January 2016
Newsletter

Korbitz Financial Planning LLC
Eric S. Korbitz, CPA, CFP®
PO Box 170049
Milwaukee, WI 53217
414-979-1040
Eric@KorbitzFinancialPlanning.com
www.KorbitzFinancialPlanning.com

Clients and Friends:

The new year has greeted us with a volatile and generally negative stock market. It is times like this that remind us of the reasons to have an Investment Policy Statement. The Investment Policy Statement helps guide us through periods of volatility and reminds us that some market volatility is the price we pay for the higher longer term results of investing a portion of a portfolio in stocks. I urge you to stick with your Investment Policy Statement, and avoid (as much as you can) the "noise" from the news.

This newsletter is a mix of various topics, but concludes with three articles which discuss college costs and filing of the Free Application for Federal Student Aid (FAFSA.) The FAFSA "form" is what most college students need to complete to apply for financial aid, whether based upon need or merit. This is the time of year that many current and prospective college students are completing this form.

As always, if you have any questions, please do not hesitate to contact me.

Eric

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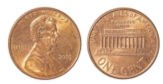
When a Saver Marries a Spender, Every Penny Counts



If you're a penny pincher but your spouse is penny wise and pound foolish, money arguments may frequently erupt. Couples who have opposite philosophies regarding saving and spending often have trouble finding common ground. Thinking of yourselves as two sides of the same coin may help you appreciate your financial differences.

Heads or tails, saver or spender

If you're a saver, you love having money in the bank, investing in your future, and saving for a rainy day. You probably hate credit card debt and spend money cautiously. Your spender spouse may seem impulsive, prompting you to think, "Don't you care about our future?" But you may come across as controlling or miserly to your spouse who thinks, "Just for once, can't you loosen up? We really need some things!"

Such different outlooks can lead to mistrust and resentment. But are your characterizations fair? Your money habits may have a lot to do with how you were raised and your personal experience. Being a saver or a spender may come naturally; instead of assigning blame, try to see your spouse's side.

Start by discussing your common values. What do you want to accomplish together? Recognize that spenders may be more focused on short-term goals, while savers may be more focused on long-term goals. Ultimately, whether you're saving for a vacation, a car, college, or retirement, your money will be spent on something. It's simply a matter of deciding together when and how to spend it.

A penny for your thoughts?

Sometimes couples avoid talking about money because they are afraid to argue. But talking about money may actually help you and your spouse avoid conflict. Scheduling regular money meetings could help you gain a better understanding of your finances and provide a forum for handling disagreements.

To help ensure a productive discussion, establish some ground rules. For example, you might set a time limit, insist that both of you come prepared, and take a break in the event the discussion becomes heated. Communication and compromise are key. Don't assume you know what your spouse is thinking--ask--and be willing to negotiate. Here are some questions to get started.

- What does money represent to you? Security? Freedom? The opportunity to help others?
- What are your short-term and long-term savings goals?
- How much money is coming in and how much is going out? Never assume that your spouse knows as much about your finances as you do.
- How comfortable are you with debt, including mortgage debt, credit card debt, and loans?
- Who should you spend money on? Do you agree on how much to give to your children or how much to spend on gifts to family members and friends, for example?
- What rules would you like to apply to purchases? One option is to set a limit on how much one spouse can spend on an item without consulting the other.
- Would you like to set aside some discretionary money for each of you? Then you would be free to save or spend those dollars without having to justify your decision.

Once you've explored these topics, you can create a concrete budget or spending plan that reflects your financial personalities. To satisfy you and your spouse, make savings an "expense" and allow some room in the budget for unexpected expenses. And track your progress. Having regular meetings to go over your finances will enable you to celebrate your financial successes or identify areas where you need to improve. Be willing to make adjustments if necessary.

Finally, recognize that getting on the same page is going to take some work. When you got married, you promised to love your spouse for richer or poorer. Maybe it's time to put your money where your mouth is.

Periodic Review of Your Estate Plan

An estate plan should be reviewed periodically, especially after a major life event. Here are some ideas about when to review your estate plan and some things to review when you do.

An estate plan is a map that explains how you want your personal and financial affairs to be handled in the event of your incapacity or death. It allows you to control what happens to your property if you die or become incapacitated. An estate plan should be reviewed periodically.

When should you review your estate plan?

Although there's no hard-and-fast rule about when you should review your estate plan, the following suggestions may be of some help:

- You should review your estate plan immediately after a major life event
- You'll probably want to do a quick review each year because changes in the economy and in the tax code often occur on a yearly basis
- You'll want to do a more thorough review every five years

Reviewing your estate plan will alert you to any changes that need to be addressed.

There will be times when you'll need to make changes to your plan to ensure that it still meets all of your goals. For example, an executor, trustee, or guardian may die or change his or her mind about serving in that capacity, and you'll need to name someone else.

Events that should trigger a periodic review include:

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren
- There has been an addition to your family through birth, adoption, or marriage (stepchildren)
- Your spouse or a family member has died, has become ill, or is incapacitated
- Your spouse, your parents, or other family member has become dependent on you
- There has been a substantial change in the value of your assets or in your plans for their use
- You have received a sizable inheritance or gift
- Your income level or requirements have changed
- You are retiring
- You have made (or are considering making) a change to any part of your estate plan

Some things to review

Here are some things to consider while doing a periodic review of your estate plan.

- Who are your family members and friends? How do you feel about them?
- Do you have a valid will? Does it reflect your current goals and objectives about who receives what after you die? Does your choice of an executor or a guardian for your minor children remain appropriate?
- In the event you become incapacitated, do you have a living will, durable power of attorney for health care, or Do Not Resuscitate order to manage medical decisions?
- In the event you become incapacitated, do you have a living trust, durable power of attorney, or joint ownership to manage your property?
- What property do you own and how is it titled (e.g., outright or jointly with right of survivorship)? Property owned jointly with right of survivorship passes automatically to the surviving owner(s) at your death.
- Have you reviewed your beneficiary designations for your retirement plans and life insurance policies? These types of property pass automatically to the designated beneficiary at your death.
- Do you have any trusts, living or testamentary? Property held in trust passes to beneficiaries according to the terms of the trust.
- Do you plan to make any lifetime gifts to family members or friends?
- Do you have any plans for charitable gifts or bequests?
- If you own or co-own a business, have provisions been made to transfer your business interest? Is there a buy-sell agreement with adequate funding? Would lifetime gifts be appropriate?
- Do you own sufficient life insurance to meet your needs at death? Have those needs been evaluated?
- Have you considered the impact of gift, estate, generation-skipping, and income taxes, both federal and state?

This is just a brief overview of some ideas for a periodic review of your estate plan. Each person's situation is unique. An estate planning attorney may be able to assist you with this process.

Financial Tips for Going Back to College at Any Age

Education Tax Benefits

Several education tax credits and deductions could help reduce the cost of college or vocational training, including the American Opportunity credit, the Lifetime Learning credit, and the student loan interest deduction. To learn more, consult a tax professional or IRS Publication 970, Tax Benefits for Education.

You're never too old to learn, but you might be wondering how you can meet your educational goals without breaking the bank. Believe it or not, there are ways to make college more affordable no matter what your age.

In your 20s

Perhaps you weren't ready to go to college immediately after graduating from high school. You took time off to travel, work, raise children, or pursue a military career. But after getting some "real world" experience under your belt, you've decided now is the time to go back to college.

Should you jump into a four-year bachelor's program or a two-year associate's degree? The answer may depend on what you want to study, how much time you have to devote to your studies, and how much you can afford. Keep in mind that federal financial aid eligibility is based on a student attending school on at least a half-time basis. Also bear in mind that the more time you spend in school, the higher the overall tuition bill and the more money you may need to borrow--and pay back.

Certificate or vocational training programs may also be worth considering as viable alternatives to more traditional four- or two-year options. Usually, they are less expensive and can be a faster way to build a skill set needed to start your career.

If you spent time in the military, you could be eligible for education benefits that may cover the cost of tuition/fees, housing, and books. To learn more about available benefits and eligibility requirements for military members, visit benefits.va.gov.

In your 30s, 40s, and 50s

The prospect of paying for college may seem impossible if you're struggling to balance your family life, job, and finances. It might make sense, though, if you need or want to upgrade your job skills or change your career.

Some employers offer tuition reimbursement benefits to help employees improve their skills or gain new skills. This can be a very valuable financial resource, so check with your human resources department to see if your company offers tuition benefits. However, employers typically require employees to remain at the company for a certain length of time after the benefits are paid, so make sure to check out the details.

If you have a particularly hectic schedule, registering for night classes, online classes, or as a part-time student may be more convenient for you. Nontraditional class times or virtual attendance can also be more cost-effective by eliminating additional expenses like the cost of commuting or housing that are associated with conventional enrollment.

If you're in your 50s, it may be worth looking into colleges supported by programs like the American Association of Community Colleges Plus 50 Initiative. This program provides funding to community colleges for the creation and expansion of campus programs that target individuals aged 50 and older who seek workforce training or preparation for a new career. To see colleges in your area that are associated with the initiative, visit plus50.aacc.nche.edu.

In your 60s and beyond

If you're approaching retirement or already retired, you might be inspired to pursue a college degree or attend classes merely for educational enrichment. If so, you don't necessarily have to tap into your retirement funds to pay for college.

A growing number of state universities and community colleges offer a selection of tuition-free classes for older students. Other schools may offer reduced tuition based on your age.

And if you don't mind learning online, massive open online courses (MOOCs) could be a cost-effective option. MOOCs offer a wide variety of classes at little or no cost, allowing you to quench your thirst for more knowledge on a variety of topics at the time of your choosing.

Tips for all ages

Renting textbooks, registering for online courses, and applying for financial aid are examples of money-saving strategies that could help a college student at any age. Remember that most students are eligible for some form of financial aid, so you will want to fill out the federal government's Free Application for Federal Student Aid (FAFSA) to determine how much aid you might be eligible for. To learn how much aid you might receive, visit a college's financial aid office, run a college's net price calculator on its website, or visit fafsa.ed.gov.

If you receive a smaller amount of financial aid than you hoped, research local, state, and national scholarships. Accomplishments you've made over the years from your nontraditional education path could help you qualify.

Korbitz Financial Planning LLC
Eric S. Korbitz, CPA, CFP®
PO Box 170049
Milwaukee, WI 53217
414-979-1040
Eric@KorbitzFinancialPlanning.com
www.KorbitzFinancialPlanning.com

What do I need to know about submitting the FAFSA?

The FAFSA, which stands for Free Application for Federal Student Aid, is the federal government's financial aid application. Though the thought of completing it may inspire a collective groan from parents each year, this form is the prerequisite for many different types of federal and college financial aid, including loans, grants, scholarships, and work-study. So filling it out should be one of the first things on your list if your son or daughter will need some type of financial aid to attend college.

Even if you don't think your child will qualify for aid, you should still consider submitting the FAFSA in two instances. The first is when you want your child to have some "skin in the game" by taking on a small loan. In this case, filing the FAFSA will make your child eligible for an unsubsidized Stafford Loan each year--up to $5,500 for freshmen, $6,500 for sophomores, and $7,500 for juniors and seniors. Unsubsidized Stafford Loans aren't based on financial need and are available to any student attending college at least half-time.

The second situation for which you might file the FAFSA is when you want your child to be considered for college financial aid. Colleges generally require the FAFSA, along with the CSS Profile form, before they'll determine whether your child is eligible for any college need-based grants and scholarships.

The FAFSA is available online at [fafsa.ed.gov.](fafsa.ed.gov) A new sign-in method (as of May 2015) requires creating an FSA ID, which consists of a username and password. The FSA ID replaces the prior PIN sign-in method and is meant to be more secure.

The FAFSA should be filed as soon as possible after January 1 for both new and returning students because some aid programs operate on a first-come, first-served basis. Practically speaking, many families wait to submit the FAFSA until after they have completed their tax returns, but you don't have to wait. The FAFSA can be submitted with estimated tax numbers and then updated later with final tax numbers by simply adding the final numbers manually or using the government's online IRS Retrieval Tool. Regarding the filing timeline, look for a change on the horizon. Starting with the 2017/2018 school year, families will be able to file the FAFSA as early as October 2016 using their 2015 tax information.

What happens after I file the FAFSA?

After you submit the federal government's FAFSA (Free Application for Federal Student Aid), you will receive a Student Aid Report (either electronically or by mail, depending on how you filed the FAFSA). This report summarizes key data from your FAFSA and provides you with the holy grail of numbers--your expected family contribution, or EFC, which is the amount of money the government expects your family to contribute toward college for the current year before being eligible for federal aid.

For example, EFC27000 means that your expected family contribution is $27,000. Keep in mind that this figure is what the *government* says you can afford to pay, not what *you* say you can afford. In fact, many families may find it difficult to pay their EFC, let alone any potential remaining costs.

Review your report carefully to make sure it contains your correct income and asset information. Any corrections should be made immediately and sent back for reprocessing. If you have questions, you can contact the Federal Student Aid Information Center at 1-800-433-3243. An asterisk (*) next to your EFC means that your application has been selected for verification, which means you'll need to provide additional documentation as specified.

Your Student Aid Report is also sent to each college that your child listed on the FAFSA. The financial aid administrator at each school that has accepted your child will then use the report (along with the CSS Profile form, if applicable) to craft an aid package that attempts to meet your child's financial need. Aid packages typically include various combinations of federal loans, grants, and work-study jobs along with college grants and scholarships. Colleges are not obligated to meet all of your family's financial need. If they don't, it's called getting "gapped." In this case, you're on the hook for your EFC *plus* any gap.

Both new and returning students will be notified of a college's aid package in the spring. Some colleges may send a letter, some may post the information on a password-protected online site, and some may do both. Make sure to look over the award carefully. If you have questions or your financial circumstances have changed since you filed the FAFSA, contact the college's financial aid office.