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5 Estate Planning Questions to Ask About Real Estate

Preparing your estate in advance is one of the greatest gifts you can give your family. Many estates include real estate in the form of a primary home, vacation home, and other family properties. While inheriting a property can be a wonderful legacy, it also comes with obligations that heirs may be unprepared or unable to fulfill. If you intend to leave real estate to your heirs, ask yourself these five questions to help avoid creating problems for your loved ones.

1. **Will the Property Have a Mortgage?**

If the property comes with a mortgage or home equity loan, your heirs will need to negotiate with the lender to satisfy the terms of the loan. In many cases, they may need to sell the property to pay off any loans if financial provisions aren't made elsewhere in the estate. Life insurance is one option for giving loved ones the cash needed to satisfy final debts.

2. **What Are the Tax Considerations?**

If you leave a large estate, your heirs might end up owing state and federal estate taxes on their inheritance. Make sure that your heirs have the financial resources they will need to satisfy the tax bill. If your heirs sell the home after inheriting, they might also owe capital gains taxes. It is worth sitting down with a tax professional to make sure you understand all the tax implications for your heirs.

3. **Do You Want to Keep the Property in the Family?**

Many families have beloved homes or properties that have been passed down through generations. These emotional ties are important, but can complicate financial decisions. Make sure you and your heirs are on the same page regarding the family's legacy and that your heirs are prepared for the burdens of owning the property. If not, it may make sense to prepare the property for sale.

4. **What Are Your Family Dynamics?**

Unlike a cash inheritance, real estate cannot easily be divided among heirs. Properties also come with maintenance and financial responsibilities to consider. Many inherited properties have created nasty squabbles between siblings and in-laws over disposition and use. Think carefully about sibling and marital dynamics and make sure that leaving a property to your heirs is really the way to go. It is a good idea to talk to each heir in advance about his or her wishes.

5. **Do You Understand the Market Value of the Property?**

Many people have an unrealistic expectation of what a property is worth on the market. If your property is hard to value or would require extensive improvements, your heirs may have difficulty selling it for what you think it is worth. You should also determine whether the property has any pollution problems that would require remediation before a sale. Getting a professional appraiser's opinion can help prevent unpleasant surprises (and family disagreements) after your death.

How Can We Help?

For many clients, real estate is an important part of the legacy they hope to leave to their loved ones. However, real estate has special considerations and must be handled carefully within an overall estate strategy. If you expect to leave property to your heirs, it is important to make sure your team of legal and financial professionals understands your wishes so they can help make a smooth transition for all parties involved.

If you have questions about estate planning, need a referral to an estate planning lawyer, or want to discuss how estate planning impacts your financial plan and the financial future of your heirs, give our office a call at 913.814.3800.

4 Expensive Student Loan Blunders Families Don't Want to Make

Sending a child or grandchild off to college is an exciting time for a family. For the student, it's an opportunity to leave the nest and begin the first phase of adulthood; for parents and grandparents, it's a time to take pride in the years of hard work preparing the next generation for the real world. College is also the first time many young people become responsible for their own finances, and the habits they learn will help set the stage for their financial futures.

It's impossible to discuss higher education without thinking about the debts that many students and families take on. When the last recession took away many job opportunities for recent college graduates, a pattern emerged of young adults saddled with crippling debts, but they were unable to find work to pay those debts off. Though the labor market has recovered significantly and jobs for recent graduates continue to grow, student loan burdens are also increasing each year, making smart debt decisions critical to a young adult's future. As a family, there is a lot you can do to send the young person you love off to college on a solid financial footing. One way is by helping that young person avoid these expensive student loan mistakes:

About 70 percent of four-year college graduates borrow to finance college. The average college student graduated with $28,950 in debt in 2014.
Source: The Institute for College Access and Success

Mistake #1: Being Unaware of the True Cost of Attendance

When you think about the cost of college, your mind might jump immediately to tuition and academic expenses. However, the true cost of attending an institution is usually much higher; in fact, the College Board found that tuition and fees account for just 39 percent of the total college budget for in-state students of public four-year universities who live on campus. Students who live in pricey dorms with mandatory meal plans or in expensive off-campus areas might find that their living and transportation expenses dwarf tuition and fees and drastically increase the overall cost of attending. Those who are unprepared for the full cost of college might end up taking on much higher loan balances than they originally anticipated.

Here’s what you can do: help your student understand the full “sticker price” of college. Each college and university is required by law to publish an average “Cost of Attendance” that includes estimates for tuition, fees, living expenses (for on-campus and off-campus housing), equipment, and transportation. Use these estimates to compare program costs and budget effectively for the year.

WHAT DOES COLLEGE REALLY COST?
Average in-state public university: $24,061/year
Average private college: $47,831/year
Source: 2015—2016 College Board “Moderate Budget”

Mistake #2: Using Student Loans for Other Purposes
It’s not uncommon for students to receive more money in loans than they actually need to pay college expenses each year. When loan checks arrive, it can be easy to feel flush with cash—especially when it’s a student’s first time managing money. Faced with these windfalls, many blow their loan money on expenses that aren’t exactly academic: cars, spring break, clothing, and restaurants.

These mistakes won’t just inflate student loan balances; they can also set the stage for bad financial habits later in life. It’s very easy for students to get used to living beyond their means when they subsidize their lifestyles with debt.

Here’s what you can do: help students avoid taking on too much debt by saving loans for tuition and academic costs and paying living expenses by working and budgeting.

Mistake #3: Failing to Think About Life After College
At some point, student loans are going to come due, and keeping debt at manageable levels means thinking ahead about how the student will pay off those loans on a post-college salary. If possible, students should already be paying down their loans while in college to minimize the interest the loans accrue.

Here’s what you can do: while it might be hard for students who are excited about the college experience to think about the future, it’s a good idea to sit down together and discuss future earning potential based on a student’s major and job opportunities in that major.

Mistake #4: Failing to Take Full Advantage of Federal Loans
After maximizing all scholarship and grant opportunities— financial aid that doesn’t have to be repaid—students should turn to federal loans first. While private loans have higher borrowing limits and can be used for a wider variety of expenses, it’s generally better to exhaust federal loan options before turning to private lenders. Federal student loans, such as Direct Loans, Stafford Loans, or Perkins Loans, can be used to pay for an institution’s published student budget and are more favorable to students in many ways:

• The federal government will subsidize some types of loans by paying the interest while the student is in college, lowering the overall cost of borrowing.
• Students might qualify for loan forgiveness, forbearance, and other borrower protections after they graduate; these protections are generally not available for private loans.
• Federal loans typically have fixed interest rates, while private loans often have variable rates that can increase over time.

• While private loans require established credit history— often forcing students to seek parental cosigners—some federal loans don't require a credit check.

Here's what you can do: make sure that your student applies first to federal loan programs and maximizes those borrowing opportunities before applying to private lenders.

Always fill out the FAFSA each year, even if you don't expect to qualify for financial aid. Students can apply for additional grants and scholarships each year they are in college.

EMPLOYMENT STATISTICS BY MAJOR

MAJOR	UNEMPLOYMENT RATE	UNDEREMPLOYMENT	MEDIAN EARLY CAREER
Nursing	2.0%	13.4%	$48,000
Special Education	2.4%	14.9%	$33,000
Computer Science	3.6%	24.6%	$54,000
Finance	3.7%	36.8%	$47,000
Accounting	4.0%	26.8%	$45,000
Chemical Engineering	5.2%	17.0%	$70,000
History	5.9%	56.6%	$35,000
Political Science	7.2%	49.7%	$38,000

Source: Federal Reserve Bank of New York, January 2016

Helping Young People Make Smart Decisions About College
When it comes to college, your children and grandchildren might be making decisions that are worth more than their first houses, and mistakes are costly. Graduating with too much debt can be harmful to a young person's financial future. A college grad who must devote a large share of his or her income to student loan repayments might have a harder time making progress toward other financial goals, such as buying a house or getting married.

Unless you're willing to let the young person in your life make such a major financial decision alone, it's important to make college preparation a collaborative process. Here's what you can do:

• Start talking about your family's financial situation early. Let children know how much you can contribute to their college educations, and discuss your mutual desires.
• Set expectations about what financial responsibilities the student will have for college.
• Help your student understand how much it will cost to pay off his or her student loan using online loan calculators.

• Education and Retirement Funding App - Download our free app for your SmartDevice, available on the Apple and Android market - this interactive calculator shows you how various sources of income could affect your needs and wants for college and retirement planning.
• Work with your financial professional to help the student understand how debt works and how student loan debt will impact his or her future.
• Don't enable your student to take on more debt than he or she can responsibly repay.
• Always remember: there is no financial aid for retirement. Don't jeopardize your own financial future by taking on more debt than your family can afford.

RUN THE NUMBERS
Go to HamiltonProject.org and use the Undergraduate Student Loan Calculator
to project how long it could take to repay student loans.

How We Can Help
As financial professionals, we help our clients navigate all of life's milestones, including college. We help families make informed decisions about financial aid and college costs. We also help our clients balance financial priorities, such as retirement, against the need to help their kids prepare for college. If you have questions about saving for college, making college more affordable, or estimating your family's expected contribution, please give us a call at 913.814.3800. We'd be happy to sit down and run the numbers together.

Sources:
http://blogs.wsj.com/economics/2015/05/08/congratulations-class-of-2015-youre-the-most-indebted-ever-for-now/
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http://www.usnews.com/education/best-colleges/paying-for-college/articles/2013/07/24/undergrads-blow-it-with-student-loan-refunds
http://www.consumerfinance.gov/askcfpb/545/what-are-main-differences-between-federal-student-loans-and-private-student-loans.html

Financial Planning Association Recognition
The Financial Planning Association of Greater Kansas City has recognized Mike Searcy for his membership milestone with the association. Mike has been a member for 35 years, making him one of the top seven longest tenured members with the chapter. Did we mention he's still the youngest of that milestone group? ;)

Fall Internship Position
An internship with the Searcy group of companies exposes students to a broad range of experiences. They are trained on the "why" and "how" of firm operations before carrying out their responsibilities. If you know of anyone who might be interested, please share with them our Internship Program Page and our Current Position Listing information:
http://searcyfinancial.com/blog-posts/104-internship-program
http://searcyfinancial.com/images/pdfs/03-2016_-_Available_Positions_Listing.pdf

BikeMS 2016
We are gearing up for BikeMS 2016 which will take place on September 17 & 18. Our team has raised more than

$60,000 in 5 years to help support programs, services and MS research. If you are interested in joining our team or have friends who ride that may be interested, please invite them to join. Information and a link to join our team can be found at www.searcyfinancial.com/bikems-team-searcy-spinners. All riders are welcome, from beginners to experts!

"*Hold yourself responsible for a higher standard than anybody else expects of you. Never excuse yourself.*"
-Henry Ward Beecher

Get Around Trees

Don't let the trees get you down. If you find yourself behind a tree that's too high or too close for you to get over, you'll have to go under and around. Depending on how far you have to go and how low the tree is, consider a mid-iron, which will keep the ball low, but high enough to get out of the rough. Also think about how wide your swing needs to be to go the distance. Smaller swings generate less spin, which will help keep the ball under the trees and prevent a repeat of your current situation.

Tip Courtesy of Nick Kumpis, PGA | Golf Tips Mag

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