

John Doe  
 THIS IS A DEMO!  
 Summary Educational Funding Report

School: Central State  
 Age Attained in Current Year(2001): 2  
 Estimated Education Costs in 2001: \$10,000  
 Estimated Education Costs in  
 First Year of School(2017 Age: 18): \$39,701  
 Estimated Education Costs in  
 Last Year of School(2020 Age: 23): \$51,414

PRESENT VALUE ANALYSIS:

After Tax Discount Rate: 5.00%

	Present Value	Better or -Worse Than No Plan
No Plan - Fund Education In Year Due*	-\$77,013	\$0
Traditional Plan	-\$77,411	-\$398
529 Plan	-\$63,909	\$13,104

CASHFLOW ANALYSIS:

	Cash - flow	Better or -Worse Than No Plan
No Plan - Fund Education In Year Due*	-\$181,558	\$0
Traditional Plan	-\$118,320	\$63,238
529 Plan	-\$97,680	\$83,878

MONTHLY PAYMENT COMPARISON:

	Monthly Payment	Better or -Worse Than Traditional Plan
No Plan - Fund Education In Year Due	N/A	N/A
Traditional Plan	\$493	\$0
529 Plan (Excluding any tax payments that the student may have to make)	\$407	\$86

\* The No Plan - Fund Education In Year Due computations do not include any current fund balances that may already exist, since the purpose of the No Plan - Fund Education In Year Due computation is to demonstrate what will happen, if education is funded at the last minute.

DESCRIPTION OF TERMINOLOGY:

No Plan - Fund Education In Year Due - Hope that the money will be there when it is needed. NO funds have been saved at all in this situation. If the family of the student has lot of financial assets and the family typically gets a very high rate of return on those assets, this could appear to be beneficial. Waiting to pay for education is usually a bad idea for most students and families.

Traditional Plan - Make periodic gifts to the student. The student pays the tax on the annual income. The student owns the funds after the gift is made. This can create issues pertaining to how the funds are eventually spent.

529 Plan - Make periodic payments to the 529 plan. The donor has minimal say in how the funds are invested. There is no tax on the annual income between 2002 and 2010 . This program assumes the income exclusion will be extended beyond 2010. Under most circumstances, the distributions are tax - free if used for proper purposes. The donor has control over how much is disbursed for the student.

Present Value Analysis - This adjusts future cashflows to take into effect the time - value of money. The total present value of payments made in the future, if invested at the after - tax discount rate, would be able to exactly cover the cost of those payments. Present value analysis is one of the economically sound approaches when comparing different sets of future cashflows.

Education IRA Vs. 529 Plan - The cashflow profile for the Education IRA and the 529 Plan are very similar. Both types of plans let income accumulate tax-free and distributions are tax-free, if used for the proper purpose. The major differences between these two types of plans (AGI and contribution limits with the Education IRA and limitation with 529 Plans to higher education) can easily be dealt with after the analysis is complete.

Hope Scholarship Credit & Lifetime Learning Credit - These credits are relatively small compared to the total education cost. After 2001, these credits are not lost, if an Education IRA is used. Take advantage of Hope Scholarship Credit and the Lifetime Learning Credit to the largest extent available in addition to the funding plan that the student chooses. Hope Scholarship Credits or the Lifetime Learning Credits may not be used for the same costs that an Education IRA or 529 Plan are used for.

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Detailed Educational Funding Report

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HOW EDUCATIONAL COSTS INCREASE OVER TIME

Institution: Central State  
Educational Cost Inflation Rate: 9.00%

<u>YEAR</u>	<u>AGE</u>	<u>COST</u>
2001	2	10,000
2002	3	10,900
2003	4	11,881
2004	5	12,950
2005	6	14,116
2006	7	15,386
2007	8	16,771
2008	9	18,280
2009	10	19,925
2010	11	21,718
2011	12	23,673
2012	13	25,804
2013	14	28,126
2014	15	30,657
2015	16	33,416
2016	17	36,423
2017	18	39,701
2018	19	43,274
2019	20	47,169
2020	21	51,414

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FUND EDUCATION COSTS IN THE YEAR THEY ARE TO BE PAID

(No advance savings)

YEAR	AGE	CASH FLOW	VALUE PRESENT
2001	2	0	0
2002	3	0	0
2003	4	0	0
2004	5	0	0
2005	6	0	0
2006	7	0	0
2007	8	0	0
2008	9	0	0
2009	10	0	0
2010	11	0	0
2011	12	0	0
2012	13	0	0
2013	14	0	0
2014	15	0	0
2015	16	0	0
2016	17	0	0
2017	18	-39,701	-18,187
2018	19	-43,274	-18,880
2019	20	-47,169	-19,600
2020	21	-51,414	-20,346
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		-181,558	-77,013
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This computation demonstrates the cashflow and net present value of payments when educational costs have not been saved for in advance. The issue that goes beyond the numbers themselves in this schedule is whether there will be enough funds available when the educational costs need to be paid.

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GIFTS MADE TO STUDENT. STUDENT PAYS TAX.

(Student becomes owner of gifted funds.)  
 Monthly Funding Needed To Finance Education: \$493

YEAR	AGE	BEG. BALANCE	INCOME	FUND- ING	ED. COSTS	TAX ON INCOME	END. BALANCE	CASH FLOW	VALUE PRESENT
2001	2	0	0	5,916	0	0	5,916	-5,916	-5,916
2002	3	5,916	414	5,916	0	145	12,101	-5,916	-5,634
2003	4	12,101	847	5,916	0	296	18,568	-5,916	-5,366
2004	5	18,568	1,300	5,916	0	455	25,329	-5,916	-5,110
2005	6	25,329	1,773	5,916	0	621	32,397	-5,916	-4,867
2006	7	32,397	2,268	5,916	0	794	39,787	-5,916	-4,635
2007	8	39,787	2,785	5,916	0	975	47,513	-5,916	-4,415
2008	9	47,513	3,326	5,916	0	1,164	55,591	-5,916	-4,204
2009	10	55,591	3,891	5,916	0	1,362	64,036	-5,916	-4,004
2010	11	64,036	4,483	5,916	0	1,569	72,866	-5,916	-3,814
2011	12	72,866	5,101	5,916	0	1,785	82,098	-5,916	-3,632
2012	13	82,098	5,747	5,916	0	2,011	91,750	-5,916	-3,459
2013	14	91,750	6,422	5,916	0	1,606	102,482	-5,916	-3,294
2014	15	102,482	7,174	5,916	0	1,794	113,778	-5,916	-3,137
2015	16	113,778	7,964	5,916	0	1,991	125,667	-5,916	-2,988
2016	17	125,667	8,797	5,916	0	2,199	138,181	-5,916	-2,846
2017	18	138,181	9,673	5,916	39,701	2,418	111,651	-5,916	-2,710
2018	19	111,651	7,816	5,916	43,274	1,954	80,155	-5,916	-2,581
2019	20	80,155	5,611	5,916	47,169	1,403	43,110	-5,916	-2,458
2020	21	43,110	3,018	5,916	51,414	754	-124	-5,916	-2,341
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								-118,320	-77,411
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Note: Taxes are not a separate cashflow subtraction item. Taxes do increase the funding requirements which are cashflow subtraction items.

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 Detailed Educational Funding Report Section 529 Plan Schedule

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GIFTS MADE TO 529 PLAN. STUDENT PAYS TAX.

(Donor is owner of funds until paid from fund.)  
 Monthly Funding Needed To Finance Education: \$407

YEAR	AGE	BEG. BALANCE	INCOME	FUND- ING	ED. COSTS	END. BALANCE
2001	2	0	0	4,884	0	4,884
2002	3	4,884	342	4,884	0	10,110
2003	4	10,110	708	4,884	0	15,702
2004	5	15,702	1,099	4,884	0	21,685
2005	6	21,685	1,518	4,884	0	28,087
2006	7	28,087	1,966	4,884	0	34,937
2007	8	34,937	2,446	4,884	0	42,267
2008	9	42,267	2,959	4,884	0	50,110
2009	10	50,110	3,508	4,884	0	58,502
2010	11	58,502	4,095	4,884	0	67,481
2011	12	67,481	4,724	4,884	0	77,089
2012	13	77,089	5,396	4,884	0	87,369
2013	14	87,369	6,116	4,884	0	98,369
2014	15	98,369	6,886	4,884	0	110,139
2015	16	110,139	7,710	4,884	0	122,733
2016	17	122,733	8,591	4,884	0	136,208
2017	18	136,208	9,535	4,884	39,701	110,926
2018	19	110,926	7,765	4,884	43,274	80,301
2019	20	80,301	5,621	4,884	47,169	43,637
2020	21	43,637	3,055	4,884	51,414	162

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YEAR	AGE	END. BALANCE	BEG. ACCRUED INCOME	INCOME RATIO	TAX- ABLE INCOME	TAX	CASH FLOW	VALUE PRESENT
2001	2	4,884	0	.00000	0	0	-4,884	-4,884
2002	3	10,110	0	.00000	0	0	-4,884	-4,651
2003	4	15,702	342	.03383	0	0	-4,884	-4,430
2004	5	21,685	1,050	.06687	0	0	-4,884	-4,219
2005	6	28,087	2,149	.09910	0	0	-4,884	-4,018
2006	7	34,937	3,667	.13056	0	0	-4,884	-3,827
2007	8	42,267	5,633	.16123	0	0	-4,884	-3,645
2008	9	50,110	8,079	.19114	0	0	-4,884	-3,471
2009	10	58,502	11,038	.22028	0	0	-4,884	-3,306
2010	11	67,481	14,546	.24864	0	0	-4,884	-3,148
2011	12	77,089	18,641	.27624	0	0	-4,884	-2,998
2012	13	87,369	23,365	.30309	0	0	-4,884	-2,856
2013	14	98,369	28,761	.32919	0	0	-4,884	-2,720
2014	15	110,139	34,877	.35455	0	0	-4,884	-2,590
2015	16	122,733	41,763	.37918	0	0	-4,884	-2,467
2016	17	136,208	49,473	.40309	0	0	-4,884	-2,349
2017	18	110,926	58,064	.42629	16,924	0	-4,884	-2,237
2018	19	80,301	50,675	.45684	19,769	0	-4,884	-2,131
2019	20	43,637	38,671	.48158	22,715	0	-4,884	-2,029
2020	21	162	21,577	.49447	25,422	0	-4,884	-1,933
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							-97,680	-63,909
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