BRIDGING THE GAP:
Strategies for Affording Independent School Education

Fitting independent school tuition into college and retirement planning

The Association of Delaware Valley Independent Schools

- Is a consortium of over 130 independent private schools in the tri-state area of Pennsylvania, Delaware, and New Jersey.
- Supports and strengthens independent schools by providing top-notch, local professional development for school administrators, trustees and parents.
- Member schools work together to inform parents, the media, policy makers, and the general public about independent education and to make their schools accessible to a wide range of families.

Facts about ADVIS Member Schools

- Educate 57,000 students in pre-kindergarten through high school in the Greater Delaware Valley.
- Employ over 13,000 faculty, administrators, and staff.
- Have a combined annual budget in excess of $1,000,000,000.
- Average school enrollment is 428.
- Median class size is 16.
- Average teacher/student ratio is 1:8.
- 20% of enrolled students are students of color.
- Financial aid is awarded to approximately 23% of all students.
- In 2005-06 offered a combined $139,000,000 in need based financial aid.
- Average financial aid grant in 2005-06 was $11,235.
- 2005-06 Average Tuition Grades 1 & 3 Day = $13,251.
- 2005-06 Average Tuition Grades 6 & 8 Day = $15,388.
- 2005-06 Average Tuition Grades 9 & 12 Day = $17,530.

DISCLAIMER: This booklet is not meant to be construed as legal, tax or financial advice. Neither ADVIS nor Melissa Diana provides any representations or warranties as to the use of the strategies contained herein. We recommend that you find and consult with a reputable tax and/or financial professional who is experienced with education planning before employing any of the strategies outlined in this booklet.

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INTRODUCTION

Congratulations! — if you are reading this booklet, you already understand the lifelong value of independent school education and the difference it can make in your child's life.

The Association of Delaware Valley Independent Schools (ADVIS) commends you for the time and commitment you have dedicated to finding the schools that best fit your child's talents and needs. Yet we know that in today's inflationary environment, "affording it all" can seem to be quite a challenge. Perhaps years ago paying tuition at an independent (private) elementary or secondary school, while also saving for retirement and college, felt easier. Today parents are faced with a dizzying array of decisions that shape the course of not only your child's future, but your own financial security as well.

When it comes to major financial decisions, all families must make choices. Prioritizing a child's education, at the college, secondary *and* elementary levels, is the choice of a lifetime, and we applaud you for giving it serious consideration. Because the foundations for lifelong learning are laid in these formative years, one of the greatest gifts you can give is to provide your children with the best education from the very start. ADVIS believes that there is no more compelling argument for prioritizing an exemplary elementary and secondary school education for your child. There is nothing *less* extravagant than choosing to spend discretionary funds for education, as opposed to spending on a large home, luxury cars, exotic vacations or daily lattes. When considered from this perspective, the choice is clear. Yet the average American family spends only 2% of their discretionary income on education; conversely the average independent school family dedicates 30% of discretionary income to tuition and related expenses.

As families wrestle with the decision of choosing independent education and the possible sacrifices it may entail, it is important to know that by enrolling in an independent school, you are joining an entire community that embraces these same lifestyle choices and sacrifices. This publication is targeted to those families who are seriously considering independent schools, but must tackle the obstacle of making a final commitment due to financial pressures or concerns. It is designed to encourage you to think creatively, perhaps with professional financial assistance, about strategies for investing in an educational experience that you know in your heart is the right one for your child.

There are three primary reasons why parents in upper income brackets ($100,000 or more annual income) may feel they do not have the resources to pay independent school tuition:

- priority on saving for college and retirement
- inefficient debt structure and tax strategies
- a large family budget — this is sometimes referred to as "psychological poverty," and is often one of the hardest hurdles for families to overcome

The goal of this publication is to address these concerns and to give families grappling with the cost of tuition potential strategies for looking at your financial situation creatively and strategically; to help you begin mapping your financial future, a future which, with the right plan, can include independent elementary and secondary schools. This booklet cannot answer all questions, nor address all possible scenarios, for every family, but rather presents a sampling of strategies to consider when planning financially for the future.

Financial Aid in Independent Schools:

ADVIS member schools are committed to providing access for all admitted students, regardless of a family's ability to pay the full tuition. Expanding financial aid budgets have made it increasingly possible for families who qualify for assistance under the guidelines established by each school to afford an independent school education. Do not let pride or ignorance deter you from applying for financial aid. With the steady rise in tuition, more and more families who previously would have been ineligible for assistance are applying and qualifying for financial aid grants. Over 20% of students enrolled in ADVIS member schools receive some level of financial assistance. Admission decisions are determined on a need-blind basis; i.e. schools **will not** discriminate in their admission decision against a family who applies for aid. In a nutshell, it never hurts to try.

This booklet, however, addresses families who fall into the upper income brackets and may be ineligible for financial aid, or receive only a *partial* grant. The following chart provides general guidelines as to income ranges at which a family earns too much to receive any assistance. For example, a family of four earning $142,183 a year with two children in an independent school charging $12,500 tuition, under these guidelines, would be considered a "full pay family" and would not qualify for aid.

<u>Please note that due to variables in both individual family and school budgets, financial aid offers can vary significantly from school to school and family to family, but this is a good general benchmark from which to start.</u>

Who Can Afford It?
The National Association of Independent Schools (NAIS)
School and Student Services for Financial Aid (SSS) Affordability Ranges
(based on 2005-06 methodology)

Assumptions: *Family of four, two working parents, two children. Family has no assets and lives in Pennsylvania.*

Tuition	*Full Pay Income*	
	1 Child Attends Independent School	*2 Children Attending Independent School*
$10,000	$91,095	$125,442
$12,500	$100,333	$142,183
$15,000	$108,703	$159,725
$17,500	$117,075	$177,295
$20,000	$125,442	$194,865

For more information on NAIS or applying for Financial Aid visit www.nais.org

You don't qualify for (enough) financial aid — now what?

For many families who are ineligible for Financial Aid, the cost of an independent school may seem out of reach. To address this issue, ADVIS recently invited *Melissa Diana, Certified Financial Planner*, to speak to the topic of financing independent school tuition. With strong statistical data collected from years of financial planning for education, Ms. Diana demonstrates creative strategies she has developed to help individual families achieve their dream of an independent school education for their children, while also saving for college and retirement.

The information in the following pages has been excerpted with permission from the book, Tuition Impossible: 7 Steps to Conquer the High Cost of Private Schools and Colleges. Copyright Melissa C. Diana CFP® 2007.

CHAPTER 1

Getting started

You are convinced of the value of an independent school education and are willing to make sacrifices. Just be sure to make the *right* sacrifices.

Major errors parents make . . .

- Refinancing existing house loan without respect to future funding needs. Home Equity = largest asset.
- Excessive use of Home Equity Loan — interest only payments.
- Use of Parent or Alternative Loans — students graduating from high school with $30,000 in debt!
- Discontinuing/Reducing retirement payments — borrowing against 401k.
- AMS — monthly payment plan rather than paying off debt or investing for college.

Aside from stealing from retirement, discontinuing college savings, shutting off the cell phone or internet service, or shopping at the thrift store for clothes, what is a family to do? While home values have sky-rocketed, so have real estate tax bills and normal family overhead. This situation has left many families with lots of home equity living month to month. The student loan industry has made it so that families are going further and further into debt in order to give their children the best education possible. Parents today feel less secure financially as they approach retirement and the dreaded college tuition bills.

Simply put, our financial life is made up of 4 things:

1. **Income:** think of this in *net* terms. After you pay taxes for the right to work, you either save pre-tax (for retirement or education), save after-tax (for education or emergencies, vacation, other goals) or you *spend*.
2. **Expenses:** mortgages, car payments, real estate taxes, tuition, utilities, insurances, food, clothing, and miscellaneous.
3. **Assets:** retirement accounts, investment accounts, home, boat, etc.
4. **Liabilities:** tuition payable, mortgages, car payments, credit cards, personal loans, parent loans for tuition, etc.

What is the number one rule of wealth building? You can either minimize your expenses or your liabilities. Once you give away a dollar to taxes, interest, or spending, you give away the opportunity to ever earn on it again. The trick to wealth building is to keep more of what you earn and/or turn your liabilities into assets. Many of us have assumed that our home is our largest asset. Although it may increase in value, you have to *sell* it to earn that profit. It costs you typically *at least* 1.5 to 3 times what you paid for it originally if you keep it for the full length of a 30 year mortgage. Mortgage payments keep you from accumulating wealth. The biggest thing that keeps us from becoming wealthy is *bills*. This doesn't mean we should all turn in our cell phones, computers, cable TV, etc. and eat macaroni and cheese and peanut butter and jelly to save money. We just have to be ***smarter*** with how we divest it. Now in order to play the game smart, we need to be clever, we need to operate like a bank. Banks make money by taking deposits and then taking those deposits and lending them over and over again at various rates of interest. The more times they can re-lend the same dollars over and over, the more money they make. We need to operate our personal finances like the banks.

Planning with the end in mind . . .

Take a snapshot of where you are and forecast what kind of expenses you can anticipate for the future. Anticipate all future expenses including school and college tuitions, home remodeling, future vehicles, etc. over the next 15 years. Of course there is no way to anticipate every single item but this will be an excellent guide for you.

Further, to determine if you may be eligible for college financial aid, go to: http://apps.collegeboard.com/fincalc/efc_welcome.jsp

CHAPTER 2

Making it work: three case studies of families at varying income levels

The names of the families in the case studies have been changed to protect their anonymity.

Scenario 1: The Smith Family's Inefficient Debt Structure

John and Jane Smith are a dual income family earning **$125,000** per year. They prefer to send their son Jack to an independent school, but they are overwhelmed with the potential financial cost. A review of their monthly finances reveals the following: After taxes and a modest retirement contribution of 5%, their net paycheck yields $6500 per month which pays their monthly expenditures.

The Smith family is struggling with the challenge of maintaining an acceptable portion of their current lifestyle and paying the $17,000 (or $1,417 per month) tuition for their son to attend private school as a day student. How can they meet the monthly cost of $1,417 with only $305 of available discretionary cash flow which they are not sure they can give up?

A further review of their assets reveals that their home, which they bought seven years ago for $300,000, is now worth $450,000. The current outstanding balances for their mortgage and other debt total $323,500. A quick call to their banker suggests that they may be able to refinance their current mortgage at a lower interest rate, generating $350,000 of net proceeds that can be used to repay all existing debt and reduce the monthly debt payments from $3,500 to $2,000. Thus using a portion of the mortgage proceeds available after paying off the existing debt, the Smiths can pay this year's tuition. Then saving the $1,400 of monthly cost savings in debt payments, they can accumulate the tuition for future years without impacting their current quality of life at all.

PLANNER TIP: Never borrow money or refinance your house *without* a game plan for saving and how you will pay it off early. Once your assets are spent, you can never get them back.

Scenario 2: The Jones Family's Inefficient Tax Strategy

Bob and Kathy Jones own a successful business that generates about **$200,000** of income per year. Their daughter Kelly is approaching high school and they feel that their only options are to move into a prime public school district or send her to an independent school. Bob and Kathy search for a home in the new school district and quickly find that they would end up spending double for a 20 year old home and face a 50% increase in real estate taxes. They are very focused on their long-term goals and feel that this move would be imprudent.

The Jones family is struggling with the challenge of maintaining their current long-term savings plan while paying the $27,500 (or $2,300 per month) tuition for their daughter to attend an independent school as a boarding student. How can they meet the monthly cost of $2,300 without derailing their regular savings program?

Their financial planner suggests that they re-direct a portion of their savings to a qualified retirement account. Investing $42,000 pre-tax reduces their taxable income to $158,000. She further suggests that they replace assets that are producing taxable income of $30,000 per year, "income" assets (i.e., bonds, CDs and money market funds), in their taxable portfolio with "capital gains" assets (i.e., stocks). The Jones family was previously paying $46,000 in income tax. With the tax savings generated by the pre-tax retirement contributions and the asset shift, they will save $22,625 in income tax and be able to fund $23,375 (85% of the tuition) without impacting their current long-term savings plans.

PLANNER TIP: Why give it away when the tax code provides you with a way to get it back? Make an appointment with your tax advisor *before* tax season to review strategies. Self-employed individuals may have more flexibility in retirement options than those who are employed.

Scenario 3: The Brown Family's Inefficient Budget Strategy

George and Mary Brown are both employed and earn **$150,000** per year. Knowing how expensive college will be, George and Mary are very concerned that they will not have enough money to pay for independent school and college for their children, Sally and Josh. A review of their monthly finances reveals that their combined paychecks yield about $8,000 that they use to pay for their monthly expenditures.

The Brown family is faced with the challenge of paying $30,000 per year for Sally and Josh to attend day school when they already struggle to keep money in the checking account. Where will they find this kind of money? After reviewing their current spending habits with a financial planner, they learned options and solutions in order to make independent school a reality for them.

(1) Bring lunches to work from home rather than eating out (projected cost savings at $10 per lunch per person would be $5,000).

(2) Reduce meals eaten out from three times per week to one time per week (projected cost savings at $75 per meal would be $7,500).

(3) Do not buy a new car at the end of the existing car loan term (projected cost savings at $400 per month would be $4,800).

(4) Since the children will not be attending the public schools and they live in a very expensive school district, why not move into a different neighborhood where property taxes and cost of living are lower? (projected cost savings of up to $10,000 per year).

By making a few small sacrifices, the Browns are able to save nearly $27,500 a year! If they sell their home and bank some sizeable profit, they can draw the remaining $2,500 for tuition from their assets. In addition, they should consult with their CPA to review whether or not they are maximizing their tax efficiency.

CHAPTER 3

How to apply this information

Using the wealth strategies at www.tuitionphysician.com, these families found the money for tuition and created a better future for themselves as well as minimal student debt for their children. You cannot recover all of this money without a plan. In order to create wealth, you *must* forecast out your expenses for the next 5, 10, 15, 20 years. If you come up with a strategy to forecast your future expenses and try to stick to a fixed debt budget, you will create wealth. "Debt it *once,* debt it right, and never debt it again." By creating a fixed budget today that will not increase because you anticipated future expenses in your spreadsheet, your standard of living will rise as you earn more in the future. Then you have two choices: give yourself a lifestyle raise or acquire more wealth.

Cardinal rules to becoming and staying wealthy:

(1) Never keep extra money in your checking account. Bills will find it.
Develop a systematic way to force yourself to save both pre- and after-tax.

(2) Always invest in assets that will appreciate, never invest in assets that depreciate. Your home is not really an asset. It may be a vehicle to pay for school and perhaps provide a down payment for your retirement, but money in the bank is an asset.

Naturally, sending your children to independent schools and colleges involves sacrifice. However, if you develop a systematic plan to tackle the costs head on from today forward, you will come out way ahead in the end. If you don't, you will pay tuition well into your retirement or perhaps not be able to retire at all.

Seven steps to finding the funds to pay for independent school tuition

Chapter two illustrated examples of how different families can afford an independent school — let's break it down further. For the purposes of evaluation, let's assume a typical family of four, two parents both employed earning $142,000 a year and two children, entering 3rd and 5th grade at an independent school with current tuition at $13,000 a year. According to NAIS affordability ranges (see page 3), a family in this situation just misses the cutoff to qualify for financial aid, but would still find it difficult to finance the tuition. Sound familiar?

Step 1: Determine what you are worth

Make a net worth statement. Add up all of your assets and liabilities as in the chart below. Determine what assets are available to pay for tuition. (Keep in mind that IRAs, 401Ks, etc. are usually *not available* to pay for school or college.)

Assets		***Liabilities***	
Cash/Checking	$8,000.00	Installment Loan	
Savings	$12,000.00	Credit Cards	
CD's	$10,000.00	Visa	$2,000.00
Mutual Funds	$20,000.00	Amex	$1,000.00
Stocks/Bonds	$15,000.00	Discover	$5,000.00
529 plans	$60,000.00		
Education IRA's	$2,000.00	Education Loans	
UGMA Accounts	$7,000.00		
Trust Assets			
IRA	$80,000.00		
Retirement Accounts	$120,000.00	Retirement Loans	
Home Value	$425,000.00	Mortgages	$300,000.00
Insurance Cash Value	$14,000.00	Home Equity	$20,000.00
Annuity		Car Loans	$20,000.00
TOTAL ASSETS	$773,000.00	TOTAL LIABILITIES	$348,000.00
		NET WORTH (Assets – Liabilities)	$425,000.00
		Available for Tuition - IRA/RETIRE	$245,000.00

Step 2: Really break down your income

INCOME (GROSS W2 Wages - Jeff)		***$112,000.00***		
Less:	Federal Tax w/h		$14,383.00	
	SS		$6,931.00	
	Med		$1,621.00	
	State		$3,429.00	
	Local		$1,120.00	
	SUI/SDI		$50.00	
	TOTAL TAX		$27,534.00	
	NET AFTER TAX INCOME			**$84,466.00**
INCOME (GROSS W2 Wages - Cheryl)		***$30,000.00***		
Less:	Federal Tax w/h		$1,168.00	
	SS		$1,860.00	
	Med		$435.00	
	State		$922.00	
	Local		$300.00	
	SUI/SDI		$20.00	
	TOTAL TAX		$4,705.00	
	NET AFTER TAX INCOME			**$25,295.00**
Business Income				
Rental Income				
Trust Income				
Investment Income				$1,750.00
Other Income				
TAX REFUND				$1,890.00
TOTAL INCOME AFTER TAX BEFORE RETIREMENT				**$113,401.00**

Step 3: Always, always, SAVE FIRST. Try to adopt a new formula to live by: Save 30%, Give 10%, Spend 60%.

SAVINGS (REMEMBER 30%)	
Total Income	**$113,401.00**
Retirement Contributions	($11,340.00)
IRA Contributions	
College Fund	($18,000.00)
Other Savings	($4,680.00)
Total Savings = 30% of Income	**$34,020.00**
Charity (REMEMBER 10%)	($10,000.00)
NET SPENDING MONEY LEFT	**$69,381.00**

Step 4: Gasp . . . Look at how much you are going to spend on tuition

With two children entering 3rd and 5th grade at an independent school that currently costs $13,000 a year for each elementary school student, and calculating rising tuition costs in middle school grades 6-8 ($15,000), high school grades 9-12 ($18,000) and college ($33,000), the following chart estimates what you will pay in tuition over the next 14 years, assuming a 5% annual increase.

Year	***Grade Child A***	***Grade Child B***	***Tuition***
1	Third	Fifth	$26,000
2	Fourth	Sixth	$29,400
3	Fifth	Seventh	$30,870
4	Sixth	Eighth	$34,728
5	Seventh	Ninth	$40,111
6	Eighth	Tenth	$42,116
7	Ninth	Eleventh	$48,242
8	Tenth	Twelfth	$50,654
9	Eleventh	College 1	$75,350
10	Twelfth	College 2	$79,118
11	College 1	College 3	$107,506
12	College 2	College 4	$112,882
13	College 3		$59,263
14	College 4		$62,226
		Total	**$798,466**

DISCLAIMER: **We used a reasonable average of tuition numbers in current dollars based on the NAIS StatsOnline Average for ADVIS day schools**. Some independent schools will charge tuitions higher and/or lower than our sample. College expenses also will range dramatically, dependent upon the choice of a private, public (in state or out of state), or Ivy League institution. A tuition figure of $33,000 is a high average taken from the range of today's college tuitions.

Step 5: Where does all the money go?

If you are like most families, no matter how good your budgeting is, there always seems to be more month than money. Do you sometimes feel like every time you put money in the checking account, a bill pops up that needs it? Do not put extra money there for bills to find. You can have excess money automatically deducted from your pay and sent to an investment or savings account. This way, it is available for emergencies but not for that unexpected trip to the mall.

PLANNER TIP: You cannot spend what you do not have. Another great tip from the wealthy is to take a look at your NET "after-tax" pay and ALWAYS follow this formula: 30% savings (retirement, college, tuition, other goals) 10% tithe (church, synagogue, charity, etc), 60% spending. Sounds impossible right?

Step 6: Determine your annual budget

List your debt payments, and other expenses. This is always a humbling experience. It is amazing how much money we sometimes spend without knowing it.

Annual Expenses	**$69,381**	
Mortgage		$21,600.00
Car Payments		$4,800.00
Home Equity Lines of Credit/Loans		$2,400.00
Education Loans		
Credit Cards		$3,600.00
Other Loans		
Fixed Cost Bills		
Annual Tuition Funds Needed	**(-$26,000)**	
Real Estate Taxes		$3,000.00
Insurance (Life/Auto/Home/Disbility)		$4,200.00
Un-reimbursed Medical/Sec 125 etc		$1,200.00
Dues		$500.00
Electric		$1,200.00
Gas – Auto		$3,600.00
Gas – Home		$1,200.00
Phone - Home, Cell etc		$1,500.00
Cable TV/Internet		$1,200.00
Housecleaning/Lawn Service etc.		
Variable Bills		
Food		$6,000.00
Clothing		$3,000.00
Discretionary		
Entertainment		$2,400.00
Dining Out		$1,800.00
Vacation		
Miscellaneous		$1,000.00
Coffee/Wawa/Fast Food/Lunches		
Tax/Investment/Legal Services		
Home Purchases/Maintenance		
Other 'Stuff'		
TOTAL EXPENSES		$64,200.00
NET AVAILABLE FOR TUITION		$5,181.00
(Income 69,381- Expenses 64,200 = 5181)		
DEFICIT		$20,819.00
(Cost of Tuition - Available Funds)		

Step 7: All is not lost! Put your "Life on a Spreadsheet"

With only $5181 a year available to put towards the annual tuition, how will you make up the difference not only for the first year, but for the entire 14 years of tuition?

Take $145,000 from the "combined savings assets" (CD, Stocks and Mutual Funds — see Spreadsheet from Step 1) and add to it $100,000, which is pulled from home equity, refinanced into a 30-year mortgage. (In some cases a no-fee 20 year home equity loan may work better, in others no debt may be required.) With the refinancing, the credit cards were paid off, and debt was consolidated into one payment of $2,086 per month, or $25,037 annually in mortgage payments. Many homeowners are averse to refinancing for fear they can lose their house if they cannot make their mortgage payments. I recommend that you keep your money in the bank, rather than locked up in home equity, and let your money work for you. You can always make mortgage payments from your account.

The following spreadsheet illustrates how this money, compounded over time, will help you achieve your dreams of independent school, college, and retirement savings. For detailed descriptions of each column, please refer to the narrative below.

Column A — Annual debt payments and savings — $50,400 per year. *Before* the refinance, $50,400 was being spent on: $32,400 Mortgage and credit card payments (see step 6 Budget Chart) and $18,000 for college savings (see Step 3 Savings Chart). Now, we will take this $50,400 and use it instead to pay the new mortgage payments (Column D) and the tuition payments (Column E).

Column B — Financial Aid, Student Loans, Scholarships, or Grandparent gifts received. Every situation is unique, of course, but the likelihood of a family with this income receiving *some* help over the course of 14 years is probable. Consider for example, in years 12 and 13 when both children are attending college or university. In inflation adjusted dollars, $40,000 divided among two children is a realistic amount of money to assume a family of this income level might receive in financial aid grants, loans or merit scholarships*.

**In 2006, one ADVIS member school alone reported 59% of the graduating students were offered merit based incentive packages totaling nearly $4,300,000 from the colleges and universities to which they were accepted (some from more than one school), a testament to the inherent value many colleges place upon the high quality of an independent school education.*

Column C — Tax savings generated from the refinance and asset rebalancing.

Column D — $25,037 is sum of all 12 annual mortgage payments of $2086 per month.

Column E — The tuitions for the children starting at $13,000 per year (see chart from Step 4 for more detail).

Column F — Money in/money out column which shows you how much extra "cash" is left each year after paying the mortgage and tuition. The years you are "in the black" these savings will be added to your savings account (Column G) and compounded at 8% — <u>during the years you are ("in the red,") this amount will be withdrawn from interest income from the savings account. Only during years 8-12 will we have to touch the principal.</u>

Column G — The "account" where the original $145,000 in combined savings assets plus the $100,000 from the refinanced mortgage is growing and/or being drawn from to pay tuition.

Column H — Mortgage balance at the end of every year. 30 year amortization.

Essentially, we will use assets to pay for both independent school *and* college with income produced annually, (see Column E), enabling us to put any extra savings (Column F) back into our overall savings account (Column G), the balance of which is compounding annually at 8%. In years 4-14 we will have negative cash flow which means we will have to withdraw money from our savings account (Column G) but the overall principal is still compounding. And then in years 15-20, after children are finished with school, we can put all of our available income into our account, leaving us with a generous next egg. This is what we call having a money map!

If you do not pay off the mortgage right away in year 14, and instead keep the balance in savings: look to year 20, the "magic savings account" is now worth $963,204 (column G $1,151,136 minus column H $187,932) — more than what you spent on education — and you are **debt-free**.

PLANNER TIP: What would total savings be in the unlikely case that you didn't receive **any** help in the way of Financial Aid, Scholarships, Gifts or Loans over the 20 year period (Column B)? Instead of a million dollars, the sum would be closer to $400,000. Still a significant amount of money after having made an $800,000 investment in your child's education, while also remaining **debt-free**.

	A	B	C	D	E	F	G	H
Year	Annual Debt & After-tax Savings	Annual Student Loan/Gift	Other Income/ Tax Refund	Annual Mortgage Payment	Annual Tuition Payment	Net Cash Flow	Year-End Account Balance	Year-End Mortgage Balance
							8.00%	**6.00%**
0	**$245,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$245,000**	**$348,000**
1	**$50,400**	**$7,000**	**$2,000**	**$25,037**	**$26,000**	**$8,363**	**$273,632**	**$343,727**
2	**$50,400**	**$7,000**	**$2,000**	**$25,037**	**$29,400**	**$4,963**	**$300,882**	**$339,189**
3	**$50,400**	**$7,000**	**$2,000**	**$25,037**	**$30,870**	**$3,493**	**$328,725**	**$334,373**
4	**$50,400**	**$7,000**	**$2,000**	**$25,037**	**$34,728**	**($365)**	**$354,628**	**$329,259**
5	**$50,400**	**$7,000**	**$2,000**	**$25,037**	**$40,111**	**($5,748)**	**$376,791**	**$323,829**
6	**$50,400**	**$12,000**	**$2,000**	**$25,037**	**$42,116**	**($2,753)**	**$403,960**	**$318,065**
7	**$50,400**	**$12,000**	**$2,000**	**$25,037**	**$48,242**	**($8,879)**	**$426,688**	**$311,945**
8	**$50,400**	**$12,000**	**$2,000**	**$25,037**	**$50,654**	**($11,291)**	**$448,628**	**$305,448**
9	**$50,400**	**$20,000**	**$2,000**	**$25,037**	**$75,350**	**($27,987)**	**$454,292**	**$298,550**
10	**$50,400**	**$20,000**	**$2,000**	**$25,037**	**$79,118**	**($31,755)**	**$456,340**	**$291,226**
11	**$50,400**	**$40,000**	**$2,000**	**$25,037**	**$107,506**	**($40,143)**	**$449,492**	**$283,451**
12	**$50,400**	**$40,000**	**$2,000**	**$25,037**	**$112,882**	**($45,519)**	**$436,291**	**$275,196**
13	**$50,400**	**$20,000**	**$2,000**	**$25,037**	**$59,263**	**($11,900)**	**$458,342**	**$266,433**
14	**$50,400**	**$20,000**	**$2,000**	**$25,037**	**$62,226**	**($14,863)**	**$478,957**	**$257,128**
15	**$50,400**	**$0**	**$24,000**	**$25,037**	**$0**	**$49,363**	**$570,585**	**$247,250**
16	**$50,400**	**$0**	**$24,000**	**$25,037**	**$0**	**$49,363**	**$669,544**	**$236,762**
17	**$50,400**	**$0**	**$24,000**	**$25,037**	**$0**	**$49,363**	**$746,419**	**$225,628**
18	**$50,400**	**$0**	**$24,000**	**$25,037**	**$0**	**$49,363**	**$891,845**	**$213,807**
19	**$50,400**	**$0**	**$24,000**	**$25,037**	**$0**	**$49,363**	**$1.016,504**	**$201,257**
20	**$50,400**	**$0**	**$24,000**	**$25,037**	**$0**	**$49,363**	**$1,151,136**	**$187,932**
Totals				**$500,745**	**$798,466**		**$1,151,136**	**$187,932**

Retirement savings:

During this entire 20 year process, if you continue to put the appropriate pre-tax contributions into retirement accounts, plus employer matches, your retirement will continue to compound and grow to the following amounts:

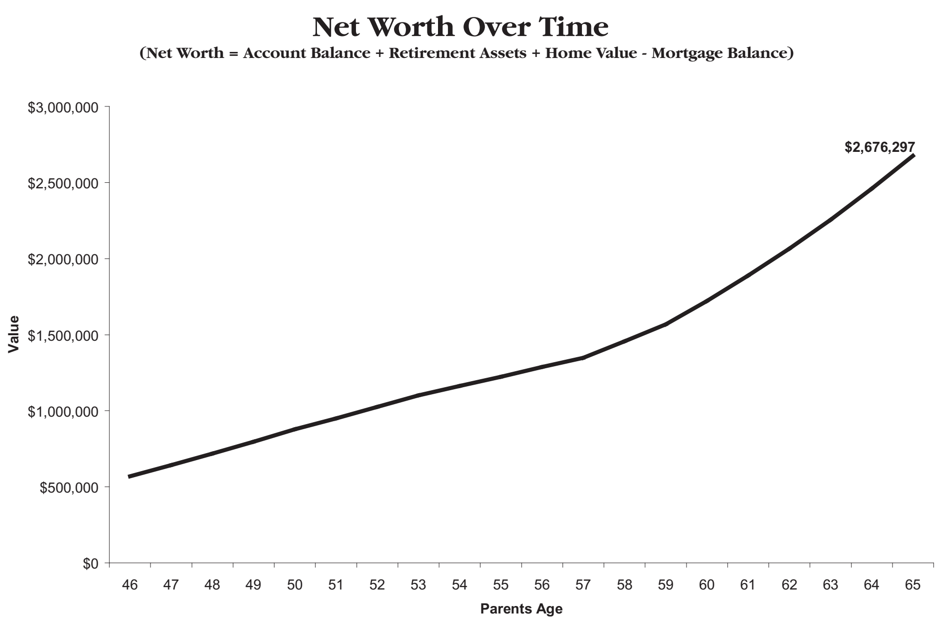
Total Estimated Year-End Home Value	Father's Qualified Retirement Assets	Mother's Qualified Retirement Assets	Age of Oldest Parent
2.50%	7.00%	7.00%	
$425,000	$100,000	$80,000	45
$435,625	$116,630	$88,521	46
$446,516	$134,424	$97,639	47
$457,679	$153,464	$107,394	48
$469,120	$173,836	$117,833	49
$480,848	$195,635	$129,003	50
$492,870	$218,959	$140,954	51
$505,191	$243,916	$153,742	52
$517,821	$270,621	$167,425	53
$530,767	$299,194	$182,066	54
$544,036	$329,768	$197,731	55
$557,637	$362,481	$214,494	56
$571,578	$397,485	$232,429	57
$585,867	$434,939	$251,620	58
$600,514	$475,015	$272,155	59
$615,527	$517,896	$294,127	60
$630,915	$563,778	$317,637	61
$646,688	$612,873	$342,793	62
$662,855	$665,404	$369,709	63
$679,426	$721,612	$398,510	64
$696,412	$781,755	$429,327	65
$696,412	$781,755	$429,327	65

The greatest part about this planning is that you never have to increase your debt load. As your income goes up your debt stays level so you can either save more or increase your standard of living.

Below is a graph of the wealth accumulated IN SPITE of the fact that $800,000 was spent to educate two children in the process. Net worth at age 65 for retirement (assuming these parents were 45 when they started this process) will be $2.8 million.

(Home Value $696,412 + Father Retirement $781,755 + Mother Retirement $429,327 + Savings Account $1,151,136 — Mortgage Balance $187,932 = $2,870,698)

PLANNER TIP: It is important to remember that in today's dollars — at an inflation adjusted net rate of return of 4% — $2.8 million in 20 years is really only $1.3 million if they retired today, which may not be enough for full retirement. The importance of saving as much as possible while the kids are in school as well as when they get out MUST be a priority. As income steadily increases over the 20 years, percentage of savings should increase as well.



CONCLUSION

Partnering with professionals who support your goals

Every family's situation is unique; there is not one cookie-cutter approach to money maximization. What may work for one family will not work for another, but hopefully these sample scenarios demonstrate that, with proper planning and minimal extra effort or long-term expense, you can realize your dream of an independent school education.

Perhaps you are proficient in Microsoft Excel and can construct your own financial spreadsheet. Many families will wish to consult a financial advisor to create a personal money map. Fee-only or fee-based Certified Financial Planning Practitioners® may be a great place to start if you do not currently work with a CPA, or if he or she cannot assist you. To find a financial planner in your area, we recommend that you consult with friends and colleagues, or visit the Financial Planning Association at www.fpanet.org/plannersearch/search.cfm.

When interviewing financial professionals, ADVIS encourages you to seek an accountant or certified financial planner <u>who is experienced with education planning, and particularly with independent schools</u>. Ask him/her if they can prepare this type of forecast for you. Below is a list of recommended questions to ask:

1. We are making the choice to send our children to independent schools. Can you help me prepare a plan to pay annually for school, manage my debt, and save for retirement and college?
2. What experience do you have with preparing such forecasts?
3. What will the fees be?
4. Will we meet annually to reevaluate the plan and make sure we are on track?

Don't let the price tag of independent school tuition get in the way of the educational experience that will best serve the needs and strengths of your child. Where there is a will, there is usually a way. This booklet demonstrates that a win-win is possible — with strategic financial planning you can make the most important investment of a lifetime in your child's future now and still meet your future college and retirement goals.

To order a copy of Melissa Diana's book

Tuition Impossible:
7 Steps to Conquer the High Cost of Private Schools and Colleges,

or to contact Melissa directly, go to
www.tuitionphysician.com.

You will find a wealth of information on this website including case studies of other families who have used these strategies, downloadable MS Excel spreadsheets, and video tutorials.

Melissa C. Diana, CFP

Since 1995, Melissa Diana, The Tuition Physician™, has been creating customized strategies to help families across the country afford the "best fit" schools for their children regardless of the price tag. She is a national expert on paying for education, speaker, author, adjunct faculty and mother of three college bound children. She has been featured on CN8 "Your Money," AOL, Smartmoney.com, and has taught her strategies to thousands of attendees at conferences nationwide. She firmly believes that any family can recover every dollar spent on education for the future with a personalized Money Map.

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