

Kirkland Financial Center

Real Estate Finance - Investment - Insurance - Annuities

How are You Going to Pay for Her College?

The Key to College Planning

In today's world, a college education is more important than ever. Many of the jobs that do not require a college degree have been outsourced to workers in other countries, or replaced by a computer or machine.

In addition, according to Fed Chairman Ben Bernanke, the income disparity between college grads and non-grads is growing every year. In 1979, college grads earned 38% more than those with only a high school diploma. But today, college grads earn 75% more than those without degrees!

A Tale of Two Families

Let's look at a tale of two parents to illustrate how important it is to get started right away.

The preschool open house was in full swing, and two parents were chatting over the punchbowl, remarking on how they knew time would fly, and before you know it, their kids would be off to college.

Taylor's parents are prepared. They recently sat down with a mortgage professional and learned that completely funding Taylor's four-year education at the local college would cost either \$300 per month in savings or—by using the equity in their home—only \$133 per month after tax. "What a relief to know it's all taken care of!" they commented to Max's parents. But Max's parents replied, "Hey, what's the rush? Look, the kids are only knee-high right now...we'll worry about this later."

Seven years later, the kids are in 5th grade, and the parents meet up again at a birthday party. College comes up in the conversation, as Max's parents just learned that for him to attend the very same college as Taylor, it would now require them to save \$835 per month to be ready on time, which is not something they are prepared to do. Taylor's parents recommend that they meet their trusted mortgage professional, who advises them that by using the mortgage wisely, it will only cost them \$260 per month after tax. Much easier to swallow—but it's twice as much per month as Taylor's parents, who planned ahead and started earlier.

The Cost of Higher Education

Let's face it: college is expensive. And with the cost inflating approximately 5% annually, the cost will only rise.

The type of college your child attends can also have a big effect on the cost too. For example, just one year of tuition, room and board at an average private college runs just over \$30,000. On the other hand, a public out-of-state college runs around \$19,000 per year. Finally, even a public in-state college is close to \$13,000 annually.

So as a parent who wants your child to have the chance to attend college, what can you do? The answer: plan early!

The Moral of the Story?

If you want to save for your child's college expenses, start the investment early. The money you put away today will have more time to gain interest and multiply over time—which means you won't have to struggle to save as much. Don't be discouraged by the amount you think you can put away. We have a full array of financial tools at our disposal. Together, we can sit down and calculate a variety of scenarios that fit your budget and will help ensure that your child's college costs are taken care of.

Continued...



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You should also encourage your children to invest and save too, with a portion of funds from their allowance or a side job like mowing the neighbors' lawn or babysitting. They will see how the value of their savings grows over time, and more importantly, will begin to understand importance of planning for the future.

Finally, as the college years approach, explore scholarships, financial aid, or federal direct aid, which is money that does not have to be repaid. Of course, when

your children are young, you just don't know if they will be star athletes or straight "A" students—so it's always better to plan ahead. If scholarship money does become available, then you'll have more than enough money in savings, due to your good planning.

If you want to discuss options and strategies on saving for your child's college education, contact me. I'll make sure the entire process is convenient and, more importantly, that we design a plan that fits your specific goals.

WHEN Should You Refinance Your Home?

HERE IS SOME HELPFUL INFORMATION THAT WILL MAKE YOUR DECISION EASIER.

- > Unmortgaged home equity represents the amount of your home's cash value at risk of loss. Never use leverage beyond what you can easily & safely maintain, but if you discover too much of your home's cash value unprotected by a mortgage and open to market loss, consider moving that equity away from the real estate and into safer tax-sheltered growth accounts.
- > Unleveraged home equity has the same effect to your financial growth as treasury bonds (with no yield.) The best principle to follow is to rebalance your home leverage when your equity has grown beyond what you would normally hold in treasury bond-like investments.
- > The more leverage you have, the more even a small reduction in interest can save you.
- > When you buy with less than 20% down, you may have to buy private mortgage insurance (PMI.) Once every year, have your home and personal equity position reviewed professionally to determine if your situation qualifies for repositioning to eliminate PMI, and/or to structure other safe leverage opportunities if prudent.

**CASH IN
HAND
BEATS
CASH IN
HOME**

If you are experiencing cashflow problems, double check your expense budgets, and consumer payments. If you're a responsible budget manager traditional amortization gives merely the illusion of equity growth, but it really just reduces your tax-favored home leverage at the detriment to your own monetary control. Stretching your loan term (or even interest-only terms,) and banking the payment savings into a growth account (savings or investment) can increase your safety cash with an interest rate received that can offset your mortgage costs, and with compounding returns it can actually accelerate your ultimate ability to finally eliminate all of your debt. **CASH IS SAFETY!**

Every year, homeowners save money by wisely deciding to refinance their home mortgages. The right terms on a new loan can achieve short- or long-term savings, free-up equity for improvements or investments—it all depends on the owner's needs.



Client of the Month

Trav Anderson

As one of our longest-running clients, friends, and technical advisors, we appreciate you.

What They Say

My wife and I were blown away with the folks at No Bull Financial. Dave and his staff are confident in what they do and make working with them fun. They've had an answer to our hundreds of questions. We look forward to a long working relationship with Dave and his staff.

--Nathan

The Latest

David is speaking to an international investor group this May in Cancun, MX.

- Tax-Free (IRS-APPROVED!) Market-Indexed Account, Equity-Leveraged, Insurance-Linked, Loss-Sheltered Growth.
- Forex Cross-Currency Managable-Mortgages for U.S. & Canadian investor real estate +15 Additional Countries.