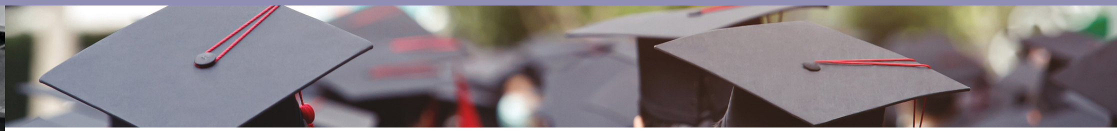
PRISM PLANNING & SOLUTIONS GROUP, LLC

Saving For College Newsletter



FROM YOUR ADVISOR

Welcome to the inaugural issue of the Prism Planning and Solutions Group newsletter. Each newsletter will have some comments from me that are timely and headline related about things that I think will have an effect on investment strategies and portfolios. We will also include an article and actionable ideas related to a theme for the month, such as saving for college or estate planning, as well as something of interest related to IRAs; as an Ed Slott Master Elite Advisor this is a particular area of expertise for us. We will include something about the Prism team members, and finally we will list our upcoming events both virtual and in person. We love feedback, so let us know what you think and what you'd like us to cover in a future edition by emailing us at info@ppsgrp.com. Thanks for reading on!

COLLEGE SAVINGS MONTH

Let's talk about 1) should you try to accumulate enough savings to pay for your children to attend college and 2) where should you save.

My answer to 1) is maybe. If you feel strongly that you want to make every sacrifice necessary to ensure your children can afford attend whatever school they want without having to contribute themselves towards the cost or have debt when they graduate, it's not up to me to criticize that philosophy. Over the last 20 years that goal has become out of reach for most people without risking completely impoverishing themselves. I encourage you to help your children become responsible financial adults by including them in the process of planning for and paying for their college education. As parents you understand that life involves making trade-offs and sacrifices. The sooner your children learn about delayed gratification the better chance they have of being financially successful adults. So, start saving what you can afford for college when they are very young and let them know you are making sacrifices today to help them attend college. Start them on an allowance when they are young and teach them to save part of that allowance, so they learn to delay gratification. When they're very young, waiting a week can be a long time away; as they get older the goals can get bigger such as buying a car. Even if you can afford to buy the car for them when the time comes you will have given them an invaluable lifetime gift by getting them in the habit of saving some of their income for something they may want in the future.

UPCOMING EVENTS

Join us for our monthly zoom call, Thursday September 14th, 2023, at 6PM

Click here to register
Sharon@PPSgrp.com
Include in the subject line:
Sept 14 Call

Click here to be invited to future monthly zoom calls
Sharon@PPSgrp.com
Include in the subject line:
Future calls

Prism Planning and Solutions Group
Financial Planning & Execution

COLLEGE SAVINGS MONTH

Your children will benefit the most from their education, not you. Impoverishing yourself and compromising your own long term financial security to fund their education could actually increase the risk that you end up financially dependent on them as you get older. Since that is probably the last thing you want to do, seek a balance between planning for your own financial security and funding their education. Think about the message we hear at the beginning of every airplane flight we take; when traveling with someone who needs assistance put your own mask on first then help the other person.

Once you've decided to save for your children's college what's the best way to do that. Once again, it depends. Generally, the more control you retain over the money the fewer tax advantages you'll have.

You can use a savings account in your name, a UTMA, a 529 and a Roth IRA; see the sidebar for more details.

"ALL THINGS IRA" CORNER

5 FAQs on the Roth IRA 5-year Rules

- There are two different 5-year rules for Roth IRA distributions: the "5-Tear Forever Rule" and the "5-Year 10% Penalty Rule".
- If a distribution from a Roth IRA is "qualified," the entire distribution (including earnings) is tax free.
- The 5-Year 10% Penalty Rule is never an issue once an individual reaches age 59 ½. The 5-Year Forever Rule could still be an issue.
- Inherited IRAs are never subject to the 10% penalty regardless of the age of either the owner or the beneficiary, but the 5-Year Forever Rule will apply.
- Custodians report both Roth IRA contributions and conversions on Form 5498.

Julia Peloso-Barnes, CFP® is a member of Ed Slott's Master Elite IRA Advisor Group™. For more information on anything mentioned in the "All Things IRA" Corner please email Julia at Julia@PPSgrp.com or schedule a call/zoom here.

www.ppsgrp.com/meet-the-team

KEY POINTS

- A savings account in your own name (maximum control, all earnings taxable to you)
- Uniform Trust for Minors Account (UTMA)
    - A "completed gift" so taxable to your child, but he/she/they may withdraw the entire balance at 18 or 21.
- 529 account
    - Earnings may be completely tax-free if used for qualified higher education expenses.*
    - You retain control, and may change who benefits from the account.**
    - Each state has its own, and there may be state-specific advantages to using the one specific to your state of residence.
- Roth IRA
    - Contributions may be withdrawn without penalty and used for college expenses, leaving earnings to grow tax free for your retirement.

Each option has considerations, so please consult both your tax adviser and a CERTIFIED FINANCIAL PLANNER™ to learn more about which choices would be best for you. Click HERE for more resources related to savings for college.

www.ppsgrp.com/saving-for-college