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Last month was "Financial Aid Awareness" month, which is why we are dedicating this entire issue to family budgeting, college savings plans, and education costs.

While tuition prices continue to rise, the good news for parents and grandparents is: you have options.

And the earlier you can get started saving for college, the better!

Everybody's financial "personality" and starting balance is different, so it's important to get professional advice on how to best fund a college education.

Feel free to call the Bodnar Financial office to discuss opening a college savings plan for your child or grandchild in 2016. Or just to say hello. We always like hearing from you!

Spring 2016

When a Saver Marries a Spender, Every Penny Counts

Financial Tips for Going Back to College at Any Age

What You Need to Know About Private Student Loans

Can you separate college financial aid myths from facts?



BODNAR FINANCIAL ADVISORS INC

Client Quarterly Newsletter

When a Saver Marries a Spender, Every Penny Counts



If you're a penny pincher but your spouse is penny wise and pound foolish, money arguments may frequently erupt. Couples who have opposite philosophies regarding saving and spending often have trouble finding common ground. Thinking of yourselves as two sides of the same coin may help you appreciate your financial differences.

Heads or tails, saver or spender

If you're a saver, you love having money in the bank, investing in your future, and saving for a rainy day. You probably hate credit card debt and spend money cautiously. Your spender spouse may seem impulsive, prompting you to think, "Don't you care about our future?" But you may come across as controlling or miserly to your spouse who thinks, "Just for once, can't you loosen up? We really need some things!"

Such different outlooks can lead to mistrust and resentment. But are your characterizations fair? Your money habits may have a lot to do with how you were raised and your personal experience. Being a saver or a spender may come naturally; instead of assigning blame, try to see your spouse's side.

Start by discussing your common values. What do you want to accomplish together? Recognize that spenders may be more focused on short-term goals, while savers may be more focused on long-term goals. Ultimately, whether you're saving for a vacation, a car, college, or retirement, your money will be spent on something. It's simply a matter of deciding together when and how to spend it.

A penny for your thoughts?

Sometimes couples avoid talking about money because they are afraid to argue. But talking about money may actually help you and your spouse avoid conflict. Scheduling regular money meetings could help you gain a better understanding of your finances and provide a forum for handling disagreements.

To help ensure a productive discussion, establish some ground rules. For example, you might set a time limit, insist that both of you come prepared, and take a break in the event

the discussion becomes heated.

Communication and compromise are key. Don't assume you know what your spouse is thinking--ask--and be willing to negotiate. Here are some questions to get started.

- What does money represent to you? Security? Freedom? The opportunity to help others?
- What are your short-term and long-term savings goals?
- How much money is coming in and how much is going out? Never assume that your spouse knows as much about your finances as you do.
- How comfortable are you with debt, including mortgage debt, credit card debt, and loans?
- Who should you spend money on? Do you agree on how much to give to your children or how much to spend on gifts to family members and friends, for example?
- What rules would you like to apply to purchases? One option is to set a limit on how much one spouse can spend on an item without consulting the other.
- Would you like to set aside some discretionary money for each of you? Then you would be free to save or spend those dollars without having to justify your decision.

Once you've explored these topics, you can create a concrete budget or spending plan that reflects your financial personalities. To satisfy you and your spouse, make savings an "expense" and allow some room in the budget for unexpected expenses. And track your progress. Having regular meetings to go over your finances will enable you to celebrate your financial successes or identify areas where you need to improve. Be willing to make adjustments if necessary.

Finally, recognize that getting on the same page is going to take some work. When you got married, you promised to love your spouse for richer or poorer. Maybe it's time to put your money where your mouth is.



Education Tax Benefits

Several education tax credits and deductions could help reduce the cost of college or vocational training, including the American Opportunity credit, the Lifetime Learning credit, and the student loan interest deduction. To learn more, consult a tax professional or IRS Publication 970, Tax Benefits for Education.

Financial Tips for Going Back to College at Any Age

You're never too old to learn, but you might be wondering how you can meet your educational goals without breaking the bank. Believe it or not, there are ways to make college more affordable no matter what your age.

In your 20s

Perhaps you weren't ready to go to college immediately after graduating from high school. You took time off to travel, work, raise children, or pursue a military career. But after getting some "real world" experience under your belt, you've decided now is the time to go back to college.

Should you jump into a four-year bachelor's program or a two-year associate's degree? The answer may depend on what you want to study, how much time you have to devote to your studies, and how much you can afford. Keep in mind that federal financial aid eligibility is based on a student attending school on at least a half-time basis. Also bear in mind that the more time you spend in school, the higher the overall tuition bill and the more money you may need to borrow--and pay back.

Certificate or vocational training programs may also be worth considering as viable alternatives to more traditional four- or two-year options. Usually, they are less expensive and can be a faster way to build a skill set needed to start your career.

If you spent time in the military, you could be eligible for education benefits that may cover the cost of tuition/fees, housing, and books. To learn more about available benefits and eligibility requirements for military members, visit benefits.va.gov.

In your 30s, 40s, and 50s

The prospect of paying for college may seem impossible if you're struggling to balance your family life, job, and finances. It might make sense, though, if you need or want to upgrade your job skills or change your career.

Some employers offer tuition reimbursement benefits to help employees improve their skills or gain new skills. This can be a very valuable financial resource, so check with your human resources department to see if your company offers tuition benefits. However, employers typically require employees to remain at the company for a certain length of time after the benefits are paid, so make sure to check out the details.

If you have a particularly hectic schedule, registering for night classes, online classes, or as a part-time student may be more convenient for you.

Nontraditional class times or virtual attendance can also be more cost-effective by eliminating additional expenses like the cost of commuting or housing that are associated with conventional enrollment.

If you're in your 50s, it may be worth looking into colleges supported by programs like the American Association of Community Colleges Plus 50 Initiative. This program provides funding to community colleges for the creation and expansion of campus programs that target individuals aged 50 and older who seek workforce training or preparation for a new career. To see colleges in your area that are associated with the initiative, visit plus50.aacc.nche.edu.

In your 60s and beyond

If you're approaching retirement or already retired, you might be inspired to pursue a college degree or attend classes merely for educational enrichment. If so, you don't necessarily have to tap into your retirement funds to pay for college.

A growing number of state universities and community colleges offer a selection of tuition-free classes for older students. Other schools may offer reduced tuition based on your age.

And if you don't mind learning online, massive open online courses (MOOCs) could be a cost-effective option. MOOCs offer a wide variety of classes at little or no cost, allowing you to quench your thirst for more knowledge on a variety of topics at the time of your choosing.

Tips for all ages

Renting textbooks, registering for online courses, and applying for financial aid are examples of money-saving strategies that could help a college student at any age. Remember that most students are eligible for some form of financial aid, so you will want to fill out the federal government's Free Application for Federal Student Aid (FAFSA) to determine how much aid you might be eligible for. To learn how much aid you might receive, visit a college's financial aid office, run a college's net price calculator on its website, or visit fafsa.ed.gov.

If you receive a smaller amount of financial aid than you hoped, research local, state, and national scholarships. Accomplishments you've made over the years from your nontraditional education path could help you qualify.





Students and parents borrowed \$106.1 billion in education loans in 2014-2015. (Source: Trends in Student Aid, College Board, 2015)

What You Need to Know About Private Student Loans

It's an unfortunate trend in college pricing--the average cost of tuition and fees at four-year public and private institutions are significantly higher than they were just a decade ago. For example, the average published tuition and fee price of a full-time year at a public four-year institution is 40% higher, after adjusting for inflation, in 2015-16 than it was in 2005-06. (Source: Trends in College Pricing, College Board, 2015) As a result of these rising costs, many individuals have to rely on student loans to help fund their college education.

Will I have to take out private loans to finance my college education?

What can be surprising to many first-time student borrowers is how little federal student loan debt they may be allowed to take on. Currently, the maximum amount students can borrow for college in federal Direct Stafford Loans is \$5,500 during their first year, \$6,500 during their second year, and \$7,500 during their third and fourth years. (Source: Federal Student Aid, U.S. Department of Education, 2015)

In most cases this amount is not nearly enough to cover the cost of attending a four-year college, and many student borrowers must look to private student loans to help close this gap. And while taking out private loans to pay for college is a fact of life for many individuals, there are some important questions you'll want answered before taking out these types of loans.

What is the interest rate on the loan?

Private student loans tend to have higher fixed interest rates than federal Direct Stafford Loans. However, depending on the lender, you may be able to choose a loan that offers a lower variable interest rate.

Keep in mind that with a fixed rate, the interest rate remains the same from the day you take out the loan until the day you pay it off. With a variable rate, your interest rate may initially be lower than a fixed rate but then will be adjusted periodically to keep up with changes in market conditions. If your interest rate rises, your monthly payment and/or the number of payments required will increase.

What repayment options are available?

Unlike federal student loans, which offer repayment programs such as pay as you earn, income-based repayment plans and student loan forgiveness, private lenders are not required to offer specific repayment assistance to borrowers struggling to make payments.

However, most private student loan companies do offer limited forms of repayment options, such as loan forbearance or extended repayment schedules. The types of repayment programs offered will vary from lender to lender.

Is a co-signer required?

Some private lenders may require borrowers to have a co-signer guarantee a loan, especially if a borrower has little or no credit history. Having a co-signer may also help you obtain a lower interest rate for your loan and improve your chances for loan approval.

The good news is that the co-signer doesn't necessarily have to be tied to the loan forever. Most lenders will allow borrowers to apply for a co-signer release after a certain number of on-time payments have been made and other loan conditions have been met.

Are the terms of the loan favorable?

As a result of recent increased regulatory scrutiny surrounding private loans, many of the larger lenders have improved the lending process by offering more attractive loan terms.

For example, certain lenders have eliminated "auto defaults," which is when a co-signer dies or declares bankruptcy and the lender demands that the loan be paid back immediately by the borrower. Others have made the process for obtaining a co-signer release easier and more transparent. Loan costs, discounts, terms, and conditions can differ greatly, depending on the lender. It's important to thoroughly research each potential lender and carefully compare all offers before signing a loan agreement.

Are other financing options available?

When it comes to using private loans to pay for college, student borrowers should try to graduate with the least amount of private student loan debt possible. It's generally a good idea to exhaust all federal student loan options and avoid taking out loans for the maximum amount that is offered by private lenders unless absolutely necessary.

Additional financing options should also be considered, such as:

- Parent PLUS loans
- Grants or scholarships
- Parent/family loans
- State-sponsored student loan programs
- Part-time employment



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Can you separate college financial aid myths from facts?

For all you parents out there, how knowledgeable are you about college financial aid?

See if you know whether these financial aid statements are myth or fact.

1. Family income is the main factor that determines eligibility for aid. Answer: Fact. But while it's true that family income is the main factor that determines how much financial aid your child might receive, it's not the only factor. The number of children you'll have in college at the same time is also a significant factor. Other factors include your overall family size, your assets, and the age of the older parent.

2. If my child gets accepted at a more expensive college, we'll automatically get more aid. Answer: Myth. The government calculates your expected family contribution (EFC) based on the income and asset information you provide in its aid application, the FAFSA. Your EFC stays the same, no matter what college your child is accepted to. The cost of a particular college minus your EFC equals your child's financial need, which will vary by college. A greater financial need doesn't automatically translate into more financial aid, though the

more competitive colleges will try to meet all or most of it.

3. I plan to stop contributing to my 401(k) plan while my child is in college because colleges will expect me to borrow from it. Answer: Myth. The government and colleges do not count the value of retirement accounts when determining how much aid your child might be eligible for, and they don't factor in any borrowing against these accounts.

4. I wish I could estimate the financial aid my child might receive at a particular college ahead of time, but I'll have to wait until she actually applies. Answer: Myth. Every college has a college-specific net price calculator on its website that you can use to enter your family's financial information before your child applies. It will provide an estimate of how much aid your child is likely to receive at that college.

5. Ivy League schools don't offer merit scholarships. Answer: Fact. But don't fall into the trap of limiting your search to just these schools. Many schools offer merit scholarships and can provide your child with an excellent education.



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