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## Help your children make the grade in personal finance ...

Ask any 18-year-old entering college about interest rates, 401k's or budgeting and chances are you'll be stunned at his or her limited knowledge about personal finance.

We know the basics are not taught in most high schools, and don't expect their new professors to show them how to open a bank account, sign a check, pay bills or manage a budget. Instead, the onus is on parents to cover the fundamentals and ensure their children don't go completely broke once they leave the house.



Bill Van Sant

If one of your own is going off to college this fall, it's important to offer a crash course in personal finance. Here are a few lessons to cover:

■ **Lesson 1: Be transparent about the financial aid or student loan process.**

Many students don't realize the strain that college tuition can put on a family or their own future finances should they take out a student loan.

While hiding these aspects of the college decision process might be your natu-

ral inclination as a parent, being open with your child about the financial implications of their decision serves as a valuable teaching moment about balancing cost and value.

Illustrate the costs of attending college by itemizing expenses such as tuition, room and board, textbooks, etc.

When financial aid or student loans are necessary, walk your kids through the process of gathering information, reviewing interest rates and filling out loan applications. This experience will help them understand the financial considerations when it comes to their choices and will come in handy next time they make a big decision.

■ **Lesson 2: Demonstrate the power of savings.**

Parents today have done a much better job putting away funds for college tuition thanks in part to the rising adoption of 529 plans.

This presents another opportunity to show your children how their money can grow depending on how you save it. A 529 plan may offer higher yields than a 401k, just as a high-interest savings account will grow faster than a checking account.

While this may seem second nature to you, kids across the country are unaware of these savings basics. Are yours?

■ **Lesson 3: Safely build credit.**

Now that your children are 18 or older, it's more than likely they'll be approached by a bank to apply for a credit card. While using a credit card from a young age is a great way to build credit, it can be easy for a college freshman to go overboard and get into trouble by swiping too often.

One tactic to help your child build credit while avoiding any disasters is to apply for a credit card, put a few recurring charges on it, such as a Netflix account, and then leave the card at home and out of reach.

This no-risk scenario allows your child to build credit without the temptation to overspend. It also offers the parent the opportunity to explain how credit card debt can be accrued and how to avoid it.

When dropping off your kids at college, don't just hand over a small pile of cash



PHOTO/HAMIKUS

**One way to help a college student safely build credit is to apply for a credit card, put a few recurring charges on it and then leave the card at home and out of reach.**

and wish them good luck. Empower your children with the knowledge to make the best financial decisions as they embark on this next phase of their lives.

By the time they become full-functioning adults, they'll be equipped with a solid financial foundation for a prosperous future.

*Bill Van Sant is senior vice president and managing director at Univest Wealth Management in Souderton.*

## While parents would be wise to look at the 529 account

As students head back to school this fall, parents would be advised to assess their planning for their biggest future educational expense – college.

Ideally, as parents save for college, they simultaneously will develop a family philosophy with regard to financing higher education – communicating that philosophy to their future student as he or she approaches college age.



Carrie Fellon

Philosophies on funding higher education vary significantly among families and can be influenced by the parents' own experience with how their college was financed.

Some parents want to pay all tuition and fees; others are willing to pay in-state school fees.

Still others can cover limited costs beyond the student's financial aid package.

Some can afford to pay all tuition and fees yet believe that their student should have a personal stake in his education – taking out a loan and repaying it himself.

Finally, some choose to help their child repay education debt once she has graduated from college and has joined the workforce.

Regardless of the scenario, students and parents need to be on the same page.

■ **529 REASONS TO OPEN A 529**

With regard to college savings vehicles, one that receives much attention is the 529 account.

Legally referred to as a "qualified tuition program," the account funds must be used for college or other postsecondary training.



PHOTO/MELPOMENE

**Anyone can establish a 529 and name anyone as a beneficiary, even oneself.**

Nonqualified withdrawals are subject to income taxes and a 10 percent penalty on the earnings.

A 529 account can be an ideal education savings vehicle because:

■ Anyone can establish a 529 and name anyone as a beneficiary, even oneself.

■ There are no income restrictions on the owner or beneficiary.

■ The annual contribution limit for 2017 is \$14,000 per contributor, per beneficiary. The five-year election allows owners to treat contributions as being made ratably over a five-year period for gift tax purposes. A married couple could contribute \$140,000 per beneficiary by using this accelerated gift method.

■ Distributions for qualified education expenses are tax exempt.

■ Although contributions are not deductible at the federal level, some states allow a deduction.

■ In Pennsylvania, one can deduct up to the Internal Revenue Service gifting tax limit of \$14,000 annually, per beneficiary. Spouses filing jointly must each have income of at least \$14,000 to claim the maximum \$28,000 deduction. When multiplied by the state's 3.07 percent income tax rate, the tax savings can make this college savings vehicle very attractive.

■ The account can continue to be funded while taking distributions for qualified education expenses.

■ If the original beneficiary does not attend college or is awarded a scholarship, the account owner can change the beneficiary.

■ **FINANCIAL AID**

Another important piece in the college funding puzzle is financial aid. Institutions base their financial aid decisions on the family's "prior prior year income."

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## 529 ACCOUNT

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Those applying for fall 2018 admission will use 2016 tax returns and can submit the Free Application for Federal Student Aid beginning next month on Oct. 1.

Even if a family doubts it will qualify for aid, it may be worthwhile to submit the FAFSA to establish a financial record with the school.

If circumstances were to abruptly change – such as loss of income because of the death of a parent – and a FAFSA is on file, the school may be able to adjust the aid package.

### DIRECT FEDERAL LOANS

In addition to tuition grants (money that need not be repaid), the federal government offers direct loans to students and parents. The FAFSA must be filed every year to qualify.

An undergraduate dependent student's loan may be some combination of subsidized loan – based on financial need, for which interest is forgiven until six months after ending school – and unsubsidized loan. Students may borrow up to \$5,500-\$7,500 per year based on their college grade level.

Perkins loans are offered to the neediest of students. PLUS loans are available to parents, regardless of income

level.

With a shared family philosophy on how to cover costs, an understanding of savings vehicles such as 529s and a completed FAFSA, the opportunity for college-bound students is limitless.

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## SKYWARD

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Revolution and along comes the Information Age to smack us around for a while until we can learn to use information for something other than sharing embryotic, idiotic commonly held misbeliefs and misguided insights of profound stupidity.

Other than that, we're doing fine.

### TRUE GROWTH

The net result is that people have learned to deal primarily with external cause and effect, and spend little time on self-examination. So when a stupendously hyped external stimulus appears on the horizon, it's all hosanna in the highest.

"Finally, some substance and meaning to my life!"

Hardly.

The only true growth in life comes from the inside – from the internal struggle for self-awareness, behavioral modification and acceptance. No arbi-

trary heavenly manifestation or any other external experience can substitute for genuine introspection and personal development.

Like I run into every day.

### LOOK INSIDE

A woman in a recent sales training class came to me after the fifth week and said, "I'm really disappointed. I thought you were going to teach us how to sell."

### 'JUST TELL ME WHAT TO SAY'

Then there was the business owner who hired me to help improve sales for his company.

We spent a few sessions going over his organization and the systems and methods he used to run his sales team. He became very frustrated and finally burst out with, "Just tell me what to say!"

I sat there astonished. "What do you

Success comes from the inside, and the more you look outside, the harder it gets to unlock the inside.

"That's what I'm trying to do," I responded.

"But all this psychological, self-analysis stuff isn't what I was looking for."

"What is it you're looking for?" I asked.

"You know," she replied. "What to say to get people to do business with me."

"Oh," I answered. "You want the secret, magic words that automatically close sales. We don't get to those until week 10."

mean?" I asked.

"Just tell me what to say to my salespeople to get them to sell more," he practically screamed.

### NO MAGIC BULLET

Both of these people were under the felonious impression that there is an enchanted formula floating around out there that shamans could teach them, amid burning incense and gentle back-

ground chimes, I'm sure.

Unfortunately, there is no esoteric, clandestine covenant of mystic sales trainers able to overcome weaknesses within you or your company by sprinkling a little fairy dust and whispering in your ear.

Success comes from the inside, and the more you look outside, the harder it gets to unlock the inside.

But maybe you'll get lucky and find the guy selling those magic beans. Maybe you'll plant those beans and they'll grow into a giant beanstalk that you can climb and find the goose that lays the golden eggs.

If you do, however, please take my advice: Don't let your goose look directly into the sun.

*Sales consultant and professional speaker Rich Plinke of Allentown is the author of "More Droppings from the Dragon: A Hitchhiker's Guide to Sales," available at [www.moredroppingsfromthedragon.com](http://www.moredroppingsfromthedragon.com). He can be reached at [rich@howtoselltheplague.com](mailto:rich@howtoselltheplague.com).*

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