

# BEDEL FINANCIAL CONSULTING, INC.

Financial Planning and Investment Management

## Summer 2017 College Costs: What's a Parent to Do?

By: Deanna Turner  
Client Service Administrator

Whether it's the moment you first hold your newborn in your arms, send her off to preschool or watch him cross the line in a kindergarten relay race, every parent faces this daunting realization: College is going to cost a BUNDLE! How are we ever going to afford THAT?

For decades, the cost of college has been increasing at a rate higher than inflation. While overall tuition rate hikes have begun to slow in recent years, the price tag is still pretty steep. According to [collegedata.com](http://collegedata.com), a "moderate" college budget for an in-state public college for the 2016-2017 academic year averaged \$24,610. So what's a parent to do?

### Just say Y.E.S.

**(Y) You.** Before you make contributions to an education savings vehicle, you should ensure that your own financial house is in order. Are you actively saving for retirement? Do you have an emergency fund in place? Remember: You can borrow for college, but you can't borrow for retirement!

**(E) Expense expectations.** Once you're taken care of, you can focus on saving for your child's education.

**(S) Savings.** Finally, set aside some money in a traditional savings account. This bucket can help

offset costs that might not qualify as educational expenses under an education savings plan.

**How much should I save?** The amount you'll need to save for your child's education can vary greatly depending upon several factors. Here are some key questions to help you calculate that number:

- What school(s) is your child considering attending and what is the current annual attendance cost?
- At what rate do you expect college costs to increase annually?
- How many years do you have to meet your savings goal? Will you continue saving while your child attends college?
- What percentage of the cost will you cover? What percentage will your child contribute?
- What is a realistic expectation for your annual investment return?

Once you've answered these questions, you're ready to determine the best type of savings vehicle to use for your child's education funding.

### What's a 529 Plan?

The most common way to save for college is a 529 Plan, an education savings plan operated by a state or educational institution. Every state now offers a 529 plan and each is unique to the state that administers it. The plan funds can be used at any accredited U.S. college or university and even some foreign institutions.

529 plans have numerous advantages over other college saving plans, including:

- Qualifying expenses include tuition, room and board, books and other fees related to post high-school education.
- Investments grow tax-deferred. You don't have to pay federal or state income tax on distributed funds used for qualified college costs.
- The named beneficiary has minimal to no rights to the funds within the plan. The account owner



retains control of the account and determines when withdrawals can be taken and for what purpose.

- Everyone is eligible. There are no income limitations or age restrictions.
- The 529 Plan is considered an asset of the parent/account owner when determining eligibility for federal financial aid. This is beneficial when applying for student aid, as the 529 Plan's dollar value carries less weight if not owned by the student (5.6% or less versus 20%).

### Benefits of the Indiana CollegeChoice 529 Savings Plan

Indiana's 529 Plan has some additional advantages, including:

- Accounts can be linked to the Upromise rewards service. As you earn money back for things like dining and shopping online, you can add any cash back earnings to your 529 Plan.
- The minimum contribution amount is \$25.00.
- There are no Indiana residency requirements; however, non-Indiana residents are subject to a \$20 annual maintenance fee. The fee is waived for accounts valued at \$25,000 or more.
- Indiana taxpayers are eligible for a 20 percent state income tax credit for contributions made to the plan. The maximum annual credit is \$1,000 per taxpayer and there is no carryover.

The costs associated with saving for your child's education can come with quite a bit of sticker shock. Just remember, preparation is the key. Your planner at Bedel Financial can help you determine the best account for your individual situation.

Contact Deanna if you have questions or would like additional information regarding this topic.

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# BLT Corner

## Moving Right Along



Each season follows the next so quickly. One day you're getting the kids ready for the new school year and the next, you're enjoying holiday displays as you shop! While life slows down for no one, we want to stop and take a moment to bring you up to speed about what's been happening at Bedel Financial and give you a heads up on our fall events.

First of all, we'd like to thank intern Sarah Denham who assisted our financial planning team this summer. Currently she's back at Indiana State where she'll earn her finance degree this spring. Go Sycamores! And thanks, Sarah!

Recently our team has been concentrating on implementing new technology. Over the next few months, you'll likely notice enhancements to our service. You can expect changes on how we present information during client meetings and how we report your portfolio's progress in our

quarterly investment updates. As always, our goal is to improve your experience by providing you with more timely and useful information.

### Save the date

Bedel Financial is sponsoring several events this fall at the Meridian Hills Country Club. You'll receive more details closer to each event. But we wanted to give you advance warning so you can get these dates on your schedule.

First, on October 17th, Liz Ann Sonders, Chief Investment Strategist from Charles Schwab, will make a return appearance to BFC at our Bedel Financial Forum. She always has great insight into global and domestic economies and the potential reactions from the markets.

Then, on the morning of December 16th we've put together a totally new event for you and your family. Elaine has made many new connections in her role with IEDC. This year she's arranged for Santa Claus to visit us. As you know, this is a busy time for Mr. Claus, so we're very fortunate to have him here for his last dress rehearsal before the big event. Bring your children and grandchildren!

That's all for now. We hope the new technologies we're implementing will be helpful to you. As always, we appreciate the opportunity to work with you and we value your confidence in us.

With warmest regards,

*The Bedel Leadership Team*

**Evan Bedel, CFP®**

*GenNext Advisor, Director of Strategy & Finance*

**Meredith Carbrey, CFP®**

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*Sr. Portfolio Manager, Director of Investment Management*

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*Sr. Wealth Manager, Director of Financial Planning*

**Cassi Vanderpool**

*Director of Administration, Chief Compliance Officer*

**Bill Wendling, CFA**

*Sr. Portfolio Manager, Chief Investment Officer*

*Be sure to follow us on social media!*



## Industry News

### Will the DOL's Fiduciary Standard Rule Affect You?

By: Cassi Vanderpool

*Director of Administration, Chief Compliance Officer*

If you've heard about the Department of Labor (DOL) Fiduciary Standard Rule but are unsure how it will actually affect you, you're not alone. It's been a source of confusion ever since it was announced by the DOL late last year. But don't worry. We've done that work for you. Here are the main points you should know.

The DOL Fiduciary Rule impacts the "standard of care" provided by broker-dealers and financial advisors when managing their clients' retirement accounts. The ruling increases the previous standard of care for clients' accounts from a suitability level to a fiduciary level. The fiduciary level is the highest level of care in the industry. Broker-dealers and financial advisors that serve as fiduciaries have a much higher level of accountability compared to the suitability standard. While these terms are not new in the financial industry, they may be new to you. Here are the responsibilities at each level:

- **Suitability Level.** To abide by the law, an advisor can recommend any investment

option that meets the client's defined goals to be considered appropriate.

- **Fiduciary Level.** An advisor is required to recommend investment options that not only meet the client's goals but are also in the best interest of the client. This removes any possible conflicts of interest for the advisor.

Does this ruling impact all investment accounts? No. It is important to note that the ruling and the increased fiduciary requirement is only applicable to retirement accounts such as a 401(k), 403(b), pension plans or IRAs. Rule of thumb: If the account has a tax-deferred feature, it's most likely impacted by this ruling.

Even though the Fiduciary Standard Rule was initially scheduled to take effect on April 10th, it wasn't until June 9th that the ruling became law. Although we have always served our clients at the fiduciary level, you may notice a new step when speaking with your advisor about rolling over your retirement account. As part of the new law, an acknowledgement form must now be presented which explains the specific benefits of rolling over an employer-sponsored retirement plan. By signing this form, the client confirms they understand the reasons for the

recommendation and agree it is in their best interest, thereby meeting the new fiduciary standard.

While the DOL ruling may greatly impact how many other advisors work with their clients, because you've partnered with Bedel Financial Consulting, this new law will not impact our relationship. We have always felt serving as a fiduciary was the best option for our clients. Of course, if you ever have any questions as to why your advisor is making a recommendation, please don't hesitate to ask for more details so you can fully understand why.

*Contact Cassi if you have questions or would like additional information regarding this topic.*

If you would like to receive a copy of our ADV Part 2, please visit our website ([www.BedelFinancial.com](http://www.BedelFinancial.com)) or contact us at [Bedel@BedelFinancial.com](mailto:Bedel@BedelFinancial.com).

# GenerationNeXt

## Practicing What I Preach: 3 Ways to Cut Expenses

By: *Kate Arndt, CFP® Candidate*  
*Financial Planning Coordinator*

At the beginning of June I wrote an article about the adjustments new college graduates face as they enter the workforce. In it, I provided tips on how to best manage the sudden change in lifestyle. I must admit that although I've had one year to hone in on my personal finances, I still tend to stray from my budget in certain areas.

It's time for me to practice what I preach! To get back on track, I identified my three biggest budget busters. For the next three months I will challenge myself to break out of my careless spending habits.

### August's Challenge: no coffee

With Starbucks' mobile ordering system, picking up coffee before work has become effortless. I'm on a first-name basis with one of the baristas. I guess that makes me a regular! The worst part about my coffee habit is that I'm cognizant of what I'm spending and how it negatively affects my wallet. But my love of caffeine and convenience often outweighs my quest for frugality. With that being said, for the entire month of August I will not

spend a dime on take-out coffee - or my guilty pleasure, cake pops!

### September's Challenge: no shopping

Our office is dangerously close to The Fashion Mall. That has proven to be both a blessing and a curse. I've spent countless lunch breaks roaming through the stores. While it has upped my step count, my bank account has suffered! Money spent on clothing racks up quickly. For the month of September I vow not to step foot inside a single clothing store. I'm not a big online shopper but, for the purpose of this challenge, online shopping will also be off limits.

### October's Challenge: envelope budgeting

For those of you who didn't catch my last article, envelope budgeting is when you pay for certain categories of your budget in cash only. The idea of this type of budgeting is to control spending. Once you run out of cash, you're done with that category of your budget until next month, no exceptions allowed. I will be allocating my entire "going out" budget of \$200 to cash for the month of October. Since I Uber every time I go out, I will also be tracking these costs closely.

### Bring it on!

If there are weak spots in your budget, I challenge you to join me. Perhaps you eat out for lunch rather than pack your lunch. Or maybe you waste your grocery money by allowing all those fruits and vegetables to go bad in the fridge. What are your three biggest budget busters? Once you trim away unnecessary and wasteful spending, you pave the way toward meeting your financial goals. So, how about it - are you up to the challenge?

I'll check back in the November newsletter to recap my experiences and share any lessons learned along the way. Wish me luck!

Contact Kate if you have questions or would like additional information regarding this topic.

Be sure to sign up for our  
GenNeXt blog at  
[www.BedelFinancial.com/](http://www.BedelFinancial.com/)  
subscribetoblog!

## Q&A

### 529 College Expense Plans - Does This Expense Qualify?

By: *Kathy Hower, CFP®*  
*Sr. Wealth Advisor, Director of Financial Planning*

Do you know which post-high school educational expenses qualify for tax-free reimbursement from your child's 529 account? It's important to know what expenses do qualify in order to avoid paying taxes and a penalty. You receive reimbursement tax-free from the account for a qualifying education expense. A non-qualified withdrawal requires payment of ordinary income taxes plus a 10 percent penalty tax on the earnings portion of the withdrawal. Your contributions are never taxed when withdrawn; only the earnings on those dollars are taxed and possibly subject to penalty.

Here are the answers to questions regarding some non-traditional college expenditures.

**Q:** Do expenses for studies at any post-high school educational facility qualify?

**A:** No. The school must be an accredited university, vocational school, community college or other accredited institution.

**Q:** What if my child lives off-campus?

**A:** Rent can be reimbursed up to the amount of the cost of a dorm at the university. Meal costs can be reimbursed up to the amount of a meal plan available through the school.

**Q:** Does the cost of airfare for a student studying abroad qualify for tax-free reimbursement? What about tuition, supplies, room and board?

**A:** Airfare is not reimbursable without penalty. Tuition, supplies, and room and board qualify; however, the penalty-free reimbursement amount is limited to the cost your child would incur at their school in the U.S.

**Q:** What if my child receives a scholarship?

**A:** An amount equal to that of the scholarship can be withdrawn from the 529 account without penalty. However, you will owe taxes on the earnings portion of your withdrawal.

**Q:** Can I use the 529 money to pay for my child's involvement in sports or fraternal organization?

**A:** No. These expenses do not qualify for a tax-free withdrawal.

**Q:** What if I withdraw more from the 529 account than expenses incurred?

**A:** Roll the "overage" amount into a different 529 account within 60 days to avoid taxes. Keep in mind that you can only do one rollover per year. If you don't catch it until after year-end, you'll have to pay taxes and the penalty on the earnings portion of the overage.

**Q:** Can I claim the \$2,500 American Opportunity Credit on my federal tax return and take reimbursement from my 529 account for all qualifying expenses?

**A:** No. You'll need to reduce your 529 reimbursement by \$4,000, which is the amount required to receive the full credit. If you don't, you'll owe taxes plus the 10 percent penalty on the earnings portion of the \$4,000. No double-dipping!

If you're unsure whether an expense qualifies for tax-free reimbursement, contact us for clarification. You can also reference IRS Publication 970 for a summary of qualifying expenses.

Contact Kathy if you have questions or would like additional information regarding this topic.

- **Save the Date! On Saturday, December 16, bring the kids or grandkids and join us at Meridian Hills Country Club for BFC Time with Santa. Enjoy light refreshments and a special meeting with Santa himself. More details will be sent out soon!**

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## Corporate Calendar

**Bedel Financial Consulting will be closed  
for business on the upcoming days:**

Sept. 4

Nov. 23

Nov. 24

Dec. 25

Labor Day

Thanksgiving Day

Day After Thanksgiving

Christmas Day

Please remember that past performance may not be indicative of future results. You should not assume that any information or any corresponding discussions serves as the receipt of, or as a substitute for, personalized investment advice from Bedel Financial Consulting, Inc. Portfolio Managers. The opinions expressed are those of Bedel Financial Consulting, Inc. and are subject to change at any time due to changes in market or economic conditions.

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