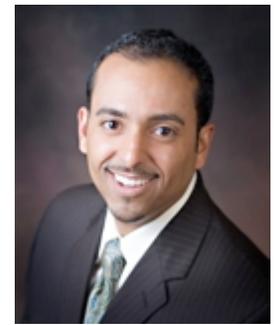


# Wise Money Newsletter

Manny Negron, Licensed Insurance Agent  
GenWealth Advisory Group

HELPING YOU NAVIGATE THE ROAD TO AND THROUGH RETIREMENT



MAY 2014

## Assisting With Grandchildren's College Costs

Grandparents can leave a legacy that will last a lifetime by assisting with the educational expenses of grandchildren and may obtain some tax benefits in the process. This article briefly discusses three options: 529 Plans, Coverdell Educations Savings Accounts, and direct payment of tuition expenses.

529 plans are state-sponsored programs that are especially good for grandparents who need to reduce their taxable estate. Each grandparent can contribute \$70,000 in a single year without paying gift taxes on the amount exceeding the annual gift tax exemption of \$14,000. There is no federal deduction available for contributions. However, earnings on contributions are exempt from federal income taxes.

All fifty states have 529 plans. Investment choices are somewhat limited in these plans, which are generally managed by large financial firms.

If for some reason you need to, you can get your money back. You would have to pay the taxes and a 10 percent penalty on just the gain on the assets in the plan. Also, you can change the beneficiary anytime.

There is still uncertainty regarding as to how the funds in a 529 plan count for purposes of the grandchild qualifying for financial aid. ...Continued top of page 2

## What Is Your Risk Tolerance Level?

Risk tolerance is the amount of risk an investor is willing to take with his or her investments. In other words, it is a measure of your willingness to accept more risk in exchange for higher returns. Also, an investor with a longer investment time horizon can generally tolerate more risk than one who needs to access retirement savings or investment returns in a shorter time frame.

For example, if you're an **aggressive investor**, you're more likely willing to accept the risk of losing some of your investment capital in exchange for earning higher potential returns. Aggressive investors tend to invest in growth stocks and mutual funds.

A **conservative investor**, on the other hand, is most likely less willing to accept risk, even for higher potential returns. Capital preservation is a top priority for conservative investors. As a result, they tend to favor conservative investments such as certificates of deposit, money market accounts, fixed annuities.

There are some **moderate investors** that are a small combination of both the aggressive and the conservative investors. This select group may lean more toward investing in and government bonds or indexed annuities, which have the upside to the stock market without the downside risk.

....Continued on bottom of page 2

### Interesting Facts

-Napoleon Bonaparte constructed most of his battle plans in a sandbox.

-During one period of extreme political instability in Mexico, 3 men were president in one day!

-An elephant can stand on its head.

-An ant will scratch itself when it wakes up.

-A hippo can run faster than humans.

-An elephant will still remain at its standing position even when it has died.

-Coke was originally green in color.

### Tired Of Losing Money?

Now you can get stock market type returns without the stock market risks.

Plus, it offers tax deferred interest and tax free income at retirement.

Call Our Office Today for More Information!



*Are You Positioned To Capture The Stock Market Coming Upturn?  
...With Safety & Guarantees? Call now for your **FREE** report  
**“10 keys to survival in a Volatile Market”***

**Manny Negron**  
Licensed Insurance Agent  
GenWealth Advisory Group

8537 So Redwood Rd Ste B.  
West Jordan, Utah 84088  
801-892-HELP (office)  
801-856-7995 Cell  
[manny@genwealthadvisory.com](mailto:manny@genwealthadvisory.com)

### ***DO YOU KNOW?***

Fear of the future, sells insurance. Because we can't predict the future, we want to be ready to cover our financial needs if, or when, something bad happens. Insurance companies understand this fear and offer a variety of insurance policies designed to protect us from a host of calamities that range from disability to disease and everything in between. While none of us wants anything bad to happen, many of the potential catastrophes that happen in our lives are not worth insuring against. In this article, we'll take you through 13 policies that you're probably better off without.

1. **Private Mort Ins. (PMI)**
2. **Extended Warranties**
3. **Automobile Collision**
4. **Rental Car Insurance**
5. **Car Rental Damage Ins.**
6. **Flight Insurance**
7. **Water Line Coverage**
8. **Flood Insurance**
9. **Credit Card Insurance**
10. **Credit Card Loss Ins.**
11. **Unemployment Ins.**
12. **Disease Insurance**
13. **Accidental-Death Ins.**

**For more information  
on the 13 Evils!  
Give my office a call!**

## **Assisting With Grandchildren's College Costs**

Coverdell Education Savings Accounts (ESAs) - These accounts used to be known as Education IRAs. They may be better if you have more grandchildren or have limited funds to contribute.

With an ESA, subject to income limitations, you can contribute up to \$2,000 for each grandchild annually. Earnings on ESAs are usually not subject to federal income tax. They will be considered assets of the grandchild for purposes of calculating eligibility for financial aid.

You determine how the funds are invested in an ESA. For example, you can choose a particular stock or a mutual fund. However, with an ESA, you cannot get your money back like you can with a 529 plan.

Only \$2,000 can be contributed annually, on behalf of each grandchild. If a parent has also contributed \$2,000 to an ESA, excise taxes must be paid on the excess contributions.

Direct Payment of Tuition - Assets in an ESA may reduce the grandchildren's eligibility for financial aid. Also, the rules regarding the countability of assets in 529 plans are still uncertain. Therefore, it is important for grandparents to coordinate with their children when assisting grandchildren with tuition.

Grandparents can avoid financial aid issues by directly paying part of their grandchildren's tuition. In order to avoid having the contributions count against the grandchild for financial aid purposes, the check should be sent directly to the institution.

Deciding upon which type of college savings vehicle to use is complex. Professional help is available.

---

## **What Is Your Risk Tolerance Level?**

Time is also a factor in determining your risk tolerance. For short-term investors, the volatility of the market can be a significant risk factor because the value of an investment may be down at the time funds are withdrawn. For the long-term investor, however, the risk of selling when the market is low generally decreases. Therefore, the more time you have in which to invest, the more risk you may be willing to accept.

There is no wrong investment here, just different ways of investing. You should always determine your risk tolerance level before placing your assets in any type of investment. Or you may find yourself feeling lost in the market without a rope.

Most financial agents have a graph to follow or a questionnaire that will help you in determining your risk tolerance level. So that when you make the decision to invest you will be properly prepared and feel more at ease with your decision and any end results you may receive.