



Report: The benefits of asset sheltering

Do you remember Jeff Foxworthy's redneck jokes? “If your porch falls down and kills more than seven dogs... you might be a redneck.” Or how about Saturday Night Live after the 9/11 attacks, “If you address includes “a cave”... you might be a terrorist.” Well, we have our own series... but they're not jokes.

If you have been a saver since your child was born... you might have problem. If you have listened to your tax adviser... you might have a problem. If you have listened to your accountant or financial planner... you might have a problem. If you invested in a 529 plan or a custodial account... you might have a problem.

Most of the assets that many families have invested for college and other purposes create many problems that they nor their advisers never counted on. If you have not found out already, you will find out soon that many savings instruments, particularly those designed for college savings, might be very tax efficient; but they are lousy places to have money when you are getting ready to pay for college. A savings plan that may have saved you a couple hundred dollars on taxes will often wind up costing you thousands of dollars in lost aid.

So what can you do? Often the answer is in what we call sheltering. This isn't tax sheltering but financial aid sheltering.

Let me share an example with you...

I recently met with a family of five who were preparing to send their first child to college. Their son had done an admirable job of saving for his college, but the manner in which they saved was going to cost them about \$8,000 per year in available aid. After sheltering the son's savings, we were able to reduce his expected costs from around \$10,000 per year to \$2,000 per year.

And let me be very clear on this point right now. There is nothing unethical about sheltering a family's assets to increase their availability of aid. It makes no sense what so ever to penalize one family thousands of dollars and not penalize another family a dime simply because one may have knowingly, or more likely unknowingly, saved money in a fashion that did not hurt them. What is unethical is putting people deep into debt simply because they did not understand the rules when they first started putting money away.

Contact me at scott@cfstrategies.com, or call us at (563) 359-1104 or (888) 359-1104. We can show you if asset sheltering is going to save you money on college.