B&C FINANCIAL ADVISORS

Accumulating Interest

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THE OFFICE WILL BE CLOSED ON THE FOLLOWING DAYS:

July 5
Independence Day

September 6
Labor Day

November 25-26
Thanksgiving

CONTACT US

P : (904) 273-9850
F : (904) 273-6920

www.BandCfinancial.com

The B&C Financial Building
110 Professional Drive
Ponte Vedra Beach, FL 32082

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A Word from the Investment Department

by Adam Howard, CFP®

Planning for College After COVID

"An investment in knowledge pays the best interest."
– Benjamin Franklin

The COVID pandemic has changed the habits and routines of countless individuals. For many, the pandemic has altered the way they interact with others and even made an impact on their spending habits. Through all the haze, college planning is still on the forefront of many investors' minds, and COVID has changed parents' sentiments of college. Parents are more concerned about their children's safety and health and now want their kids to enroll at a college closer to home*. A recent survey of Florida families shows that more than 90% of parents believe a college education is just as important or more important in the wake of the pandemic**.

Accordingly, JP Morgan recently released the results of their 2021 study entitled "College Planning Essentials: A comprehensive guide to saving and investing." Below are some highlights from the study, including the value of a college degree, the current cost of college, various ways families save for education, and more.

A common question about the cost of college, "Is the price worth it?" Answers to this question vary and may not have the same meaning from one family to the next. To some, college is a "no exceptions" policy. For others, it might be a "wait-and-see" scenario. Without question, more families are doing a cost-benefit analysis when it comes to attending college.

As mentioned in the study, the average annual earnings by educational degree are as follows:

- High school graduate - $39,371
- Bachelor's degree - $73,163
- Professional degree - $152,703

This emphasizes the point that a college education can still be valuable in today's society, despite the potentially large cost.

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One of the main questions about college planning is, “How much will we need to save?” It is an important question, as college is one of the largest expenses many families face. The answer can vary based on a wide variety of factors, such as where your child attends school, whether it is a public or private institution, in-state versus out-of-state, and more.

The current average four-year cost per the study is:
- Public institution – $95,599
- Private institution – $218,825
- “2+2” community college – $57,858

While these figures might be tough to digest, there are methods to reducing the cost of college. For example, the above costs show the cost savings of attending a community college for two years, then transferring to a public institution for the remaining two years. Based on these figures, this “2+2” approach reduces the cost by almost 40% compared to a public institution.

So, how do parents pay for college? Most families are paying through personal savings and borrowing. There are avenues to help cover some of these costs, such as free grants and scholarships, but research shows they only cover about 26% of the overall tuition. That means the remainder must be made up by the families themselves and/or student loans.

Just like any other goal, creating a reasonable plan of action and staying disciplined to achieve the desired outcome is key to success. The same is true for college planning. Any amount of consistent, regular contributions is beneficial in the long-term.

There are several savings vehicles people can use to accumulate money for education. Although the most known plan is a 529 education account, the most common form of college savings is cash (savings, checking, etc.). However, cash is very unlikely to obtain the growth needed to pay for college. For reference, college tuition (tuition inflation) is currently rising at twice the inflation rate***.

There are many benefits to using a 529 college savings account. For one, it receives tax-free growth and tax-free withdrawals if used for qualified education expenses. Another benefit is the ability for a contributor to remove assets from their estate. There is a gifting rule (“Superfunding”) which allows an individual to make up to five years of tax-free gifts in a single year (i.e., up to $75,000 in 2021), per beneficiary. This makes a 529 plan a great avenue to lower the value of an estate and make an investment in the higher education of a loved one.

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If you are interested in having a more in-depth conversation about college planning, we would be more than happy to schedule a meeting with you. We are here to help you navigate through the uncertainty.

Sources:
College Planning Essentials: A comprehensive guide to saving and investing: https://am.jpmorgan.com/content/dam/jpm-am-aem/americas/us/en/literature/brochure/529-cpe.pdf
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**Florida Prepaid College Survey: https://www.myfloridaprepaid.com/florida-prepaid-announces-annual-open-enrollment-college-savings-plans-start-at-45-month/
***Forbes: https://www.forbes.com/sites/zengernews/2020/08/31/college-tuition-is-rising-at-twice-the-inflation-rate-while-students-learn-at-home/?sh=67325be62f98

Saving for Children's Futures: Pros & Cons of Common Account Types

by Adam Oerther, VP

Welcoming a new child or grandchild into your family is typically an exciting and memorable experience. In addition to witnessing a new life being brought into the world, you ponder what kind of life this child will have, hoping they will climb to great heights and accomplish many wonderful achievements. As you think about all of these things, perhaps you decide you would like to help your child or grandchild by providing them with some financial assistance as they navigate the many options and hurdles life puts in front of them. There are many options available for you to provide such financial assistance, so determining the "best" option can often be difficult. Below, we explore several types of accounts you can use and why you may or may not want to consider using them.

Savings Account

You have probably heard the phrase "cash is king." Although the phrase can have slightly different meanings depending on the situation at hand, when it comes to saving for your child's future, you may think cash is the best option for you. A savings account is not subject to the ups-and-downs of the stock market, is insured up to $250,000*, and has no restrictions on what the money is ultimately used for. However, because it is not invested, you will likely need to save more of your money to provide the same amount of assistance as you would if the money had been invested. There are also no tax advantages to saving in this way.

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529 Plan

One of the more popular plans you may have heard of is the 529 plan, with each state having their own version of the plan. With these plans, you can put aside a large amount of money for each beneficiary (up to over $500k in some plans), anyone who wants to contribute to the plan may do so, and many states offer a state income tax deduction or credit for contributions. The contributions can also be invested, which can potentially increase the value of the financial support you plan to give. The investments grow tax-deferred, and distributions are tax-free when used to pay for qualified education expenses. On the other hand, non-qualified distributions are subject to income tax and a 10% penalty on the earnings portion of the withdrawal. Additionally, there are limited investment options available, and you can only rebalance the account twice per year.

Custodial Accounts (UTMA/UGMA)

Other accounts used for children are custodial accounts, specifically the Uniform Transfer to Minors Act (UTMA) and Uniform Gift to Minors Act (UGMA) accounts. These accounts are used to hold and protect assets for children until they reach the age of majority in their state (age 18 for UGMA and up to age 25 for UTMA). There are no contribution limits, you can use the money for any expense that benefits the child (i.e. not just education), and the income is subject to more favorable "kiddie tax" rules (0% on the first $1,100 and 10% on the next $1,100 for 2021). However, since the account is considered an asset of the child, this will have an impact on the child's financial aid. Additionally, income earned above the "kiddie tax" limits are taxed at the parents' rate.

Individual or Joint Account

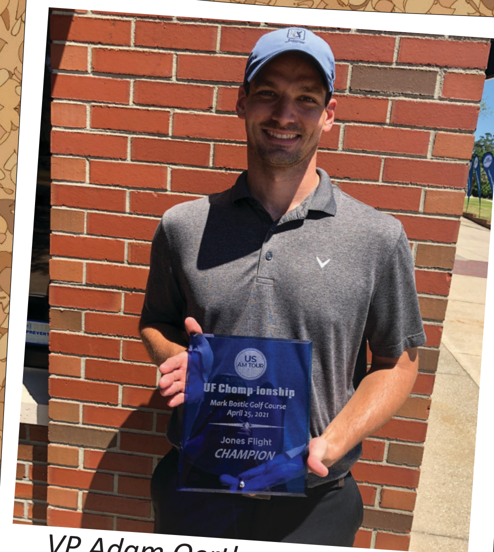
If you want the money you set aside to be invested but want more flexibility with respect to investment options and eventual uses of the money, opening an individual or joint brokerage account and "earmarking" it for the child may be the option for you. Since the account is your name, you retain full control over the account and can use the money at your discretion. Though you will be responsible for the taxes on capital gains, dividends, and interest, there are no contribution or income limits, and you can make changes to your investments at any time. You can also add a Transfer on Death (TOD) designation to the account with the child as the beneficiary to ensure the account is transferred directly to the child in the event of your death, although if the child is still a minor at the time, a custodian will be necessary to look after the account until the minor becomes an adult.

Ultimately, the choice of which account(s) to use to save for a child's future is personal to you. Therefore, you should decide what features and characteristics are most important to you and choose the account(s) that best suit those goals.

*More on FDIC insurance at: https://www.fdic.gov/deposit/deposits/faq.html

Keeping up with B&C

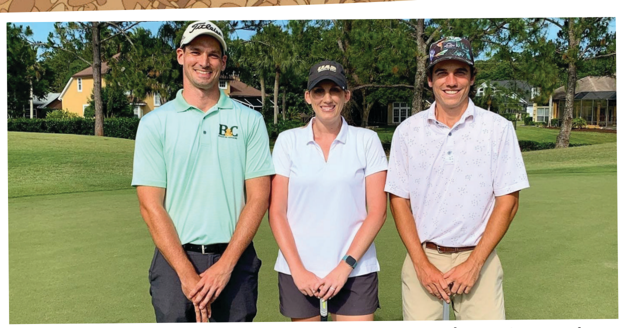
(Left to right) Sam Mcguinnes, Brian Mills (client), EVP Thomas Ellis, & William Huff (client) at the Let Freedom Swing charity golf tournament.



VP Adam Oerther won two golf tournaments on the US AM Tour with scores of 84 and 89.

Investment Manager Jessica Schmidt and her boyfriend Alex went hang gliding for his birthday!

Administrative Assistant Caitlin Howard and her father won their Member-Guest golf tournament.



(Left to right) VP Adam Oether, Administrative Assistant Caitlin Howard and her husband Cory Howard at NFJG's Hole in One Championship where Caitlin and Cory took home the first place trophies!

Client for a Cause - Jean Francis & Moms Demand Action

by Jean Francis

Moms Demand Action was founded by Shannon Watts, a mother from Indiana, a day after the Sandy Hook massacre. It has grown from a simple Facebook message encouraging all Americans to do more to reduce gun violence, to the largest grassroots gun violence prevention organization in the country. It consists of more than six million volunteer moms, dads, students, families, survivors, and concerned citizens with chapters in every state.

I joined Moms as I watched gun violence rise to become the second leading cause of death for children and teens in our country. This year, it is on track to become the leading cause. In my 45 years as a pediatric nurse & pediatric hospital administrator, gun deaths in children were not even on our radar screen. But, through working with pediatric trauma specialists, I learned that most traumatic deaths and injuries, including those from gun violence, are preventable. Gun violence prevention is the focus of Moms, and we use four actions to achieve our goals.

First, we advocate for sensible gun safety laws, such as background checks on all gun sales. The ATF states that background checks are the most effective and efficient means of upending gun trafficking. Second, we educate families on gun safety measures focused on children and teens. Our local group worked with the School Board to send our “BeSmart” program which is focused on proper gun storage and suicide prevention in children and teens to all parents of children in Duval public schools.

As many of our volunteers have been directly or indirectly affected by gun violence, providing support to these individuals through our Survivor Network is also part of our mission. Finally, we elevate and contribute to the work of community partners who are addressing many of the root causes of gun violence in our communities. This winter our local group collected 400 pairs of gently used shoes and donated them to Hubbard House and Mission House. This month we sponsored a supply drive for Sponsored by Grace, a ministry working to end poverty and violence in the most affected zip codes in Duval.

As one of our Survivor Moms said, “I never expected to be affected by gun violence and then it knocked on my door”. (Her adult son and daughter were murdered by her daughter’s estranged husband). Gun violence is a uniquely American problem and does not respect neighborhood boundary lines, age, race, or economic status, or even “safe sacred spaces”. In fact, most gun deaths happen within our own homes: 66% of gun deaths are due to suicide. Some days, it seems violence is winning. But I go back to what I learned as a nurse: prevention is achievable. That is why I am part of this amazing group who work tirelessly to decrease gun violence in our community and in America.

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110 Professional Drive, Ste. 101
Ponte Vedra Beach, FL 32082

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