RETIREMENT INVESTMENT ADVISORS, INC.

2925 United Founders Blvd.
Oklahoma City, OK 73112
(405) 842-3443
(800) 725-4530

2952 Via Esperanza
Edmond, OK 73013
(405) 246-0404

9300 John Hickman Pkwy.
Suite 504
Frisco, TX 75035
(972) 377-2850

www.TheRetirementPath.com

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

Financial Briefs

DECEMBER 2021

Is It Time to Rethink College?

College costs can seem staggering. For the 2021-22 school year, the average annual total cost is $55,800 for a four-year private university and $27,330 for a four-year public university (Source: *Trends in College Pricing and Student Aid*, 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

Continued on page 2

An Investment Plan for College

To meet your goal for funding a child's college education, you typically need to develop an investment plan. One of the more important factors is your child's age:

- **Children aged 10 or younger** — With eight or more years until college, you should be able to fund your child's education by setting aside reasonable sums. Since inflation can have a major impact, consider investments with higher return potential. Your long time frame should give you time to overcome any short-term setbacks while keeping ahead of inflation.
- **Children aged 11 to 14** — With four to seven years until college, you may want to select more conservative investments. If you are just starting to save now, you may find the needed amounts quite large. However, start saving so you'll have some funds accumulated by the time your child enters college.
- **Children aged 15 to 18** — At this point, continue switching to more conservative investments as college quickly approaches. If you are just starting to plan for college now, it may be very difficult to save the large sums needed in such a short time. Investigate the financial aid process to see if you'll qualify for aid and research your borrowing options.

Other items to keep in mind when developing an investment strategy include:

- **Start investing as soon as possible.** This can have a huge impact on the amount you need to save on an annual basis. For instance, assume you intend to send your newborn to a public college that

Continued on page 3

FR2021-0818-0023

Is It Time to Rethink?

Continued from page 1

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 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 financial 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, since many private universities offer substantial aid packages. 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 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 $38,0700 at a private four-year college (Source: *Trends in College Pricing and Student Aid*, 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 also count as college credit.

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

A Budget for College Students

Many students will first handle money without parental supervision during college. To help keep expenses down and avoid conflicts, you might want to develop a budget to guide your child's spending. As you go through the process, consider the following:

- First consider all potential expenses, including food, travel, clothing, entertainment, phone, periodicals, computer expenses, medical and dental expenses, and insurance.
- Develop a preliminary budget for the first couple months of college. You may find that you forgot about certain items. After your child has lived on his/her own for a couple months, you can develop a more realistic budget.
- If your child has trouble sticking with the budget or can't account for large sums, have him/her keep a journal for a couple of weeks that details all expenditures. Go over the journal together to determine how expenses can be reduced.
- Consider providing your child with a debit card rather than a credit card. Since your child's spending will be limited to the amount on deposit, it is harder to overspend.
- Explain the basics of credit cards. Make sure your child doesn't use a credit card as a means to overspend. Go over which types of items your child can use the credit card for and which items should not be charged. Make sure your child understands that if the balance isn't paid in full each month, a significant amount of interest will be paid on the outstanding balance. If you teach your child nothing else, try to instill the concept of paying credit card balances in full every month.
- Have your child provide you with a written monthly comparison of his/her actual expenses to budgeted amounts.

While the entire process might seem like a lot of work, keep in mind that you are teaching your child money basics that will help him/her for a lifetime.

An Investment Plan

Continued from page 1

currently costs $27,000 per year, the average cost of a public university (Source: *Trends in College Pricing and Student Aid*, 2021), with expected increases of 3% per year. After 18 years, you would need $184,000 to pay for four years at a public university. If you start saving now, you'll need to save $4,913 per year to reach that goal in 18 years. Waiting until your child is age five increases your annual savings amount to $8,560 for 13 years. Start saving when your child is 10 and you'll need to save $17,299 a year for eight years, while the amount grows to $56,678 a year for three years if you wait until your child is age 15. *(These figures assume an after-tax rate of return of 8%. This example is for illustrative purposes only and is not intended to project the performance of any specific investment.)*

- **Look for tax-advantaged ways to invest.** If your earnings are tax deferred or tax free, you could end up with a much larger balance than if you had to pay taxes on earnings over the years. Take a look at section 529 plans and Coverdell education savings accounts, both of which allow tax-free distributions as long as the proceeds are used for qualified education expenses. Investigate these options thoroughly, however, since various qualifications and restrictions apply.
- **Select investments that allow periodic contributions.** You may want to make contributions on a weekly or monthly basis, so select investments that allow small contributions. You may also want the ability to automatically transfer funds from a checking or savings account to your college investments.
- **Adjust your investment mix over time.** As your child gets closer to college age, start moving investments from more aggressive ones with higher return potential to more conservative ones that will help protect your principal. This can help protect your investments from a major downturn that may occur right before your child enters college.
- **Review your progress annually.** Review your investments at least annually so you can make any necessary adjustments. You may decide to change investments or increase the amount you are saving on an annual basis.

Please call if you'd like help with your investment plan for your child's college education.

Decisions Regarding College Funding

Before you can determine how much to save for your children's college educations, there are several decisions to make:

Does each child require the same level of support? While parents typically want to treat children equally, each child's needs may differ. One child may excel in school and want to attend an expensive private college, while another child may feel more comfortable at a local public university. Thus, consider the best options for each child.

What is your savings goal? With college costs increasing so significantly in recent years, assuming similar increases in the future may make your savings goal seem overwhelming. To keep your savings amount reasonable, you can estimate your savings target based on today's college costs, increasing that amount every year to cover actual college cost increases. Also decide whether you are aiming for a public or private college, which have vastly different costs.

Will your child contribute toward college costs? Most children would have difficulty paying for all college costs, but you may expect your children to help fund certain costs or a certain percentage of total costs. For instance, you may make them responsible for room and board, tuition, books, or personal expenses.

Will your family qualify for financial aid? Even if your child is several years from college, it is worthwhile to evaluate whether you would be eligible for financial aid. Don't just assume that you will be precluded from aid if your income is high. Also, be aware that many scholarships are awarded based on merit, not need.

Will you need loans to pay some college costs? By starting a savings program early, hopefully you won't have to borrow for college. Borrowing can put a significant strain on your finances, usually at a time when you should be concentrating on saving for retirement. However, there are a variety of loan options available, with some of the least costly available only to students. Even if you don't want to burden your child with these loans, it may make sense for your child to obtain the loan. You can then give the funds to him/her at a later date to repay the loan.

How much can you save on an annual basis for college? You don't have to select a fixed amount to contribute annually. You may decide to increase savings in the early years or contribute an increasing amount every year.

How will you save for college? There are a number of ways to save for college and to reduce your after-tax costs. Look into section 529 plans, Coverdell education savings accounts, education tax credits and deductions, saving in your child's name, and using IRA funds to pay college costs. Evaluate all options in light of your financial situation.

After making these decisions, you may find your college savings amount is not as daunting as you thought it would be. The important thing is to start your college savings program now. If you'd like help with this process, please call.

News and Announcements

From the Alexander Household

For our family, this has been a year of transitions. There have been lovely family experiences like rafting the Grand Canyon and spending the day with elephants in Hugo.

As my father's quality of life deteriorated due to Alzheimer's, my goal was to follow my editor at The Journal Record, Max Nichols', example. Max and his family promised to give his wife, Mickey, "every single good day we could." I am grateful for the opportunity to do this for Dad.

My uncle Byron Berline and his band played a concert for my Dad's 82nd birthday and my aunt Bette played the piano and we sang hymns for Dad and other residents on Mondays. With their help, music was a part of all stages of his life.

My husband, Kerry and I have always believed in the value of counseling and the importance of mental health. The pandemic and losses during the last year have had an impact, so we continue to invest in counseling for our family to better understand the impact and reinforce healthy coping behaviors.

Two books have been especially meaningful to me this year. ***The Beauty of What Remains: How Our Greatest Fear Becomes Our Greatest Gift*** by Steve Leder and ***The Stranger in the Lifeboat*** by Mitch Albom. While we believe that the relationships with my incredible mother-in-law, Nikki, my talented and kind Uncle Byron and my beloved father continue beyond their deaths, we miss being able to hug them. It is with tremendous gratitude for their lives that we create traditions to remember them.

In ***The Stranger in the Lifeboat***, Mitch Albom writes, "It has always been a mystery to me, how beauty and anguish can share the same moment."

With gratitude for all we have experienced this year,

Carol Ringrose Alexander,

CFP®, AIF®, CEPS, RLP®, CDFA™

From the Wallis Household

"Love, joy, and peace are at the heart of all Jesus is trying to grow in the soil of your life. And all three are incompatible with hurry." — John Mark Comer, ***The Ruthless Elimination of Hurry***

A recent sermon series at church regarding slowing down in life has really struck a chord with me. When I would run into friends, the conversation would often go like this, "Hey it's great to see you! How have you been?" "Oh just busy". I've worked hard to break the habit of giving that answer. Busy is not a badge of honor.

The pandemic seems to be dragging on and on. As hard as it has been, it has also taught me some valuable lessons. When events were just not possible, I learned that the world will keep turning without me. I don't need to be in charge of everything. I don't need to say yes to every invitation. My family does not need to stack our schedules with activities. I get just as much pleasure out of sitting on the back patio with my family, watching the birds.

Hopefully, at some point, life will return to normal. But we get to decide what "normal" looks like. For me, I don't want to be as busy as I was pre-Covid. I will be more intentional about saying yes. I will make sure that I make time for my family, just to be together. Being in a hurry makes me miss things, and skip over some of the moments I should be cherishing. I'm working hard to give my attention to things that matter and that will matter in one month, one year, and 10 years.

"Because what you give your attention to is the person you become. Put another way: the mind is the portal to the soul, and what you fill your mind with will shape the trajectory of your character. In the end, your life is no more than the sum of what you gave your attention to." — John Mark Comer.

Best wishes,

Jennifer Wallis

Senior Vice President of Marketing

Holiday Hours:
Christmas Eve: Closed
New Year's Eve: 8:00 am - 12:00 pm