Connections

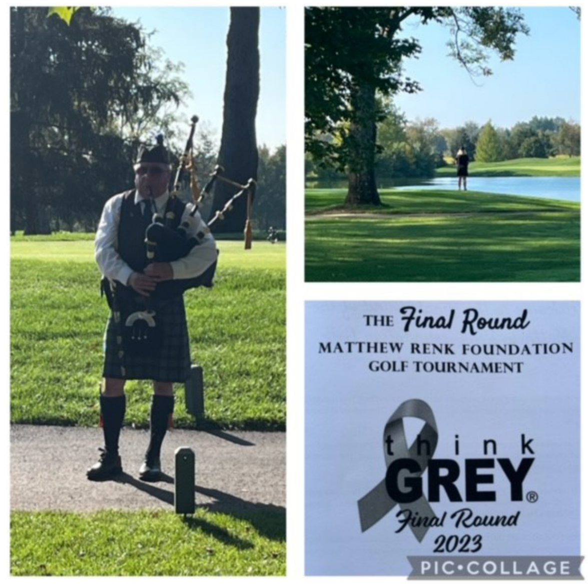
WEALTH MANAGEMENT NEWS YOU CAN USE

MERIDIAN
WEALTH MANAGEMENT GROUP

A Note From Your Team:

Part of our Team's mission is to continuously provide support to local charities. This past month we were fortunate enough to be invited to attend the "Final Round" golf tournament for the Matthew Renk Foundation. Since the start of the foundation in 2011, the foundation has supported over 400 families who have been impacted with pediatric brain cancer. The foundation provides much needed emotional and financial support to individuals and families facing the challenges associated with this disease. Although this was the "final round" for the annual golf tournament at Lookaway Golf Club, the Matthew Renk Foundation will continue to help fight the challenges of this disease and to support those most impacted.

Standing: Kenneth Welsh, Senior Registered Client Associate; Francis Furgiuele, Managing Partner; Dennis Cooney, Partner.
Seated: Damon Derstine, Partner; Emma Derstine, Branch Administrator; Toni Pellegrini, Senior Registered Client Associate.



PAYING DOWN DEBT VS. INVESTING

The debt dilemma

Paying down debt is often difficult, and even more so in a challenging economic environment. You may be wondering which to tackle first — pay down your debt or invest for the future?

We believe balance is best

A balanced approach to wealth management serves both today's needs and tomorrow's goals. For some that may mean paying off some debt today while simultaneously investing for the future.

Your own needs and circumstances will be unique. The following guidelines can help you evaluate alternatives and find an approach that fits your situation and goals.

Don't forget your emergency fund

In addition to paying down debt and settling on an investment strategy, make it a priority to set up an emergency reserve. Traditional "rules of thumb" suggest setting aside three to six months or more of living expenses in traditional savings or very short-term, highly liquid, low-volatility investments.

While ideal, that goal may not be realistic for everyone. Start by building up a reserve of a month's expenses, and make it a goal to increase your emergency fund over time as resources permit.

Your future first

When making decisions about debt and investing, be a long-term thinker. Consider "what position do I want to be in 10 or 20 years from now?" Then evaluate what actions today will be most effective in helping you achieve your long-term financial goals.

For example, if you have high-interest debt that is compounding, this could eventually become a serious impediment to reaching your long-term goals. In contrast, you might not be in a hurry to retire low-interest debt, if the potential return on long-term investing would be greater.

When making decisions about debt reduction vs. investing, keep in mind that the need to eventually pay off principal is certain, but investment returns are not. Investment performance will vary over time, and it's possible to experience losses as well as gains. At the same time, it is well known that investors who start earlier benefit from compounding and "time in the market."

If you have the opportunity to participate in a retirement plan at work, and your employer makes matching contributions, that could be a compelling reason to prioritize investing up to the amount that the employer will match.

But there are no magic numbers. That's why it's important to work with your financial advisor to create an investment strategy that fits your financial expectations for the future.

Prioritize your debts

With your emergency fund and investment strategy in place, you can begin deciding on a strategy for reducing your debts. But how do you decide which debts to pay down first?

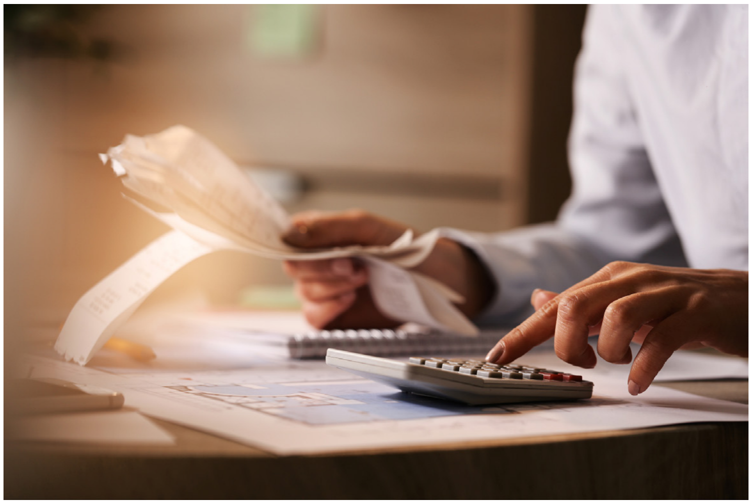
Mathematically, it makes sense to focus on paying off high-interest debts like private student loans and credit card debt first. Federal student loans and mortgages might be lower priorities because their rates are often lower and their terms longer. Vehicle loans might fall somewhere in the middle. Tax considerations may also come into play.

An alternative approach is to start with the smallest debt first. It might be motivating to get a "quick win" by paying off a smaller debt before beginning to chip away at a larger one.

Once you pay off one debt, add that payment amount to a different debt payment amount to accelerate its pay off.

It's personal

One last tip: Don't discount your emotions. If paying off a certain debt will help you feel more secure, you may want to follow your gut. Or discuss with your financial advisor before you decide. Also, identify some key milestones that you want to reach, and celebrate (modestly) when you achieve those goals!



LOOKING TO EASE COLLEGE TUITION ANXIETY?

Once you realize how many resources may be available and begin your research on college financial assistance, you could be on your way toward easing some of the anxiety often associated with paying for higher education.

According to the College Board's "Trends in College Pricing and Student Aid 2022," approximately $235 billion in student aid in the form of grants, Federal Work-Study (FWS), federal loans, and federal tax credits and deductions was awarded to undergraduate and graduate students in the 2021-2022 academic year.

During that academic year, undergraduate students received an average of $15,330 per full-time equivalent (FTE) student in financial aid: $10,590 in grants, $3,780 in federal loans, $870 in education tax credits and deductions, and $90 in FWS.

5 lessons for seeking help with college costs

Start planning during the high school years. Look to reposition assets or adjust income in the calendar years before your child's sophomore year. For example, if the student is applying for financial aid for the 2024-2025 school year, the federal aid application will include income from the 2022 tax year (two years prior).

Assume you're eligible for aid ... until you're told you're not. There are no specific guidelines or rules of thumb that can accurately predict the aid you and your child may be offered. Because each family's circumstances are different, keep an open mind as you consider financial aid alternatives.

Two forms will be key to your aid application process: the Free Application for Federal Student Aid (FAFSA) and the College Scholarship Service Financial Aid Profile (CSS Profile). The FAFSA helps you apply for federal aid, and many states use it to determine a resident student's eligibility for state aid. Many schools use the CSS Profile to collect additional information before awarding their own funds, i.e., institutional student aid.

Reassess assets held by your children. Federal guidelines expect children to contribute 20% of their assets toward their education's costs while parents are expected to contribute up to 5.64%.

Assets held in custodial accounts (bank accounts, trust funds, brokerage accounts) in your children's names may reduce the aid for which your family qualifies more so since they are assessed at the 20% rate. While assets held in Coverdell Education Savings Accounts (ESAs) and 529 plan accounts (if owned by the dependent student or the parent) are factored into the parents' formula, having less effect on the aid for which the family qualifies.

Apply to multiple schools and compare financial aid awards. This is especially important if there is a noncustodial stepparent because some colleges count this person's resources while others do not. You may also want to consider asking the financial aid officer for more aid if the current award is not enough for attendance — all they can say is "no." If there are extenuating circumstances, be sure to attach a letter of explanation to the application.

Go beyond financial aid. Although aid can help, it can be unpredictable and your family may still find it difficult to afford higher education. So rather than relying strictly on financial aid, consider turning to a professional financial advisor for help with determining an appropriate college savings strategy. For the greatest potential impact, beginning to save as early in the child's life as possible is a good idea.

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