



## Education

Prepared for Frank and Joanna Sample

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## Monte Carlo

# Disclaimer

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Monte Carlo Analysis is a complex statistical method that charts the probability of certain financial outcomes at certain times in the future by generating many possible economic scenarios that could affect the performance of your investments. The Monte Carlo simulation uses at most 1000 scenarios to determine the probability of outcomes resulting from the asset allocation choices and underlying assumptions regarding rates of return and volatility of certain asset classes. Some scenarios assume favorable financial market returns, consistent with some of the best periods in investing history. Some scenarios assume unfavorable financial market returns, consistent with some of the worst periods in investing history. Most scenarios will fall somewhere in between. The outcomes presented using the Monte Carlo simulation represent only a few of the many possible outcomes. Since past performance and market conditions may not be repeated in the future, your investment goals may not be fulfilled by following advice that is based on the projections.

Tools such as the Monte Carlo simulation will yield different results with each use and over time depending on the variables inputted and the assumptions underlying the calculation. If this Analysis makes use of a Monte Carlo simulation, the term "Monte Carlo" will be included in the title. Simulation assumptions include the assumed rates of return and standard deviations of the portfolio model associated with each asset. The assumed rates of return are based on the historical rates of returns and standard deviations, for certain periods of time, for the benchmark indexes comprising the asset classes in the model portfolio. Since the market data used to generate these rates of return change over time your results will vary with each use over time.

*IMPORTANT: The projections or other information generated by a Monte Carlo simulation regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.*

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Client(s): \_\_\_\_\_  
Frank Sample \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
Joanna Sample \_\_\_\_\_ Date \_\_\_\_\_

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Victoria Holt \_\_\_\_\_ Date \_\_\_\_\_

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Education planning is the process of creating a realistic strategy for funding the higher education costs of your children. It is important to create a plan that works along with other aspects of your comprehensive financial plan. The following is a list of items to consider when creating your education plan.

## **Total Amount You Want to Fund**

Most people start with a goal of funding their children's entire education. However, this is not always possible given the specific situation of each family. You should choose a funding objective that is realistic and be flexible enough to change that goal as the situation warrants.

Remember that it is important to not commit too much money to education planning at the expense of under-funding other priorities like retirement planning. There are outside sources of help when funding college such as grants, scholarships, and loans. There is no such help for your retirement.

## **Type of Account(s) to Use**

There are multiple types of accounts where you can save your money. Some offer significant tax benefits but possibly at the cost of higher expenses. Some offer lower expenses but potentially more taxes. Some accounts may be more advantageous if applying for financial aid for children.

While the most important action you can take is to actually save money, it is important to use the type of account most beneficial to you.

## **How Much To Save and How to Allocate**

The amount you can save is of obvious importance when creating a plan but the proper allocation is often overlooked. Education often provides a shorter time frame to save as well as a very short timeframe for the actual event, unlike retirement for example. Therefore, it is important to use an allocation appropriate for shorter timeframes. While you can be aggressive with the allocation for young children, a more moderate allocation is generally warranted for teenagers since your timeframe is typically limited to 5 years or less. Do not overlook the importance of reviewing your allocation every few years, and making changes when appropriate.

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# Cost of Education Base Facts

Funding a child's education, either fully or partially, is considered a primary obligation by most parents. With education costs significantly outpacing inflation, the total cost of a college education can become burdensome if you don't start saving early.

**For College for Lucas**, you have defined that education begins in **2025**, lasts for **4 years (through 2028)**, and will have an annual cost of **\$50,000** in today's dollars. These costs are expected to grow at a rate of **4.00%** beginning **immediately**.

You can expect the first year of college to actually cost **\$58,493** when it begins, with a total cost of **\$248,389** by the time it ends.

## SUMMARY

**Education Occurs**  
**2025 - 2028**

**Annual Costs (Today's \$)**  
**\$50,000**

**Costs Grow at**  
**4.00%**

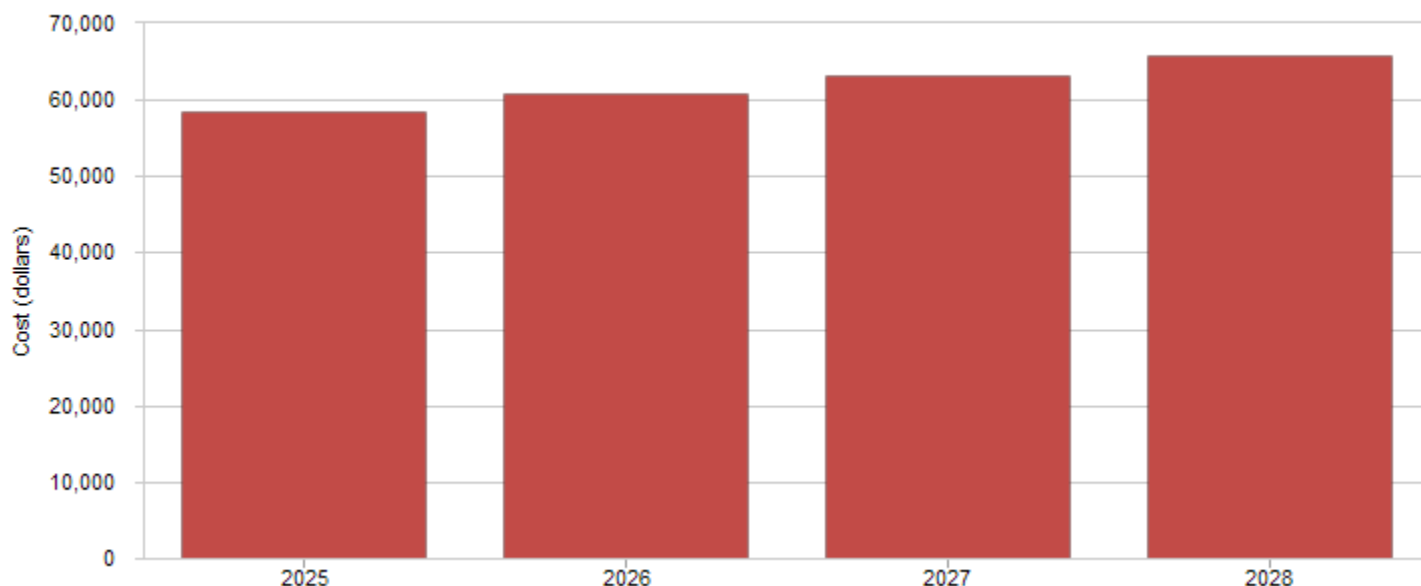
**Annual Cost in 2025**  
**\$58,493**

**Total 4 Year Cost**  
**\$248,389**

## How Will Your Costs Grow?

The chart below illustrates the mounting costs of this education. You can expect an annual cost of **\$50,000** today to grow to **\$58,493** in **2025** and **\$65,797** in **2028**.

**Projected Cost of College for Lucas**



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# Cost of Education Base Facts

Funding a child's education, either fully or partially, is considered a primary obligation by most parents. With education costs significantly outpacing inflation, the total cost of a college education can become burdensome if you don't start saving early.

**For College for Mary Beth**, you have defined that education begins in **2028**, lasts for **4 years (through 2031)**, and will have an annual cost of **\$50,000** in today's dollars. These costs are expected to grow at a rate of **4.00%** beginning **immediately**.

You can expect the first year of college to actually cost **\$65,797** when it begins, with a total cost of **\$279,405** by the time it ends.

## SUMMARY

**Education Occurs  
2028 - 2031**

**Annual Costs (Today's  
\$)  
\$50,000**

**Costs Grow at  
4.00%**

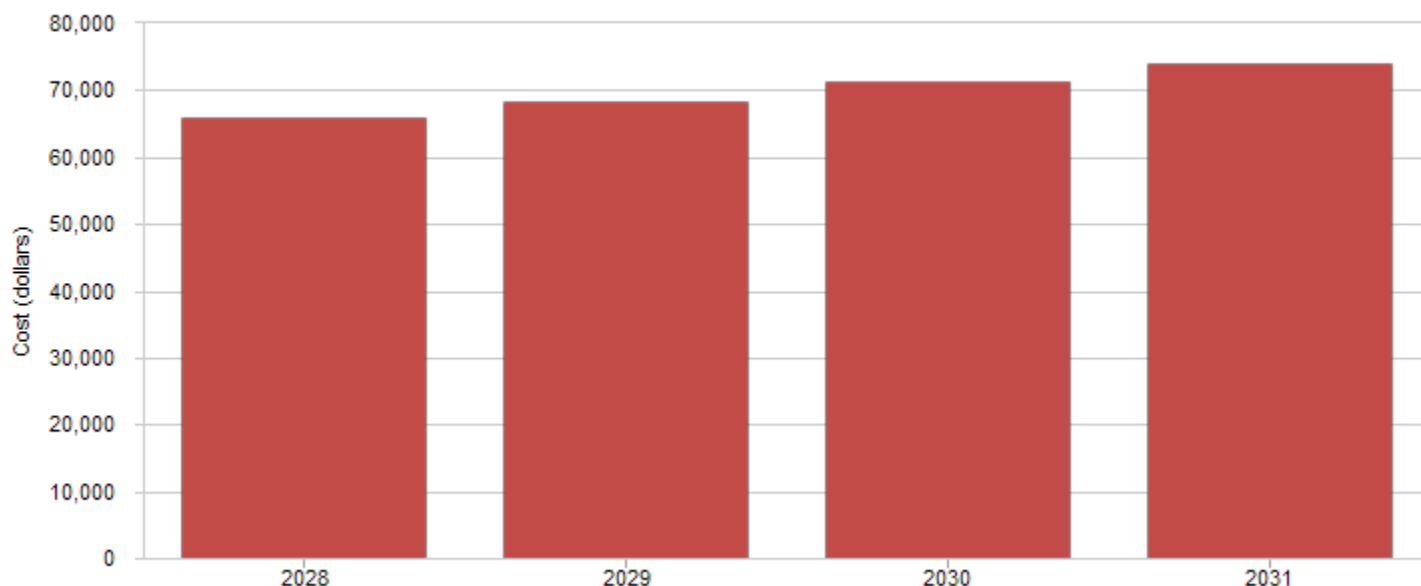
**Annual Cost in 2028  
\$65,797**

**Total 4 Year Cost  
\$279,405**

## How Will Your Costs Grow?

The chart below illustrates the mounting costs of this education. You can expect an annual cost of **\$50,000** today to grow to **\$65,797** in **2028** and **\$74,013** in **2031**.

**Projected Cost of College for Mary Beth**



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# Funding Your Education Base Facts

This report shows where you are with respect to your education funding needs.

You currently have **\$54,999** of dedicated funds available for **College for Lucas** expense. Planned savings and assumed growth would result in a total of **\$68,532** of dedicated funds available for the education goal. These funds are used against a total **4 year** cost of **\$248,389** resulting in a **\$179,857** shortfall of dedicated assets. Non-dedicated assets are assumed to fund the remaining goal shortfall.

The projected **shortfall** from dedicated assets towards **College for Lucas** expense is **\$179,857**, or **72%** underfunded. Non-dedicated assets are assumed to fund the remaining goal shortfall.

## SUMMARY

**Total 4 Year Cost**  
**\$248,389**

**Current Funding**  
**\$54,999 (Dedicated)**

**Total Funding**  
**\$68,532 (Dedicated)**  
**\$179,857 (Non-Dedicated)**

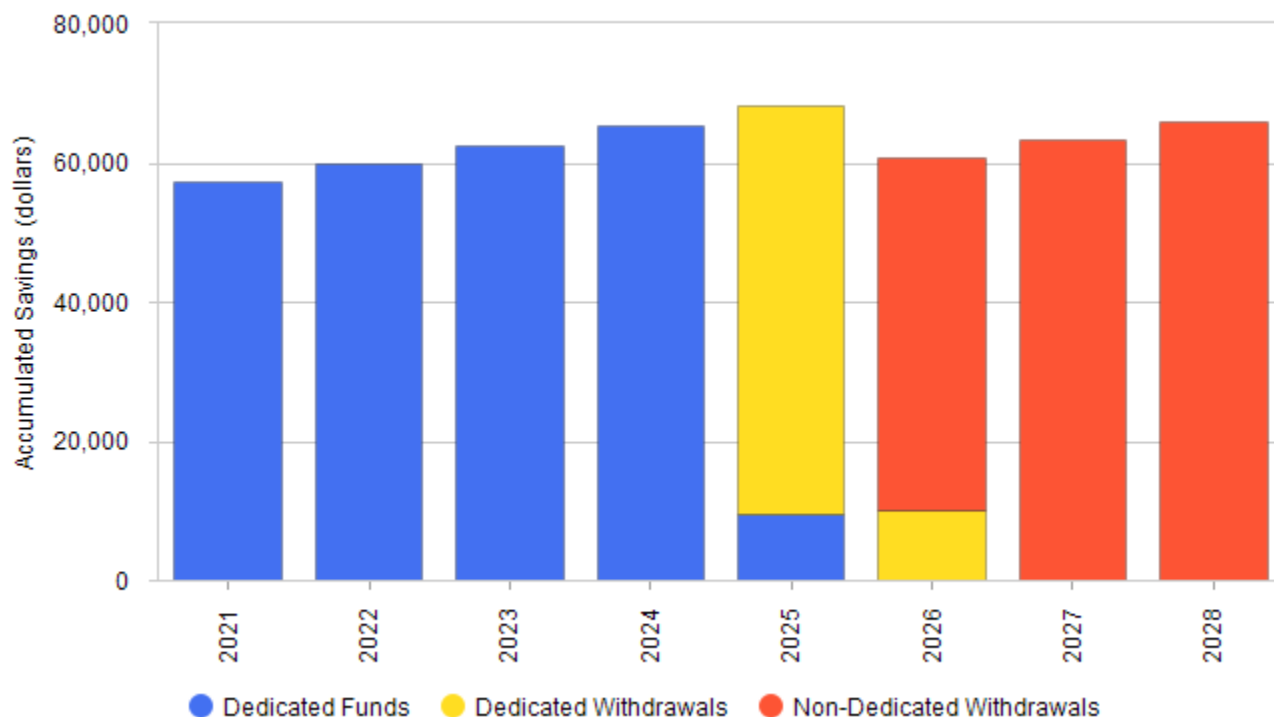
**Shortfall**  
**\$179,857 (Dedicated)**  
**\$0 (Non-Dedicated)**

**Percent Funded**  
**28% (Dedicated)**  
**72% (Non-Dedicated)**

## Will There Be Enough?

The chart below illustrates your available dedicated funding for this education goal. Your dedicated assets provide a funding level of **\$68,532** towards the goal. Non-dedicated assets are used to fund the remaining **\$179,857**.

**Savings and Withdrawals for College for Lucas**



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# Funding Your Education Base Facts

This report shows where you are with respect to your education funding needs.

You currently have **\$124,403** of dedicated funds available for **College for Mary Beth** expense. Planned savings and assumed growth would result in a total of **\$181,938** of dedicated funds available for the education goal. These funds are used against a total **4 year** cost of **\$279,405** resulting in a **\$97,467** shortfall of dedicated assets. Non-dedicated assets are assumed to fund the remaining goal shortfall.

The projected **shortfall** from dedicated assets towards **College for Mary Beth** expense is **\$97,467**, or **35%** underfunded. Non-dedicated assets are assumed to fund the remaining goal shortfall.

## SUMMARY

**Total 4 Year Cost**  
**\$279,405**

**Current Funding**  
**\$124,403 (Dedicated)**

**Total Funding**  
**\$181,938 (Dedicated)**  
**\$97,467 (Non-Dedicated)**

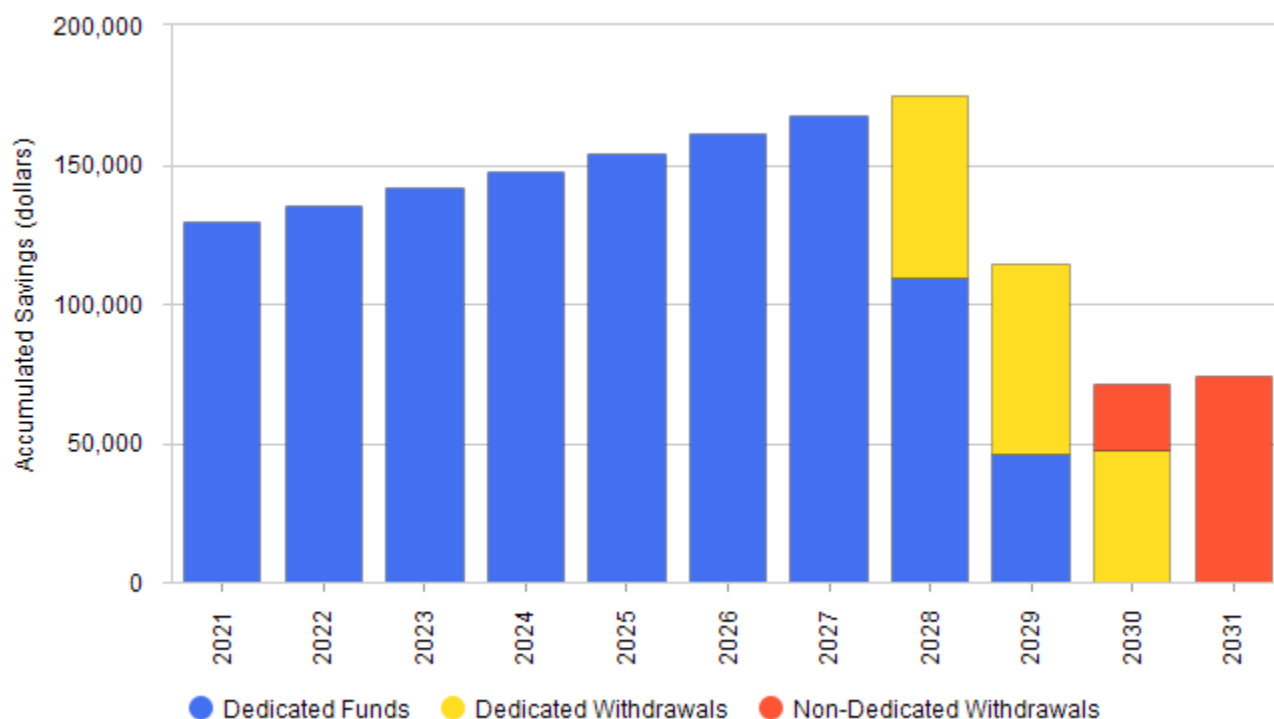
**Shortfall**  
**\$97,467 (Dedicated)**  
**\$0 (Non-Dedicated)**

**Percent Funded**  
**65% (Dedicated)**  
**35% (Non-Dedicated)**

## Will There Be Enough?

The chart below illustrates your available dedicated funding for this education goal. Your dedicated assets provide a funding level of **\$181,938** towards the goal. Non-dedicated assets are used to fund the remaining **\$97,467**.

**Savings and Withdrawals for College for Mary Beth**



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# Options for Meeting Education Needs Base Facts



Based upon the assumed cost, existing funds, and future savings for **College for Lucas**, your education goal is not projected to be fully funded with dedicated assets. It is important to review your educational funding needs now, and implement any necessary changes. There are several options which, by themselves or in combination with each other, may help you to achieve your education funding goal. They include:

## Save More Each Month

By examining your current budget and expenditures, you may be able to make changes that allow you to increase the amount you save each month for future education costs.

To cover your funding shortfall solely from dedicated assets by saving more each month, you would need to save an additional **\$1,833 per month** (or **\$21,997 per year**) through **2027**. This solution assumes that these new funds will grow at a rate of **5.03%**.

### SUMMARY

**Increase Savings by**  
**\$1,833** (monthly)  
**\$21,997** (annually)  
**Total Cost of Education**  
**\$248,389**  
**Total Funding**  
**\$248,389**  
**Percent Funded**  
**100%**

## Set Aside More Now

One option for making up the shortfall is to set aside an additional lump sum today.

To make up your funding shortfall solely from dedicated assets by increasing the lump sum available today, you would need to put aside **\$133,538** in addition to the **\$54,999** currently available, for a total of **\$188,537**. This solution assumes that these new funds will grow at a rate of **5.03%**.

### SUMMARY

**Increase Funds by**  
**\$133,538** to a total  
of **\$188,537**  
**Total Cost of Education**  
**\$248,389**  
**Total Funding**  
**\$248,389**  
**Percent Funded**  
**100%**

## Reduce Costs

You may consider reducing the actual cost of the goal. The student might qualify for scholarships, or could attend a less expensive educational institution. In-state schools typically have lower tuition than comparable out-of-state schools.

To fully fund the goal solely from dedicated assets by reducing the expense, the annual cost would need to be reduced by **\$35,367** to **\$14,633** per year. This solution assumes that your education cost will grow at a rate of **4.00%** each year.

### SUMMARY

**Reduce Annual Cost by**  
**\$35,367** to a total  
of **\$14,633**  
**New Cost of Education**  
**\$72,692**  
**Total Funding**  
**\$72,692**  
**Percent Funded**  
**100%**

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# Options for Meeting Education Needs Base Facts



Based upon the assumed cost, existing funds, and future savings for **College for Mary Beth**, your education goal is not projected to be fully funded with dedicated assets. It is important to review your educational funding needs now, and implement any necessary changes. There are several options which, by themselves or in combination with each other, may help you to achieve your education funding goal. They include:

## Save More Each Month

By examining your current budget and expenditures, you may be able to make changes that allow you to increase the amount you save each month for future education costs.

To cover your funding shortfall solely from dedicated assets by saving more each month, you would need to save an additional **\$621 per month** (or **\$7,457 per year**) through **2030**. This solution assumes that these new funds will grow at a rate of **5.03%**.

### SUMMARY

**Increase Savings by**  
**\$621** (monthly)  
**\$7,457** (annually)  
**Total Cost of Education**  
**\$279,405**  
**Total Funding**  
**\$279,405**  
**Percent Funded**  
**100%**

## Set Aside More Now

One option for making up the shortfall is to set aside an additional lump sum today.

To make up your funding shortfall solely from dedicated assets by increasing the lump sum available today, you would need to put aside **\$60,388** in addition to the **\$124,403** currently available, for a total of **\$184,791**. This solution assumes that these new funds will grow at a rate of **5.03%**.

### SUMMARY

**Increase Funds by**  
**\$60,388** to a total  
of **\$184,791**  
**Total Cost of Education**  
**\$279,405**  
**Total Funding**  
**\$279,405**  
**Percent Funded**  
**100%**

## Reduce Costs

You may consider reducing the actual cost of the goal. The student might qualify for scholarships, or could attend a less expensive educational institution. In-state schools typically have lower tuition than comparable out-of-state schools.

To fully fund the goal solely from dedicated assets by reducing the expense, the annual cost would need to be reduced by **\$16,545** to **\$33,455** per year. This solution assumes that your education cost will grow at a rate of **4.00%** each year.

### SUMMARY

**Reduce Annual Cost by**  
**\$16,545** to a total  
of **\$33,455**  
**New Cost of Education**  
**\$186,942**  
**Total Funding**  
**\$186,942**  
**Percent Funded**  
**100%**

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# Education - Funding & Spending Details

Base Facts



For each year through the end of your goal, the table below displays the savings to and the withdrawals from the funds you dedicated to this goal, the amount spent on the goal, and the balance of funds at the end of each year.

College for Lucas						
Year	Age	Dedicated Assets (BOY)	Growth, Savings & Other Expenses	Dedicated Withdrawals for Expense	Dedicated Assets (EOY)	Non-Dedicated Withdrawals
2021	57/56	\$54,999	\$2,403	\$0	\$57,402	\$0
2022	58/57	57,402	2,508	0	59,910	0
2023	59/58	59,910	2,618	0	62,528	0
2024	60/59	62,528	2,732	0	65,260	0
2025	61/60	65,260	2,852	58,493	9,619	0
2026	62/61	9,619	420	10,039	0	50,794
2027	63/62	0	0	0	0	63,266
2028	64/63	0	0	0	0	65,797

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# Education - Funding & Spending Details

Base Facts



For each year through the end of your goal, the table below displays the savings to and the withdrawals from the funds you dedicated to this goal, the amount spent on the goal, and the balance of funds at the end of each year.

College for Mary Beth						
Year	Age	Dedicated Assets (BOY)	Growth, Savings & Other Expenses	Dedicated Withdrawals for Expense	Dedicated Assets (EOY)	Non-Dedicated Withdrawals
2021	57/56	\$124,403	\$5,436	\$0	\$129,839	\$0
2022	58/57	129,839	5,674	0	135,513	0
2023	59/58	135,513	5,922	0	141,435	0
2024	60/59	141,435	6,181	0	147,616	0
2025	61/60	147,616	6,451	0	154,067	0
2026	62/61	154,067	6,733	0	160,800	0
2027	63/62	160,800	7,027	0	167,827	0
2028	64/63	167,827	7,334	65,797	109,364	0
2029	65/64	109,364	4,779	68,429	45,714	0
2030	66/65	45,714	1,998	47,712	0	23,454
2031	67/66	0	0	0	0	74,013

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