

Give Your Kids a Chance

Five Facts You Need to Know

Fact 1: *The "Have's" and the "Have Nots"*

The gap between the rich and the poor is growing rapidly across the United States. In 1994, for the first time since such records were kept, the richest 20% of U.S. households received a greater share of national income than the middle three-fifths combined. The bottom 40% were worse off in inflation-adjusted terms in 1993 than similarly situated people two decades earlier. (Source: U.S. Department of Labor)

Fact 2: *A College Education is the Difference*

Earnings of full-time workers who have a college degree continue to accelerate faster than those with just a high school diploma. In 1979, the average college graduate earned 49% more a year on average than a worker with only a high school diploma. By 1994, the earning gap had widened to 89%. Each year of formal school after high school adds 5% to 15% to annual earnings later in life. (Source: U.S. Department of Labor)

Fact 3: *College Costs Are High And Rising*

Today, the minimum per year cost for a student attending a four-year, in-state university is about \$10,000 per year. This cost includes in-state tuition, books, room and board. It now takes an average of five years to graduate. Only about 40% graduate in four years. Here are the minimum cost of a college education based on five years to graduate and college cost rising 5% per year.

| | <u>Future</u> | <u>Future</u> | <u>Future</u> |
|------------|----------------|-----------------|-----------------|
| <u>Now</u> | <u>5 years</u> | <u>10 years</u> | <u>15 years</u> |
| \$50,000 | \$63,814 | \$81,445 | \$103,946 |

Fact 4: *You Have Four Choices*

1. Pay college cost out of ordinary income. *Add 25% to 40% to cost for taxes.*
2. Kids work to pay part of costs. *Kids take longer to graduate. Higher drop-out rate.*
3. Student loans. *College graduate starts out in life deeply in debt.*
4. Pay college costs out of assets. *Buy a rental property that will be free and clear.*

The Easiest Way To Pay For A Fact 5: *College Education Is By Buying A Rental Property With A 15 Year Loan.*

Here is the equity created in a \$175,000 rental property with 20% down payment (15-yr loan).

| <u>Now</u> | <u>5 years</u> | <u>10 years</u> | <u>15 years</u> |
|------------|----------------|-----------------|-----------------|
| *\$35,000 | \$68,733 | \$113,281 | \$175,000 |
| **\$35,000 | \$95,962 | \$173,465 | \$272,642 |

* Assumes no increase in property value at 6% Interest.
\$35,000+ amt. of pmt going toward principle each month=your proceeds at sale.

** Assumes 3% per year appreciation.
\$35,000+ amt. of pmt going toward principle each month+3% appreciation=your proceeds at sale.


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