Courtesy of

Mark H. Ryan, MBA, CLU®, ChFC®

Financial Advisor • Senior Account Executive

175 Derby St. Suite 33
Hingham, MA 02043
Tel: (781) 741-9950 • Fax: (781) 741-9980
MarkRyan@FinancialGuide.com
www.markhryan.com

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Money Planner

College Financial Aid: Do Your Homework

If one or more of your children will reach college age soon, you may be wondering how you will manage all the costs. For many families, a financial aid package provides some level of tuition support in the form of grants, scholarships, loans, or work-study placements. Aid is primarily based on the family's need. If it is determined that you're able to afford the cost of college, your quest for assistance may be challenging, but not impossible.

Forms must be filled out in order to assess whether you qualify for aid or not. You can get an idea of your eligibility, however, *before* applying for aid by using the following formula:

The Five Percent Test

Take 5% of the value of your total family **assets** (including home equity, savings, and investments) and add this figure to your **adjusted gross income (AGI)** from last year's tax return. Divide that result by the estimated, annual cost of college. If the result is six or less, you could qualify for financial aid. If the final number is higher, you may have a difficult time convincing financial aid officers of your need.

No matter what you expect your chances to be, it is still worthwhile to go through the application process. Many different factors enter into the final outcome. Public and private institutions alike offer varying amounts of aid, and you may be pleasantly surprised.

Funding Sources

If aid is denied by your chosen institution, there are other options. The Federal government, state government, banks, insurance companies, and religious, ethnic, civic, and fraternal organizations are a few alternative funding sources. The number of Federal aid programs available is encouraging. But keep in mind that potential future budget

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In This Issue

Becoming a Financially Savvy Single Parent

Raising children without a partner can be challenging—emotionally, physically, and financially. Challenged by the work involved in earning a living and caring for children, single parents can sometimes feel that they may never break the cycle of living paycheck to paycheck. But, even if you have a limited income, you may find that simply managing your money better can alleviate some financial problems and allow you to save for the future. Consider the following steps toward becoming a financially savvy single parent:

Analyze Your Expenses

The first step is to take stock of your situation. What are your fixed costs? How much do you pay for housing, utilities, transportation, and childcare? If these expenses alone consume most of your income, leaving you with little money for groceries or discretionary spending, consider whether some of these costs could be reduced or eliminated entirely.

If your mortgage, property taxes, and utility bills are more than you can reasonably handle, selling the house and moving to a smaller place may be your best option. It may be difficult for you and your children to leave the family home, but the prospect of having more money to spend on other things may make it worth it. Similarly, it may make sense to trade in that late-model sport utility vehicle for a more fuel-efficient or used vehicle.

If you need childcare while you are at work, there may be ways to reduce your costs. Daycare centers are often more expensive than programs offered by local religious institutions or YMCAs. If your children only require after-school care, a stay-at-home parent may be willing to help out in exchange for your babysitting services at other times. You may also want to speak to your employer about working a flexible schedule or doing some of your work at home. If you do pay for childcare, be sure to claim all available tax deductions and credits.

Control Spending, Start Saving

Next, assess areas where you can cut back on other forms of spending. By keeping a diary of all expenditures over the course of a month, you can identify some fat that could be trimmed from your budget. Simply replacing takeout with fresh, but easy to prepare, meals can save a bundle.

With your spending under control, you can start planning for the future. After establishing a fund for emergencies, think about your retirement and education goals. If your workplace offers a 401(k) plan, try to contribute at least enough to take advantage of your employer match. You may also want to consider putting money into an IRA. If paying for your children's college education—or your own—is a priority, look into several tax-advantaged accounts that can help you save efficiently.

Secure Insurance Protection

While finances may continue to be tight, it is important not to overlook the need for adequate health, life, and disability insurance. How would your children cope if you were no longer able to support them? To start, all families need health insurance. If you do not receive benefits through your employer, look into a high-deductible catastrophic policy that covers the costs of serious illness or hospitalization. Depending on your income, your children may be eligible for public health-insurance programs.

Consider also the protection offered by life and disability income insurance. Life insurance can offer funds that can be used to maintain your family's standard of living in the event of your death, and disability income insurance can replace a portion of your income if you sustain a sickness or injury that prevents you from working.

Despite your efforts to cut costs and adhere to a budget, you may still find yourself burdened with credit card debt. If possible, move the debt from higher-interest to lower-interest credit cards. Then, develop a strategy to pay down debt gradually and within your budget. In the meantime, avoid the temptation to take on new debt.

Sticking to a budget can sometimes feel like an exercise in deprivation, but it doesn't have to be if you set aside money for a few treats, like a weekly family pizza night. Even if you can only contribute small amounts, create a "fun fund" to be used for a vacation or a trip to the amusement park. Providing for a family on your own is a challenge, but it is one that can be met with careful planning.

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cuts may have an impact on some of the following popular programs, while others may remain unaffected:

Pell Grant—These grants are generally awarded to undergraduates based on need and family income. The size of the grant depends on program funding. The maximum award for the 2019–2020 award year is $6,195, and does not need to be repaid.

Federal Supplemental Educational Opportunity Grant (FSEOG)— Students who receive financial aid from the FSEOG are awarded in amounts from $100 up to $4,000. The award is determined by a student's financial situation and Expected Family Contribution (EFC). It is eligible for use at approximately 4,000 colleges and universities. The money given by the FSEOG is only available to students who are currently enrolled in school or have already been accepted for future enrollment. For those students currently finishing high school or other courses prior to college, it is important to apply for the FSEOG early due to the length of the application process, and because available funding may be granted before the completion of the process. Like the Pell Grant, the FSEOG is essentially "free money" that does not need to be repaid after student graduation.

Federal Perkins Loan— Under Federal law, the authority for schools to make new Perkins Loans ended on Sept. 30, 2017, and final disbursements were permitted through June 30, 2018. As a result, students can no longer receive Perkins Loans.

Federal Work-Study Program—This program provides an award in exchange for work. The typical school work schedule is about 12 to 15 hours per week (up to 40 hours per week during vacations). These jobs may be on or off campus, but they are generally with a government agency or non-profit organization if they are off campus (under some circumstances, a school may have arrangements with a private for-profit company). While the pay is generally modest, it is at least minimum wage. However, hours and compensation cannot exceed the Federal Work-Study award.

Direct Subsidized Loan— The U.S. Department of Education offers low-interest loans to

eligible students to help cover the cost of college or career school. Students may be eligible to receive subsidized and unsubsidized loans based on their financial need.

An undergraduate student can borrow an annual amount of $3,500-$7,500, up to a lifetime limit of $23,000, depending on grade level. For loans first disbursed between July 1, 2018, and July 1, 2019, there is a 5.05% interest rate.

Unsubsidized Stafford Loan— As of July 1, 2012, the Department of Education ceased offering subsidized loans to graduate students. However, *unsubsidized* Stafford loans are available for eligible graduate students who can borrow up to $20,500 a year, with a maximum total of $138,500.

Direct PLUS Loan—Parents of dependent undergraduate students enrolled at least half-time and graduate students are eligible for this loan. The amount of the loan is generally limited to the actual "cost of attendance" minus any financial aid already received. Parents taking this loan must pass a credit check. PLUS loans have a fixed interest rate of 7.6%.

Some states base their programs not only on need, but also on academic performance. The recipients of state loans generally must be legal residents of the state and enrolled in a college or university within their state. In addition, some states have "reciprocity agreements" with other states. Remember, you may qualify for more aid than you think, and it is always better to apply. For more information, visit the U.S. Department of Education website at www.ed.gov.

Bargain Shopping Made Easy

Does it seem more challenging these days when you grocery shop or buy gifts for family and friends to stay within a budget? Would you like to adhere to your household budget without feeling deprived? If you answered "yes" to either of these questions, the solution may be easier than you think.

Plan ahead. Seasoned bargain shoppers make a list before they go into any store and only buy what they need. A list gives you time to think about what you really need and helps avoid impulse purchases.

Here are some additional tips for saving while you shop:

- If you are loyal to a particular store, product, or brand, subscribe to the free e-newsletter on the company's website for special coupons or promotions.
- Make homemade gifts and cards for special occasions with items you have around the house. Recycle unused presents taking up closet space and give to those who will appreciate them.
- Form a neighborhood or worksite swap. Designate one day a month to trade books, DVDs, CDs, clothing, and small home items. Remember, one person's trash is another's treasure!
- Search online coupon sites for the best bargains, and also cut coupons from newspapers and magazines. Have your children join in and make it a family project. Look for restaurant coupons that advertise buy-one-get-one free or kids-eat-free nights. Supermarket coupons can also help to cut your weekly food bill.
- Plan for affordable meals each week by creating your family's menu around the weekly sales flyers.
- Switch from brand name items to generic items. You may be able to save without sacrificing quality.
- If you usually buy birthday or holiday gifts for a group of friends, get together and put everyone's name in a box. Each person can choose one name from the box to buy for. You and your friends will save money and time, while preserving the joy of gift-giving and receiving.

If you find yourself second guessing a purchase, ask yourself the following questions: Is this item really necessary? Can I pay for it without going into debt? Do I need it right now?

Bargain shopping can be fun and easier than you think. By applying some of these saving tips and refraining from impulse buying, you may be able to live within your means while still enjoying life's simple pleasures.