

# HOW SAVVY BUSINESS OWNERS PAY FOR COLLEGE



## THE GOOD LIFE

By Merra Lee Moffitt, AWMA®, CMFC®, CFP®

Most parents planning for college are familiar with the mainstream ways of saving and paying for college.

These include 529 plans, Savings accounts, life insurance among other common methods. Awesomely, business owners have a few additional tools in their arsenal. Here are a few ways savvy business owners can save and pay more easily for college.

**Hire your kids.** If your child is doing legitimate work for your business, they can earn money. Good work choices include office cleaning or landscaping. If you have a teenager who is into social media - what teenager isn't - you can hire them to take care of your social media marketing activities. I had my 9 year olds stuffing envelopes, sweeping up and filing which these days is scanning into document storage. A job description and age appropriate work are part of the backup documentation you should put together. While it is also a good idea for the kids to have some spending money for their efforts, the lions share could go into a Roth account in their name.

**Roth accounts for kids.** Kids with earnings can save into a Roth account and use the money for qualified education costs and avoid the early withdrawal penalty. While not exclusively for kids of business owners, these parents are more likely to create jobs for preteens. In addition, most colleges do not count the child's retirement assets for financial aid.

**Saving for college with pre-tax money.** Since you are paying your child to do real work, the wages are deductible as a business expense. You'll also be lowering income from your probably higher tax

bracket into the child's most likely lower bracket.

**Continue after college starts.** You child will undoubtedly be home holidays and summers. If you are a benevolent employer, you can save up projects the business needs to make the best use of your kid's limited availability. Our son, who was a Computer Engineering student - he just graduated - did some programming for us while living on campus.

**Become a landlord.** If you are entrepreneurially minded or have other investment real estate experience, another alternative is to buy a house near campus. You can rent to other students to cover much of the mortgage likely reducing the living expenses of your son or daughter. Also, the depreciation of the property might lower your income for improving your financial aid prospects.

**Financial aid finesse.** A few special rules of financial aid are available to small business owners. Generally the value of your business is not part of your assets when calculating financial aid. And where private colleges do count business value, who's to say what your business is worth?

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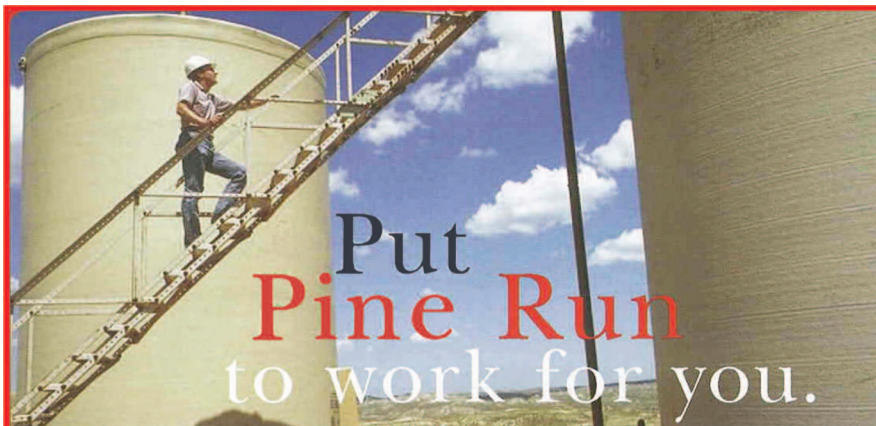
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# Paying for College Have you PUZZLED?



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## Three "Interesting" ways to pay for college:

- 1) Bartender jobs pay very well and don't interfere with college.
- 2) The above also cuts down on partying.
- 3) Avoid year five by getting passing grades.



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**Shift your income and expenses.** If you are at or near the \$160,000 joint income that begins phase out of the quite valuable education credit, there are a few more things you can do. As a business owner you can generally prepay some expenses or delay some of your year-end billings so that you can shift your income to below that level.

There are several ways these strategies interact, change tax rates, or impact financial aid in ways that are beyond what can be expressed here. As a business owner your main focus is – well, to run your business and care for family. That's why a business owner focused advisor who has put two kids through college would be a great resource. Call me!

*Merra Lee Moffitt, Certified Financial Planner, is a Senior Partner at Good Life Financial Group, Wyomissing. She has college kids, is self-employed and has used many business owner college funding tools herself and lived to tell the tale! She loves helping other people get their kids through college so you can get on with your dreams! It's part of her financial planning process. Call, click or contact at 610.628.2055, [www.MerraLee.net](http://www.MerraLee.net) and [merralee.moffitt@lpl.com](mailto:merralee.moffitt@lpl.com).*

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