect your child from a lifetime of student loan payments, it's equally important to consider how covering all or a portion of these costs could affect your own future. Unlike your children, you no longer have 40-plus years ahead of you to plan.

Let's assume you're 50 when your child begins attending college and you pay approximately 60% of the cost, for a total of \$12,500 per year for four years. That's \$50,000 not going toward your IRA, 401(k), or other investment options. Assuming you retire at age 65 and earn a 4% annual average return between now and your planned retirement time, you just forfeited more than \$85,000 in potential retirement funds — enough to provide you an extra \$300 each month in interest alone, assuming a continued 4% annual return during your retired years.

You might also be contemplating taking out a loan to cover college costs. Once those loans are due, you're opting to juggle both retirement investing and debt at a time when you should be saving more to-

ward retirement than ever. Keep in mind, there are far fewer options for parents when it comes to loan repayment and/or forgiveness than there are for students. And even if you're willing to sacrifice an extra few years of retirement to finance your children's college educations, you may feel differently as you grow older — especially if factors such as unforeseen health issues or fluctuations in the economy impact

your plans to work longer.

On the other hand, your child has his/her entire life to pay off student loan debt, even if it means putting in extra hours or sacrificing discretionary spending for a while. Unlike you, he/she has decades of working years ahead to manage college debt.

The good news is you can still help your college-bound children in
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How Much Do You Need to Save for College?

The ever-rising cost of college is common knowledge. Depending on the school a student chooses, the cost of tuition, room, and board for an undergraduate degree can easily exceed six figures. With costs so high, many parents are simply overwhelmed. Saving enough to cover all of a child's college education expenses may seem like an impossible goal. Many parents don't get started, or if they do save, they don't save enough.

If you want to help your children pay for their college costs, you need a clear savings strategy. Below are some simple guidelines for determining how much you really need to save.

Estimate How Much College Will Really Cost

According to data from the Col-

lege Board, a year of tuition, room, and board in the 2018-19 academic year costs \$21,270 at a public institution and \$48,510 at a private non-profit institution. Assuming future increases of 3% annually, that means in 18 years, a year of college will cost more than \$36,000 at a public school and roughly \$82,000 at a private school.

Those estimates are staggering. Of course, it's possible college costs will level off or increases won't be quite so steep. But in any case, the young children of today will likely face much higher college costs than students do today.

Why does all this matter? Because you need to get a sense of what it might actually cost your child to attend college. If you have a
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How Much Will College?

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ways that significantly reduce their burden without impacting your retirement plans:

Provide Food and Shelter

The average cost of room and board ranged from approximately \$11,000 to \$12,700 annually for the 2018-2019 school year, accounting for as much as half of the annual costs of college (Source: *Trends in College Pricing 2018*). When you consider that the expense of a dorm room and food can essentially double the costs of college, the simple act of continuing to house and pay for your children's necessities during their college years can save them from accumulating tens of thousands of dollars in debt. While staying home may not exactly hold the same thrills as the traditional college experience, there are numerous benefits that offset forgoing that experience.

Additionally, because your child is taking advantage of your free room and board by attending a local college, you'll inadvertently help them dodge the costs of pricier out-of-state or private colleges that can double the cost of tuition (and accumulated debt).

Cut Back on

Unnecessary Spending

Vacations, new car payments, and even the daily latte you enjoy add up quickly. You may be surprised at how much you can contribute by skimping on spending for a few years until your child graduates. To take advantage of extra savings, print out prior credit card and bank statements and scrutinize each expense line by line, asking yourself if it's an essential or simply a want. Forgoing these costs can provide you with hundreds of extra dollars each month to help your son or daughter with tuition. Tip: Make sure everyone is making sacrifices, not just mom or dad. Call a family meeting and discuss the financial advantages of making sacrifices.

Plan Ahead

If your children are still young,

Get Your Share of Merit Aid

The basic premise of financial aid is that it is need based. Families fill out the government's aid form, the Free Application for Federal Student Aid, so mathematical formulas can determine a family's eligibility for federal financial aid. Colleges can use a different, though similar, methodology to make financial aid awards.

However, the same student can obtain very different financial aid packages. If the financial aid process is truly need based, how could that happen? Part of it results from how individual colleges define assets for financial aid purposes. For instance, some include family home equity, while others do not. Another part of the difference results from colleges competing to attract top students. High caliber students increase the college's prestige. To encourage these students to attend their college, merit scholarships are often given or the mix of traditional need-based financial aid is altered. Financial aid consists of grants (which do not have to be repaid), loans, and work study programs. Two financial aid packages may have the same dollar value, but the one with a higher percentage of grants will be more valuable to the student.

What implications does this

have for a child approaching college? Consider these tips:

- Encourage your child to do well on college entrance exams. Not only will this make him/her eligible for acceptance at a broader range of colleges, it may increase your financial aid package.
- Don't focus on entering one particular college. Start with a few colleges that would be acceptable alternatives and apply for financial aid at all of them. You may be surprised at how different the financial aid awards are, especially if your child is a strong student.
- What should you do if your child has his/her heart set on going to one college, but you received a better financial aid package from another college? Talk to the financial aid officer. While some colleges are receptive to matching other colleges' offers, others are not. In those cases, your best strategy is to review the financial aid calculations with the officer, looking for ways to increase the award. Many subjective factors go into calculating financial aid awards and you may be able to negotiate so the total award is increased. Perhaps just changing the composition of the award so more is given in grants will help.

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investing in a 529 plan, Roth IRA, or alternative investment each month while continuing to maximize your retirement contributions can make a huge difference in college costs down the road. Even encouraging family members and loved ones to give college savings money as gifts can quickly add up.

Remember, with your help and encouragement, your children can combine income from savings, part-time jobs, grants, scholarships, and loans to finance their college education in a manageable way once loan payments become due. Furthermore, because they're actively in-

involved in the financial aspects of their educations, they're much more likely to stay on track and value the many gifts college education affords. While they may begin their adult lives with some debt, they have the energy and time you don't to pay it off. And because you were savvy when it came to your retirement, they won't be faced with the obligation to financially help you in your old age.

Please call to discuss in detail how you can maximize both retirement and college savings. ■

Save for College?

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baby who was born this year and hope to send him/her to a private four-year college, you'd need to save about \$328,000 to cover all the costs.

Decide How Much You Want to Save

Once you have an idea of how much your children's college might cost, you can set realistic savings targets. Say you want to be able to cover 80% of the cost at a four-year, private college for your child, with the expectation that your child will either obtain grants or scholarships or take out loans to pay the remaining portion. That means a savings goal of \$262,000 at the end of 18 years. To hit that target, you'd need to set aside about \$728 a month, assuming annual returns of 6%. If you want to cover 80% of the costs of a four-year education at a public college (estimated at \$144,000), you'd need to save \$115,000. To reach that goal, you'd need to save about \$372 a month, assuming annual returns of 6%.

If your initial savings estimates are high, consider tweaking your goals. Meeting 80% of your child's estimated college costs may be unreachable, but 70% may be a more achievable goal. Also, consider other sources you can tap to boost savings. Grandparents may be willing to make contributions. Monetary gifts your child receives for birthdays and other milestones can be added to a college fund. Finally, don't count out the possibility of financial aid.

Create a Plan

The estimates above are just that — estimates. Unfortunately, many parents have little idea how to get started saving. Sticking funds in a low-interest savings account reduces risk, but means you'll have to save more. A 529 college savings plan, which offers tax advantages and access to investments, could be

Financial Management for College Students

You're off to college. It's an exciting time filled with firsts — the first time living away from home, the first time you're on your own for meals and laundry, and the first time you have to manage your own money. All of these firsts can be a little daunting.

It's important to get off on the right foot with managing your money, because the financial decisions you make now will impact you later. Following are some tips you should start now to build a strong foundation for money management:

Develop a Budget

To create your budget, you can use a spreadsheet or online personal financial management tool. In preparing your budget, you should first make a list of your monthly income sources, including wages, savings, and any allowance from your parents or others. Next, you will want to make a complete list of all of your expenses, including school supplies, laundry, meals outside of your food plan, and personal care items. On a monthly basis, you should track your expenses and add new expenses as you discover them. Hopefully, you will have more income than expenses, but if not, you need to start making decisions about what stays and what goes.

Identify Wants Versus Needs

Part of becoming financially responsible is learning the difference between wants and needs. You will need to determine the amount of money that is absolutely essential to pay your expenses each month. How often do you really need to eat out? Is cable TV really a need? Can you drive your car less and walk more? After a few months, it will become easier to distinguish wants from needs. As you track expenses on your budget, you will be able to

ensure the essentials are covered and determine how much you have left over. You should consider delegating a monthly amount for wants, and when it's gone, it's gone, until next month.

Set Up Checking and Savings Accounts

Find a bank or credit union on campus to establish a checking and savings account. You will want to make sure they have convenient ATMs on or near campus so you can avoid any out-of-network ATM charges. Most financial institutions offer free checking and savings accounts to students, but you should make sure you understand what fees may be associated with your accounts and any policies that will impact your accounts. For example, most financial institutions have a funds availability policy, which means when you deposit a check, the money may not be available for a few days until the check clears. Use their online banking tools so you can keep close track of your accounts.

Use Credit Cards Wisely

While it can be a double-edged sword, you need to use credit to establish a good credit rating. This will be important when applying for a job, securing an apartment, and buying a car. You should open a credit card and use it to pay for expenses, being sure to pay off the balance each month. By doing this, you are showing you are financially responsible and you are establishing a good credit history. It can be easy to abuse a credit card because it is so easy to use. Use it wisely because you don't want to be stuck with a large debt that accumulates monthly interest and can also damage your credit rating.

Please call if you'd like to discuss this in more detail. ■■■

a better way to reach your goals.

To create your own college savings plan, you'll need to think carefully about your family and your

situation. Please call if you'd like to discuss this topic in more detail. ■■■

News and Announcements

From the Flinton Household

Dance, tumbling, piano, basketball, golf, oh my! My daughters, Samantha and Emerson, are enjoying a multitude of activities, and my wife, Courtney, and I are thoroughly enjoying this phase of life with the girls. I was shown a video of the girls during a Christmas dance program from four years ago, and I was awestruck at just how fast time seems to be passing. I can be pretty sappy when it comes to the girls, and recently I found they are quite aware of my sappiness.

A few weeks ago I was reading in bed and Samantha came to tell me she was heading off to sleep, and was ready for me to tuck her in (a nightly routine). Sarcasically, and over the top, I said that I wasn't tucking in any more, those days were over, and 9 years old was too old for it anyway. She furrowed her brown, crossed her arms, and said, "You really want to start this now? Okay. That's fine. But you're going to regret this!" She knows her old man well. I raced down the hallway after her, and spent more time than usual chatting before turning out the lights. She was joking just as well as I had, but boy did she speak some truth in that moment. For now I will continue to tuck in and be as present in the moment as I can, because one day, I'm likely to be told that I don't need to tuck them in anymore. Wishing you and your family many cherished memories this year.

Andrew Flinton, CFP®

From the Alexander Household

"Three things — autonomy, complexity, and a connection between effort and reward — are, most people agree, the three qualities that work has to have if it is to be satisfying," Malcolm Gladwell writes in *Outliers*. "It is not how much money we make that ultimately makes us happy between nine and five. It's whether our work fulfills us. If I offered you a choice," Gladwell asks, "between being an architect for \$75,000 a year and working in a tollbooth every day for the rest of your life for \$100,000 a year, which would you take? I'm guessing the former. Work that fulfills those three criteria is meaningful."

The Happiness Advantage outlines the work of Amy Wrzesniewski, a Yale psychologist, who studies how our mental conceptions of our jobs affect performance. People with a "job" see work as a chore and their paycheck as the reward. People who view their work as a career work not only out of necessity, but also to advance and

succeed. For those who see their work as a calling, it is fulfilling not because of external rewards but because it contributes to the greater good, draws on their personal strengths and gives them meaning and purpose.

The fascinating part of her research is that it fundamentally doesn't matter what type of job one has. There are doctors who see their work as a job and janitors who see their work as a calling. To change the way you view your work, ask what potential meaning and pleasure already exist in what you do. How you view your work can have as much to do with mindset as the actual work being done.

In my experience, the people who have found meaningful work, whether through traditional employment or volunteer opportunities, live more fulfilled lives. I'm grateful to each of you who provides incredibly meaningful work for me!

*Carol Ringrose Alexander,
CFP®, ATF®, CEPS, CDFA™*

From the Bolander Household

"Friendship is unnecessary, like philosophy, like art... It has no survival value; rather it is one of those things which give value to survival."

~ C.S. Lewis, *The Four Loves*

We live in a small town and often see people we know in the local restaurant, the post office or even the grocery store. However, after a brief exchange of pleasantries, we are usually on our way. One recent Saturday afternoon at the local grocery, I ran into a friend that I hadn't seen in quite a while. We had been close while our children grew up together but hadn't made a point to stay in touch lately. As we chatted for a few minutes, I was reminded of what blessing it is to have a true friend, and we agreed to carve out sometime after the holidays to get together. Old friends are precious, but so are new ones. Just before Christmas, John and I were invited to supper by one of his colleagues. The young couple grew up in another country and made their favorite dishes for us to try. They were so gracious, and we enjoyed a wonderful evening of great food and fellowship. This year, I will work at being a better friend.

Happy new year.

*Brenda C. Bolander,
CFP®, CPA/PFS*