[VINTAGE] FINANCIAL SERVICES, LLC

On the [MONEY]

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From the Grapevine...

We're excited to launch our new website makeover in early September at www.VintageFS.com. Vintage was one of the first financial planning firms in the country to have a website back in early 1996 and it has seen a few revisions over the years. The new site includes more videos, a new look, a blog and an archive of past issues of our *On the Money* newsletter. It's easy to get directions to our office and prospective clients can even book meeting times online. The new site is more mobile friendly and can be viewed on iPads, other tablets, and even phones. If you have suggestions or ideas for additional content, please let us know.

Our continued growth has led to another new hire over the summer as we added John Owens, our ninth member of the Vintage team. Vintage continues to be the dominant financial planning firm in the Ann Arbor area with 5 of the county's 21 fee only CFP®s working here. We look forward to developing John into our sixth over the next couple years. See more on John in the next column.

MEET JOHN OWENS

We're pleased to announce a new member of the Vintage Financial team. John Owens, a financial planning major from Clarion University in Pennsylvania, joined us in July as a new financial planner. John worked at the University of Pittsburgh Medical Center as a financial analyst for the past year.

With this hire, we searched the entire country for the best talent to join Vintage. We used a recruiting firm that specializes in financial planners and they brought us candidates from a few states. One of our finalists even came in from Los Angeles to pursue the excellent opportunity we have here at Vintage.

John graduated Summa Cum Laude in 2015 with a Bachelor of Science in Business Administration with a specialty in Personal Financial Planning and Monetary Economics. He has completed the course work for the Certified Financial Planner designation and plans to take the board exam in November.

At Clarion, he competed on a team against the top Personal Financial Planning programs in the country to win the 2015 FAStech Cup, a national case study competition. He was also chairman of the Clarion Students' Association Board of Directors and was a play-by-play radio announcer for Clarion Golden Eagles basketball games.

Initially, John will support our Senior Financial Planners and, in a couple years, should move into a position to work as the primary contact for some of our clients.

FAFSA CHANGES

One of the tasks that many parents must undertake when sending their child to college for the first time is filling out the FAFSA financial aid form. Any families that want to pursue financial aid or low cost federal loans will need to complete the Free Application for Federal Student Aid or FAFSA. One of the big frustrations with the form is that, in Michigan, it is due by March 1st and it requires numbers from the parent's prior year's tax return. It can be difficult to gather all tax documents, including delayed forms, and have a professional complete the tax return by this date.

Starting with the 2017-2018 financial aid award year, the FAFSA form will change from prior year to "prior, prior" year. This means that the Department of Education will use financial asset and income levels from 2 years ago in their award calculations. Under the old rules the 2016-2017 award year will use prior year information and the 2017 – 2018 award year will use prior – prior year information. The result is that 2015 income and financial asset numbers will be used twice!

We're here to help with the financial decision side of college. If Vintage prepares your tax return, we're able to provide you with a worksheet detailing all of the numbers needed for the FAFSA form. After completing the form, the Department of Education comes up with the Expected Family Contribution or EFC. As the name suggests, this is the number that the family is expected to contribute toward the child's education, irrespective of the cost of attendance.

College Financial Decision Report

In addition to assistance with financial aid, student loans and college savings, we've developed a personalized college financial decision module to help students consider finances in deciding on which school to attend. The analysis will compare the cost of attendance at different colleges and detail the dollar amount of loans needed if costs exceed current college savings. We'll break down the student loans associated with each college option into an expected monthly payment amortized over the typical 10 years.

Applying from a position of strength can sometimes help the student achieve a larger award package. A position of strength is achieved when an academically gifted student negotiates with a college whose typical applicant is less academically gifted. Dealing with a higher education institution can be similar to negotiating with a business!

It's important to understand the cost versus value relationship associated with each college. Sometimes it's worth paying a little extra to go to a school such as the University of Michigan because their average Bachelor's degree recipient has a higher lifetime earnings figure. However, there is a significant increase in cost to attend out-of-state Big Ten schools that may provide similar outcomes. For most students, it's better to pay the lower price to attend the in-state school.

Choosing majors can be a daunting decision for many students and understanding the expected salary for different college majors should be a part of that decision, especially if you're taking out student loans. The Hamilton Project is a study undertaken by the Brookings Institute that compares the earnings of different college majors. It's interesting to note that some Bachelor's degree majors can expect to earn less than the average Associate's degree recipient. More information can be found at: http://www.hamiltonproject.org/papers/major_decisions_what_graduates_earn_over_their_lifetimes/

Please contact our office you're interested in having the report created for your future college student.

SPECIAL NEEDS 529 PLANS

In December of 2014, Congress passed the ABLE Act which created a new type of tax free savings account called a 529A account. Built on the foundation of 529 accounts which were designed to help families save for college, 529A accounts were created to help families save for the care of individuals with disabilities. The National Disability Institute estimates that 58 million Americans are disabled and many of them will qualify for a 529A account. The money saved in this account should be used to supplement private insurance and public benefits.

To qualify, a 529A beneficiary would need to be disabled before age 26 and either receive Social Security disability benefits or file a disability certification under IRS rules. This type of account is a great alternative to small special needs trust accounts that would have a balance under $100,000. Social Security disability benefits can be suspended if the account balance is larger than $100,000. Annual contributions are limited to the annual gift tax exclusion amount, currently $14,000 per donor.

This type of account is best suited for parents or relatives of a special needs child whose goals correspond with the $100,000 contribution limit. Parents who saved in a traditional 529 Plan for a child who is later diagnosed with a disability may be allowed to roll the funds into a 529A account. Only a few states have created these accounts thus far, including Florida, Nebraska, Ohio and Tennessee. Michigan has approved the creation of a state sponsored 529A account but it is not yet available for use. Like regular 529 Plans, you don't need to use a plan from your state, but can choose from the best plans available. For more information, contact our office.

QUALIFIED CHARITABLE DISTRIBUTIONS

A qualified charitable distribution is a distribution from an IRA that is made payable directly to a public charity. The tax provision was first introduced in 2006 but had only been extended haphazardly by Congress, often with only days or weeks left in the calendar year, thus making planning difficult. The qualified charitable distribution rule was finally made permanent starting in 2015.

Benefits of gifting money directly from an IRA include full deductibility and the distribution counts toward satisfying an annual Required Minimum Distribution. The reduction of Adjusted Gross Income (AGI) may help reduce state income taxes and other federal taxes based on the AGI figure. Since IRA distributions are taxed as ordinary income, completing a qualified charitable distribution can yield a greater benefit than gifting appreciated securities.

An IRA owner must adhere to the following steps in order to qualify:

- Be age 70 ½ or older
- Have a check issued by the IRA custodian with no tax withholding and made payable directly to the public charity
- The annual limit is $100,000
- Send the check directly to the charity or to the IRA owner to be forwarded to the charity

Optimizing your giving can create a bigger impact for the causes and institutions that you care most about. A giving plan should also be viewed in the larger context of estate planning goals for heirs and charities. Please contact our office if you're interested in having Vintage assist in maximizing your charitable gifts.

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