



College Planning

Providing Strategies To Make College An Affordable Reality **News**



Dan Maga

Dan has been teaching parents how to establish college funding plans that are easy to fund, and allow children of any means to attend the college of their choice. Dan specializes in strategic tax and cash flow planning to help solve the college funding issues without raiding your retirement plans to pay for college.

American College Funding
444 Skokie Blvd
Suite 302
Wilmette, IL 60091
PH: 847-920-9680
FAX: 847-920-9682

danmaga@americancollegefunding.net

Attention Business Owners – Would You Like A Big College Funding Break!

Business owners are afforded more tax breaks than employees of corporations, and the financial aid system is no different. Under the Federal Deficit Reduction Act, the owner(s) of family-controlled businesses with 100, or fewer, employees can exclude their entire business assets when filing the 2010-2011 Free Application for Federal Student Aid (FAFSA) next year. Since many business owners have most of their assets tied up in their business, this new regulation could now qualify their families for considerable financial aid, where before they would have been left out.

For instance, a business owner with \$96,000 in income and \$1 million dollars in business assets would never before have qualified for need-based aid, regardless of the college the student attended. Under the Federal Deficit Reduction Act, not only would the family now qualify for need-based aid at most private colleges, but also a potential \$2,500 in education tax credits.

Furthermore, there are numerous income-reduction tax strategies for the business owner that could further increase both the family's cash flow for college and the financial aid of the student; such as, hiring the student, medical-reimbursement plans, equipment lease-back options, and more. And if the business owner happens to be a grandparent who wants to help pay for their grandchild's education, an employer education assistance plan could provide as much as \$10,500 in cash for college expenses.

If you are a business owner with a high school student that plans to go to college in the next four years, please give us a call as soon as possible. We may be able to help you qualify for a big college funding break!

Business Owners - Save For College By Hiring Your Kids

Few college savers think about taxes when they start socking away dollars for the cap-and-gown days.

Even though tax season is over, if you are a small business owner, integrating college financing with

taxes should be a year-round activity. You could pay for college with more pre-tax dollars, which frees up additional funds for tuition bills. In the process, you would also engage your children in financing their education.

Smart business owners can follow a tax-advantaged strategy by employing their children directly and setting aside college funds from their earnings. Business owners in high tax brackets can pay for a good deal of their children's education with money that's taxed no higher than 15 percent (marginal rate).

The core of this strategy is to invest a child's earnings at an early age while they are working for you. This strategy is ideal for the self-employed, sole proprietors and professionals, and it can work for any person who sets up a new business.

Here's how employing your child works. Say you have a 10-year-old who can do some light office work, which could include anything from computer maintenance to filing. You pay your child for "jobs related to their age or abilities". In the year 2010, the first \$5,700 the child earns is tax free to them (the standard deduction for single tax filers). This money can be used to pay the college tuition bill.

Suppose you have a 15 year-old child that's only three years away from college. A business owner in the 35% tax bracket could save considerable money by hiring the child and pay him \$10,000 for computer work. The business owner's tax liability on that \$10,000 would be \$3,500. However, the child would only have a \$430 tax liability ($\$10,000 - \$5,700 \times 10\%$) which is a \$3,070 tax savings. The savings over a three-year period would equal \$9,210. Rather than paying the college direct with after tax dollars, it's obviously much better for the small business owner to hire the child and use the earnings to fund the college account.

If you are a small business owner there are many available tax opportunities to help you save and pay for college.

The author of this newsletter is Dan Maga.

If you have any questions about the information contained in this newsletter, or any questions about college funding in general, please contact our office.

