

Financial success starts with debt-free graduates

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By Eric C. Pritz, CFP®, CMFC | Posted in Hill Section Life (June 2015)

Much has been written in recent years documenting the growing concern among parents about the financial preparedness (or lack thereof) of their millennial children. We've unwittingly built up and accepted this stereotype of millennials as the socially inept, self-absorbed gamer generation – narcissistically believing that the world revolves around their latest Tweets and Facebook posts.

The truth, however, is quite different. While certainly a technology-driven generation of information sharers, millennials are hardly insulated or disengaged from the world. Keep in mind that these young adults have come of age during the greatest economic crisis since the Great Depression. They've seen the devastation wrought by the negligence and excess and have responded by becoming some of the loudest voices, calling on businesses to play a more active and responsible social role.

They're a generation that tends to view financial matters more thoughtfully and conservatively than their parents, with a decidedly values-based perspective and a heightened social awareness – exceedingly cause-driven and deeply charitable.

A crushing burden of student loan debt

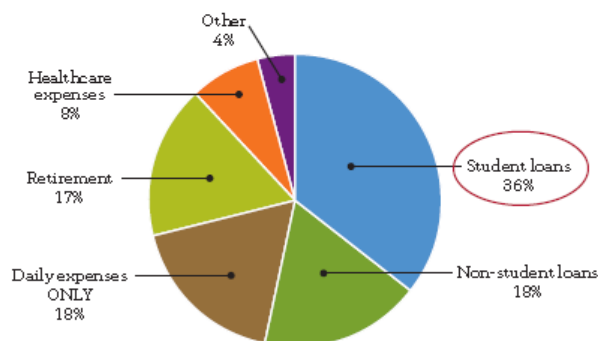
In its most recent survey of college pricing, the College Board reports an average annual college budget of \$46,272 (\$185,088 over four years) for a private university and \$23,410 (\$93,640 over four years) for an in-state public college. Not surprisingly, those costs are even higher in California. Without the help of financial aid, a freshman entering USC this year can expect to pay more than **\$270,000** for their undergraduate degree. Thanks to reduced in-state tuition for California residents, your son or daughter entering UCLA can likely make it through for a somewhat more “manageable” **\$140,000** price tag.

And with tuition rates increasing historically at about twice the general inflation rate, this cost dilemma isn't likely to improve anytime soon. According to the 2013 Millennials & Money study conducted by Wells Fargo, nearly two-thirds (64%) of graduating millennials have been forced to finance their college education through student loans as compared to only 29% of their late baby boomer and early gen-x parents. The result is a generation feeling weighed down and strangled by

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their student loan debt. In fact, for more than one-third (36%) of millennials, student loan debt is their single greatest financial concern – in many cases driving them to delay major life events such as marriage, buying a home or starting a family, as well as to put off saving for retirement.

Chart 2: Biggest financial concerns



Source: Wells Fargo 2013 Millennials & Money

Helping to lift the burden

For parents and grandparents with the luxury of time, clearly there's no better way to prepare for the ever-rising cost of college than with a 529 Plan account. These accounts can be used for tuition, fees, room and board, books, required supplies and equipment at any accredited school, including public and private universities as well as graduate schools. There are no income or age limits on contributions. And the law not only permits annual contributions of up to \$14,000 (\$28,000 for a married couple) without incurring a federal gift tax in 2015, but under a special five-year gift rule, you may be eligible to make a special one-time contribution of \$70,000 (\$140,000 for a married couple) for each beneficiary and prorate it over five years, as long as no additional contributions or other gifts to the designated beneficiary are made during that five-year period.

If your child or grandchild is already saddled with significant student loan debt, it's not too late. Talk to your financial advisor; there are several gifting strategies available that can help new

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graduates pay down student loan debt while at the same time allowing you to remove from your taxable estate those assets that won't be needed for retirement income.

Despite being the very first *Internet generation*, at their core millennials share many of the same values as previous generations. Quite possibly, they are even more driven than previous generations by their desire to “do good” for others more so than a desire to “do well” for themselves. What better gift could you bestow, than helping to free them from the burden of student loan debt and start them on the road to financial well-being?

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