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Is It Time to Rethink College?

College costs can seem staggering. For the 2021-22 school year, the average annual total cost was \$55,800 for a four-year private university and \$27,330 for a four-year public university (Source: *Trends in College Pricing*, 2021). It's no wonder that students and parents alike wonder whether college is really necessary.

To help answer that, consider the median earnings by level of education for 2018 (most recent year available):

Professional degree	\$120,500
Doctoral degree	102,300
Master's degree	80,200
Bachelor's degree	65,400
Associate degree	50,100
Some college, no degree	46,300
High school graduate	40,500
Not a high school graduate	30,800

(Source: *Education Pays*, 2019)

In terms of paying back college costs, the College Board estimates the typical college graduate who started college at age 18 will earn enough to compensate for tuition and fees at the average four-year public university as well as for foregone earnings during those college years by age 33 (Source: *Education Pays*, 2019).

While that doesn't sound like a

bad tradeoff — breakeven by age 33 and then earn substantially more for the rest of your life — keep in mind that those figures only include the cost of tuition and fees at a public university. Room and board adds another \$11,950 annually to the cost. And, if your student goes to a private university, the costs are typically double what you pay at a public university.

Those figures also don't consider how you pay for that education. If you pay for that college education

primarily with student loans, it could take a lot longer than age 33 to breakeven.

That doesn't mean your child shouldn't go to college, just that you may need to reevaluate how much you want to spend on that education. Consider these strategies to reduce the cost of a college education:

✓ **Look for scholarships that are not based on need.** Generous merit scholarships are often

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Frankly Speaking

HAPPY BIRTHDAY to Rona! Been around since March of '20. Does watching the news make you more informed and better able to deal with the current situation? Can you have any effect on current events? Then why watch? Chances are it just upsets and keeps you up at night so, as Frank Sinatra might sing today, "Stop watchin' the news..."

Really- if you want to see the weather, there's a channel just for that and we cannot affect the weather. If you must watch TV, watch comic reruns, movies or sports and leave the 'bad news' outside your field of view. All right, a little financial news might be OK, just not too much.

"I'm optimistic about life. If I can be so optimistic when I'm nearly dead, surely the rest of you can handle a little inflation." -Charlie Munger, 98, January 2, 2022

If you, or someone you know is concerned about their financial plan, please send their contact info so I may add them to my E-newsletter list.
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Is It Time?

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available to students with outstanding high school grades and above-average entrance exam scores. Scholarships may also be available for athletes and for those with strong music backgrounds. If your student has qualities that a college is looking for, that college may be more willing to offer scholarships to attract him/her.

✓ **Apply to several different colleges.** Don't make the mistake of thinking that aid packages will be the same at all universities. You may be surprised at how wide the differences can be. Even if your child is set on one school, it is generally wise to apply to several different colleges. This is especially true in these economic times when more students are applying for aid and colleges have less aid available.

✓ **Talk to the university.** If the financial aid package is not sufficient, talk to the financial aid officers at the university. By explaining extenuating circumstances or showing the college offers from other universities, you may be able to increase your aid package.

✓ **Don't overlook state public universities.** Costs of public universities, especially in your state, are typically much more affordable than private universities.

✓ **Decide whether it makes sense to go to an expensive private college.** First, you need to evaluate how much financial aid your student would be entitled to. If you are still left funding much of the cost yourself, consider whether your child's intended career makes it a good investment. If your child intends to pursue a career with limited salary potential, you may not want to send him/her to an expensive college.

✓ **Consider starting at a two-year college.** Two-year colleges are often much cheaper than four-year colleges, especially when

Stock Market Ups and Downs

It would be ideal if investment decisions were made in a vacuum without influences from the outside world, but that is not the case. We are constantly bombarded with information from many different sources, and it impacts how we feel about our investments.

So how do you control those emotions? It helps to hold on tight to a solid investment plan that looks at performance over the long term. Here are some tips on helping you deal with the ups and downs of the market:

Know the time targets for your goals — It's best to think of market movements in terms of your goals. If you are 30 years away from retirement, you have plenty of time for your portfolio to reach its goals. What is important is that you understand how much tolerance you have for risk and the amount of time you have in meeting your goals

Have an investment plan — Having a plan based on your objectives and risk tolerance with an asset allocation and diversification that is aligned to your financial situation can help you deal with volatility. Additionally, you

will want to stress test your plan to understand how poor market conditions can affect it. Performance modeling can bring you peace of mind knowing that you will be able to ride out a major shift or lead you to make adjustments to your plan to better meet your needs.

Keep things in perspective — Remember that the market goes in cycles. You'll have down years, flat years, fair years, and good years. If you stress-tested your plan, it should give you peace of mind that you can make it through the hard times.

Shut down the noise — The media is looking for your attention, but if it increases your anxiety, turn it off.

The key is not to let your emotions deter you from a solid investment plan. While there will still be times that you feel anxious, an investment plan can help you ride out the ups and downs of the stock market. Don't spend your time saying what if, because you can't change the past. Just look forward to what your investment plan can deliver. ○○○

you consider that most students live at home while attending. For instance, for the 2021-22 school year, the average cost of tuition and fees at a public two-year college is \$3,800 compared to \$10,740 at a public four-year college and \$38,700 at a private four-year college (Source: *Trends in College Pricing*, 2021). Before starting, however, your child should determine which four-year college he/she will transfer to and make sure all of the credits from the community college will transfer to the four-year college.

✓ **Send more than one child to the same university.** Many

universities offer discounts on tuition if more than one child attends at the same time.

✓ **Accelerate your child's studies.** You can save a significant amount of money if your child can complete a four-year degree in three years. Another alternative is to have your child take summer courses at a local community college. High school students may be able to take courses at a community college, which will then transfer as college credits. Advanced placement courses may count as college credit.

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

The Psychology of Saving

Saving money sounds simple. You set aside a portion of what you earn on a regular basis and watch your money grow. As a result, you're more prepared for emergencies, feel more financially stable, and are better able to achieve what you most want. But in reality, saving is a little more complicated. Sometimes, our own minds work against us when it comes to setting aside some of the money we earn. A basic understanding of the psychology of saving can help you overcome roadblocks and achieve your goals.

Why It's Hard to Save

What is one of the biggest obstacles most people face when saving? We tend to prefer the certainty and immediate gratification of short-term rewards over the potentially greater — yet perhaps more uncertain — benefits of longer-term rewards. One study found that most adults would prefer to have \$50 today rather than \$100 two years from now, for example.

Part of the difficulty with saving for long-term goals is that peo-

ple may tend to think of their future selves as different or separate from their current selves. That disconnect can make it hard to prioritize saving for the future. Researchers studying this issue looked at whether encouraging people to think of saving for retirement in terms of a social responsibility to their future self, rather than in terms of their basic self-interest, would lead them to save more. The study found that the former appeal led to higher savings rates. In a related vein, another group of researchers found that seeing pictures of their future selves encouraged people to save more.

In fact, there are a number of studies that suggest changing our mentality — either about the future or about saving in general — might allow us to set aside more money. One study found that people who adopted a cyclical mindset to saving, where they focused on making saving routine in the short term, saved more than people who set more ambitious longer-term goals. Those with a traditional linear mindset saved about \$140 over two weeks, while those with a cyclical

mindset saved \$223 over the same time period. Overall, the evidence seems to suggest that if we can change the way we think about the future — and our future selves — we may be able to boost our savings rates.

The Psychological Advantage of Saving

Once you commit to savings, there's a good chance you'll see a psychological boost from doing so. A survey by Ally Bank found that 38% of people with a savings account reported being extremely happy, compared to only 29% of people who didn't have a savings account. That same survey found that 82% of people reported saving made them feel independent. Those feelings of success, well-being, and independence may in turn lead to even more saving. In fact, feeling powerful and having high self-esteem can lead people to save more, perhaps because increasing their net worth and financial stability helps people maintain their powerful feelings.

There might even be a formula for spending and saving that could lead to more happiness. Ryan Howell, a professor of psychology at San Francisco State University, found that happy people tended to demonstrate a particular pattern of spending and saving, earmarking 25% of their money for savings and investments, allocating 12% to charitable giving or gifts to others, and spending about 40% on life experiences they considered meaningful.

While our mental quirks might make saving difficult, being aware of the obstacles our mind creates can help us conquer them. And that, in turn, may lead to greater savings and increased happiness overall. ○○○



4 Reasons to Invest in Bonds

While it's true that investing in bonds tends to lack the dramatic highs (and the lows) that come with investing in stocks, that doesn't mean you should ignore the opportunities bonds present. Here are four reasons to consider bonds.

1. Bonds are a way to diversify your portfolio. Many financial experts recommend diversifying your portfolio to include a variety of asset classes, including bonds. This is a concept known as asset class diversification. Because different asset classes tend to perform differently at various times, you may be able to create a portfolio that generates more stable returns by investing across asset classes.

2. Bonds are (usually) less risky than equities. If you are looking to dial-down risk in your investment portfolio, increasing your allocation to bonds may be one way to do that. However, keep in mind that less risky doesn't mean risk free.

3. Bonds can provide a steady, predictable source of income. Bonds are debt investments, which means you are essentially agreeing to loan an entity, like the government or a corpo-

ration, money for a certain period of time. The entity you are lending money to agrees to pay you a certain amount of interest (known as the coupon) over the time they have your money, plus repay your initial investment when the bond reaches maturity. That means you have a pretty good idea of how much money you're going to see from your bond investments over the years. Of course, bonds aren't risk free. Bond issuers can default, and you could lose your money.

4. Bonds can provide valuable tax savings. Depending on the types of bonds you own, you may be able to save on taxes. While you'll pay normal taxes on corporate bonds, income from Treasury bonds (which are issued by the U.S. federal government) is free of state and local tax. Then there are municipal bonds, or bonds issued by state and local governments. You won't pay federal tax on money you earn on these investments, and you may also be exempt from state and local tax. For anyone who is looking to minimize their tax burden, especially retirees, this can be an appealing proposition. ○○○

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Quick Math

Don't have a calculator, but need a quick answer to a financial question? Here are three shortcuts:

✓ **How long will it take to double your money?** Divide 72 by your annual investment return. If you are earning 8% annually on your investments, it takes nine years for your investments to double in value.

✓ **How much does it cost to purchase an item before taxes?** Multiply the cost by 1.8 if you are in the 37% marginal tax bracket, 1.7 in the 35% or 32% marginal tax bracket, 1.5 in the 24% tax bracket, 1.4 in the 22% tax bracket, and 1.2 in the 12% or 10% tax bracket. These numbers also factor in Social Security and Medicare taxes, but not state income taxes. So, if you are in the 28% marginal tax bracket and want to spend \$10,000 on a vacation, it will cost \$16,000 before taxes.

✓ **How much will your retirement savings grow in 30 years?** Assuming an 8% investment rate of return, add a zero to the amount. Thus, if you have \$100,000 today, it could grow to \$1,000,000 in 30 years. This is a handy way to look at whether it's worth spending money on something. For instance, the \$25,000 you spend on a car today could be worth \$250,000 in 30 years. ○○○

Financial Thoughts

Individuals who previously owned an existing individual retirement account (IRA) were more likely to rollover their 401(k) account into another IRA. In a study, 41% of IRA rollovers were conducted by someone who already had an IRA, compared to 17.5% of rollovers made by those who didn't have an IRA set up (Source: The Pew Charitable Trusts, May 2021).

Low-income households of under \$25,000 were more than three times as likely to withdraw all of their savings from a 401(k) plan as households with income over \$100,000. In addition to low income, a high level of uncollateralized debt and marital status may also contribute to withdrawals (Source: The Pew Charitable Trusts, May 2021).

Women tend to make less

risky investment decisions than men, opting for safer assets. Men more often invest in individual listed shares, while women prefer to diversify by investing in funds rather than individual equities. Also, while women tend to be risk averse, men are more likely to abide by their risk tolerance than women (Source: *AALL Journal*, July 2021). ○○○