

User Name: anderson
Residence: MA
Monthly Discretionary Income: \$833

September 7, 2005
Risk Profile: Moderate
Available Funds: \$90,000

Client Name: David and Mary Anderson

COLLEGE SAVINGS PLAN

Your college savings should be done through Coverdell accounts and 529 plans. 401kid has devised a Coverdell and 529 plan investment strategy, outlined below.

Table 1: Suggested Coverdell Contribution Details

Beneficiary (Age)	Monthly Contributions (Source)	Asset Allocation (as dollar amounts of lump sum and percentage of monthly contributions)*
Cathy (11 years-old)	\$ 166.67 (Payroll or Checking)	<ul style="list-style-type: none"> ○ T. Rowe Price Coverdell Account <ul style="list-style-type: none"> ✓ (30%) Value (Stock Funds) ✓ (30%) Capital Appreciation (Stock Funds) ✓ (30%) New Income (Bond Fund) ✓ (10%) Mid-Cap Value (Stock Funds)
Michael (7 years-old)	\$ 166.67 (Payroll or Checking)	<ul style="list-style-type: none"> ○ T. Rowe Price Coverdell Account <ul style="list-style-type: none"> ✓ (30%) Capital Appreciation (Stock Funds) ✓ (25%) Mid-Cap Value (Stock Funds) ✓ (25%) Value (Stock Funds) ✓ (20%) Mid-Cap Growth (Stock Funds)
Margaret (4 years-old)	\$ 166.67 (Payroll or Checking)	<ul style="list-style-type: none"> ○ T. Rowe Price Coverdell Account <ul style="list-style-type: none"> ✓ (30%) Mid-Cap Value (Stock Funds) ✓ (30%) Mid-Cap Growth (Stock Funds) ✓ (20%) Small-Cap Value (Stock Funds) ✓ (20%) Capital Appreciation (Stock Funds)

* **ASSET ALLOCATION:** What this means is that **\$166.67** should be invested monthly for **Margaret** with the **T. Rowe Price Coverdell Account**. Of that **\$166.67**, the breakdown should be **30-30-20-20** or (**\$50 - \$50 - \$33.33 - \$33.33**) amongst the **four** recommended investment options. The monthly investments will add up to **\$2,000**, the maximum contribution amount allowed in a year in a Coverdell account, given your income level.

NOTE: Your income level in the future may vary, which might affect how much you can invest in a Coverdell. Currently, there is a \$2,000/year per beneficiary limit on contributions. For singles that earn between \$90,000 - \$110,000 and couples who earn between \$190,000 - \$220,000, the \$2,000 maximum annual contribution limits get phased out.

Read about the recommended investment options and find enrollment forms here:

- <http://www.troweprice.com/collegesavings>

Table 2: Suggested 529 Plan Contribution Details

Beneficiary (Age)	Lump Sum Contributions (Source)	Monthly Contributions (Source)	Asset Allocation (as dollar amounts of lump sum and percentage of monthly contributions)**
Cathy (11 years-old)	\$12,000 (Current 529 Assets + Child's Assets)	\$ 750 (Payroll or Checking)	<ul style="list-style-type: none"> ○ 50% [New York's College Savings Program (Direct Plan)] <ul style="list-style-type: none"> ✓ (30%) Aggressive Age-Based (11 through 15) or the Conservative Growth Portfolio ✓ (25%) Mid-Cap Stock Index Portfolio ✓ (25%) Inflation-Protected Securities Portfolio ✓ (20%) Value Stock Index Portfolio ○ 50% [Virginia's CollegeAmerica 529 Savings Plan] <ul style="list-style-type: none"> ✓ (16.67%) New Perspective 529F ✓ (16.67%) The Growth Fund of America 529F ✓ (16.67%) Capital World Growth/Income 529F ✓ (16.67%) EuroPacific Growth Fund 529F ✓ (16.67%) American Balanced 529F ✓ (16.67%) American Funds Income Fund of America 529F
Michael (7 years-old)	\$7,000 (Current 529 Assets)	\$ 590 (Payroll or Checking)	<ul style="list-style-type: none"> ○ 50% [New York's College Savings Program (Direct Plan)] <ul style="list-style-type: none"> ✓ (30%) Moderate Age-Based (6 through 10) or the Moderate Growth Portfolio ✓ (25%) Value Stock Index Portfolio ✓ (20%) Mid-Cap Stock Index Portfolio ✓ (15%) Small-Cap Stock Index Portfolio ✓ (10%) Inflation-Protected Securities Portfolio ○ 50% [Virginia's CollegeAmerica 529 Savings Plan] <ul style="list-style-type: none"> ✓ (16.67%) SmallCap World 529F ✓ (16.67%) New Perspective 529F ✓ (16.67%) The Growth Fund of America 529F ✓ (16.67%) Capital World Growth/Income 529F ✓ (16.67%) EuroPacific Growth Fund 529F ✓ (16.67%) American Balanced 529F
Margaret (4 years-old)	\$5,000 (Current 529 Assets)	\$ 510 (Payroll or Checking)	<ul style="list-style-type: none"> ○ 50% [New York's College Savings Program (Direct Plan)] <ul style="list-style-type: none"> ✓ (30%) Aggressive Age-Based (0 through 5) or the Growth Portfolio ✓ (25%) Mid-Cap Stock Index Portfolio ✓ (25%) Small-Cap Stock Index Portfolio ✓ (20%) Value Stock Index Portfolio ○ 50% [Virginia's CollegeAmerica 529 Savings Plan] <ul style="list-style-type: none"> ✓ (16.67%) Fundamental Investors 529F ✓ (16.67%) SmallCap World 529F ✓ (16.67%) New Perspective 529F ✓ (16.67%) The Growth Fund of America 529F ✓ (16.67%) Capital World Growth/Income 529F ✓ (16.67%) EuroPacific Growth Fund 529F

**** ASSET ALLOCATION:** What this means is that of the **\$5,000** Lump Sum for **Margaret**, **50%** of it, or **\$2,500** should be invested with **New York's College Savings Program (Direct Plan)**. Of that **\$2,500**, the breakdown should be **30-25-25-20** or (**\$750 - \$625 - \$625 - \$500**) amongst the **four** recommended investment options. Further, of the **\$2,355** Monthly Contribution, the same percentages apply; hence, **\$675** goes to **Margaret**, with **\$338** to the **New York** plan and **\$68** to the **Value Stock Index Portfolio**.

Read about the recommended investment options and find enrollment forms here:

- (New York) <http://www.nysaves.org>
- (Alaska) <http://www.troweprice.com/collegesavings>

Table 3: Annual 529 Plan & Coverdell Account Contributions and Withdrawals Table

Key Assumptions		Table is for this Level of Education: K-12 <input type="checkbox"/> College <input checked="" type="checkbox"/> Graduate <input type="checkbox"/>	
Schools Used In This Table			
Cathy:	Private		Annual Cost of College Today: \$30,000
Michael:	Private		Annual Cost of College Today: \$30,000
Margaret:	Private		Annual Cost of College Today: \$30,000
Investment Growth Rate: 6%			College Tuition Inflation: 5%

Year	Margaret's Age	# Kids In College	Total Cost of College	Beginning Year ESA Balance	Yearly ESA Contributions	ESA Investment Growth	Total Coverage From ESA Assets	Coverage From Loans & Other Assets
2004	4	0	0	\$24,000	\$28,228	\$3,134	\$0	\$0
2005	5	0	0	\$55,361	\$28,228	\$5,015	\$0	\$0
2006	6	0	0	\$88,604	\$28,228	\$7,010	\$0	\$0
2007	7	0	0	\$123,842	\$28,228	\$9,124	\$0	\$0
2008	8	0	0	\$161,193	\$28,228	\$11,365	\$0	\$0
2009	9	0	0	\$200,786	\$28,228	\$13,741	\$0	\$0
2010	10	0	0	\$242,754	\$28,228	\$16,259	\$0	\$0
2011	11	1	42,213	\$287,241	\$28,228	\$18,928	\$42,213	\$0
2012	12	1	44,324	\$292,184	\$28,228	\$19,225	\$44,324	\$0
2013	13	1	46,540	\$295,312	\$28,228	\$19,412	\$46,540	\$0
2014	14	1	48,867	\$296,412	\$28,228	\$19,478	\$48,867	\$0
2015	15	1	51,310	\$295,251	\$17,169	\$18,745	\$51,310	\$0
2016	16	1	53,876	\$279,856	\$17,169	\$17,821	\$53,876	\$0
2017	17	1	56,569	\$260,970	\$17,169	\$16,688	\$56,569	\$0
2018	18	2	118,796	\$238,258	\$17,169	\$15,326	\$118,796	\$0
2019	19	1	62,368	\$151,957	\$8,081	\$9,602	\$62,368	\$0
2020	20	1	65,486	\$107,272	\$8,081	\$6,921	\$65,486	\$0
2021	21	1	68,761	\$56,788	\$8,081	\$3,892	\$68,761	\$0
2022	22	0	0	\$0	\$0	\$0	\$0	\$0
TOTALS			\$659,109		\$403,422	\$214,095	\$659,109	\$0

ESA = Education Savings Account. These include Coverdell Accounts and 529 Plans.

Given an average investment growth rate of **6%**, this strategy projects **100%** coverage of the cost of attendance for **Cathy**, **100%** coverage of the cost of attendance for **Michael**, and **100%** coverage of the cost of attendance for **Margaret**.

Plan of Action should be:

- ✓ **Open three new Coverdell accounts with T. Rowe Price, one account per child.**
- ✓ **Make monthly contributions** in the amount of **\$166.67 for Cathy, \$166.67 for Michael, and \$166.67 for Margaret.**
- ✓ **Open two new 529 accounts for all three kids** in the recommended 529 plans
- ✓ **Make a lump sum contribution of \$12,000 for Cathy, \$7,000 for Michael, and \$5,000 for Margaret, split evenly between the two plans for each child.**
- ✓ **Make monthly contributions** in the amount of **\$920 for Cathy, \$760 for Michael, and \$675 for Margaret.**

How can I cover the full Cost of Attendance for college?

- ✓ **Third party contributions** from family & friends should be encouraged.
- ✓ **Student income**, from part-time jobs before and during college, is a possibility.

Financial Aid, Scholarships and Tax Credits

Chances of qualifying for Financial Aid: **Likely, although mostly loan based.**

Projected Pell Grant Awards: **None**

Coverdell ESA Qualifications: **Yes. Maximum contribution this year is \$2,000.**

Hope & Lifetime Learning Tax Credits: **Not likely**

The bottom line is to enroll in the proper accounts and initiate your savings strategy *immediately* with the largest possible lump sum investments that you can afford. 401kid ESP Wizard will be able to provide specific advice to you on financial aid and savings plan modifications at critical decision points through the years.

- **Your dedicated Education Planner is:** Arbab Hassan (ahassan@401kid.com)