

ALPINE PERSPECTIVES

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College Funding-Sensible Recommendations.

Most investment portfolios declined in value over the last couple of years but the cost of attending a public or private four year college has increased an average of 5-7% per year over the last ten years. What is a parent to do?

Plan Ahead if possible. Start by discussing with the future college student what is reasonable and affordable two to three before the application process. From my own experience I know how difficult it can be to get a 16 year old to understand the concept when all they think about is becoming of legal age to drive. But by managing expectations early, the graduating high school senior will better understand that the "dream" private school may not fit in the budget.

Be Cost Conscious. One cost saving option for some students and parents may be attending a community college for the first two years while living at home. Some four year colleges have "articulation agreements" with two year schools that guarantee that the four year school will accept the credits earned at the two year school. Transfer students that have maintained a high grade point average may find less competition when transferring after two years than if applying as a freshman to the "elite" school. I would encourage parents not to ignore small private colleges, particularly those that not located on the coasts. Many private colleges are very generous with financial aid to the point where when comparing the total cost to a public university the cost may be lower.

Shop For Loans. All parents, regardless of income should fill out the Free Application for Federal Student Aid (FAFSA) even if they do not expect to receive aid based on need. The FAFSA determines the "expected family contribution" which is based on income and assets. By filling out the FAFSA the student becomes eligible for Stafford loans. Subsidized and unsubsidized Stafford loans are need based and not a function of credit scores. Subsidized Stafford loans have the lowest rates and some-what friendlier repayment terms. Unsubsidized Stafford loans are currently at 6.8% with no collateral or a co-signer needed. For both loans required payments are deferred as long as the student is enrolled for at least half of a full credit load. PLUS loans are another federal loan program for student's parents. These loans typically have higher fixed interest rates (7.9% or 8.5%) and there is a credit check...although the credit check is not as stringent as for some private loans.

Federal & State Tax Breaks. The recently passed American Recovery and Reinvestment Act created an expanded version of the Hope Scholarship tax credit: the American Opportunity tax credit, which is set to expire after 2010. The new credit can save taxpayers up to \$2,500 in tax per student if they spend at least \$4,000 per calendar year on tuition, fees, books, and materials. If the parent owes less federal income tax than the credit there is a \$1,000 refund per student. The credit is subject to phase-out with adjusted gross income of greater than \$160,000 for married couples or \$80,000

for single tax payers. One caveat: parents cannot claim the credit for expenses paid with a 529 plan. Thus parents may want to adjust 529 withdrawals to allow the use of the new credit. The tax credit is dollar for dollar on the first \$2,000 of expenses and \$0.25 on the dollar for the next \$2,000 of expenses

529 Plans. If possible take advantage of the tax benefits of your states plan. The benefit for a tax payer using the College Invest 529 Colorado plan is \$43 per \$1,000 of contributions, assuming the taxpayer is taxed at the highest marginal rate of 4.63%. Colorado is one of five states with a very high ceiling for 529 contributions...\$280,000 cumulative per beneficiary. College Invest portfolios also benefits from low expenses and good investment vehicles offered through Vanguard.

Coverdell ESA's. These plan are useful if planning very early in a students life as the funds can be used to cover K-12 education expenses. However, they cannot be funded after the student reaches age 18, and the low contribution limit of \$2,000 per year make them less attractive than a 529 (the K-12 benefit expires and the contribution limit falls to \$500 at the end of 2010). There is no tax benefit to an ESA account and the funds must be used for qualified education expenses.

Saving for higher education requires formulating a plan, monitoring factors that impact the plan, and having the discipline to periodically set aside funds. As your financial planner we can help you achieve these goals.

The Inflation/Deflation Investment Portfolio Dilemma.

Obviously a time of great economic uncertainty and depending which direction you take with your portfolio could have dramatic implications for long term returns. Let me start out by saying that nobody has a crystal ball and tarot card reading is for entertainment. So...what to do? You could do nothing and maintain a buy and hope strategy that given your portfolio's current construction, will hopefully meet the goals and objectives you have identified in your financial plan. You could role the dice on inflation and bias your portfolio with assets that will rise as the rate of inflation does. Or you could lean toward the deflationary scenario and over-weight in assets that will increase in value as deflationary forces work their way through the economy. Or throw your gauntlet down the middle and pray that the future economic landscape resembles past with the traditional 60%

stocks/40% bonds portfolio mix. Of course another variable that must be considered is the rate at which the inflation/deflation occurs. A catalyst for either scenario that causes a sudden and dramatic economic reaction may result in further changes to your asset allocation. A majority of your success will depend on: obtaining quality economic and financial information from sources which are reliable and unbiased, your ability to choose assets that efficiently and effectively capture the economic scenario unfolding, being positioned for changes in inflation expectations, and successfully managing the changing of risk in financial markets. These decisions must be evaluated: in the context of your personal risk attributes, the risk/reward profile of the assets classes you choose, and your ability to achieve your desired personal and financial goals. The make up and amount of your

fixed income allocation will be dramatically different for an inflationary environment versus a deflationary environment. Your equity exposure would also bias different companies depending on the rate of inflationary forces. Another strategy is to maintain a core asset allocation and take positions in assets that will provide a hedge or "insurance" if events do not turn out as you anticipated. Because business cycles are inevitable, politics are a distasteful reality, human error is likely, and markets are not always efficient, it is important that risk be monitored so that portfolio adjustments can be made if necessary. Life altering events such additions to family, major illness, career changes, and major asset purchases may also require a change in your financial plan and thus your investment portfolio. Our current thesis at Alpine Financial Advisers is continued risk aversity.

A Haberdash Of Helpful Hints.

Ladies, do you have a diamond ring with a gold prong setting? Have you had the prong setting checked lately? Gold being a relatively soft metal can wear down with everyday activities. In particular the tip of the prongs that hold the stone in the ring are prone to wearing down or breaking without warning. A setting inspection is usually free and a resetting is a lot less expensive than buying a new stone to replace your lost one.

Men, if you don't already would you like to take over the responsibility of buying your shoes? Follow these guidelines when choosing shoes.

1. **Black shoes** work well with navy, grey or black pants.
2. **Brown shoes** are best suited to tan, brown, beige, greens, other darker earth tones.

3. **Burgundy shoes** work well with khaki, lighter browns, blue and grey.
4. **Tan shoes** look great with lighter earth tones, blue, beige, lighter tan or white.
5. **Match** your belt to your shoes.

Delicious wines for under \$10.00

1. Beringer Cabernet Sauvignon
2. Bogle Merlot
3. Chateau St. Michelle Chardonnay
4. Monkey Bay Sauvignon Blanc
5. Rosemont Shiraz
6. Pepperwood Grove Cabernet Sauvignon
7. Red Truck Table Wine
8. Bogle Old Vine Zinfandel

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