Ullmann Brown Wealth Advisors

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Save the Date!

Thursday, November 1, 5:00 p.m.

Challenging Life's Limits: How longevity science is redefining lifespan expectations.

Dr. Dan Carlin, a recognized leader in the field of telemedicine and the use of digital technologies to provide better healthcare, will be our guest speaker at this special event.

July 2018

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President's Letter

July 2018

Dear Friends,

Over the years, I've had the honor of working with many families whose children are embarking on the exciting journey of planning for college. The cost of an education at many private schools – including tuition, room and board – may top $70,000 for the 2018/2019 school year. Most teens aren't financially experienced to drive such an expensive decision, so parent guidance is critical. The first article in this quarter's newsletter outlines some tips on how to have a grown-up conversation with your teenager about college costs. We advocate to have these discussions early so they understand what is financially reasonable

If you are hitting the road for your summer travel (we hope you get away to somewhere enjoyable), you may have noticed that gas prices are on the rise. The second article outlines what is causing the volatility in gas prices.

On another note, we received such positive feedback from the book recommendations that were included in my last President's letter, we have decided to make "UBWA Reads" a regular part of our newsletter. Starting with this issue, we will recommend several books each quarter that I or another member of our team has enjoyed reading. Titles will be listed on the inside sidebar of our newsletter.

On behalf of our entire team, we hope you are enjoying your summer. Please enjoy this quarter's newsletter and we hope to see you again soon.

Sincerely,

Glenn M. Ullmann

A Parent-Child Conversation About College Costs

If you're the parent of a high school student who's looking ahead to college, it's important to have a grown-up conversation with your child about college costs. A frank discussion can help both of you get on the same page, optimize the college search process, and avoid getting blindsided by large college bills.

An initial conversation: a, b, and c
As a parent, you need to take the lead in this conversation because most 16-, 17-, and 18-year-olds are not financially experienced enough to drive a $100,000 or $200,000 decision. One approach is to start off saying something like: "We will have saved 'a' when it's time for you to start college, and after that we should be able to contribute 'b' each year, and we expect you to contribute 'c' each year." That will give you a baseline of affordability when you start targeting colleges.

A more in-depth conversation: borrow x, pay back y
Once you start looking at colleges, you'll see that prices vary, sometimes significantly. If a college costs more than a + b + c above, you'll have to fill the gap. The best way to try and do this is with college grants or scholarships (more on that in a minute). Absent grant aid, you'll need to consider loans. And here is where you should have a more detailed conversation with your child in which you say: "If you borrow 'x' you will need to pay back 'y' each month after graduation." Otherwise, random loan figures probably won't mean much to a teenager.

You can use an online calculator to show your child *exactly* what different loan amounts will cost each month over a standard 10-year repayment term. For example, if College 1 will require your child to borrow a total of $16,000 at 5%, that will cost $170 each month for 10 years. If College 2 requires $24,000 in loans, that will cost $255 each

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A Parent-Child Conversation About College Costs

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month. A loan amount of $36,000 for College 3 will cost $382 per month, and $50,000 for College 4 will cost $530 a month, and so on. The idea is to take an abstract loan amount and translate it into a month-to-month reality.

But don't stop there. Put that monthly loan payment into a larger context by reminding your child about other financial obligations he or she will have after college, such as a cell phone bill, food, rent, utilities, car insurance. For example, you might say: "If you attend College 3 and have a student loan payment of $382 every month, you'll also need to budget $40 a month for your phone, $75 for car insurance, $400 for food..." and so on. The goal is to help your child understand the cost of real-world expenses and the long-term financial impact of choosing a more expensive college that will require more loans.

Even with a detailed discussion, though, many teenagers may not be able to grasp how their future lives will be impacted by student loans. Ultimately, it's up to you — as a parent — to help your child avoid going into too much debt. How much is too much? The answer is different for every family. One frequently stated guideline is for students to borrow no more than what they expect to earn in their first year out of college. But this amount may be too high if assumptions about future earnings don't pan out.

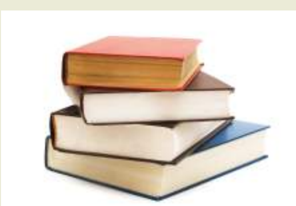
To build in room for the unexpected, a safer approach might be to borrow no more than the federal government's Direct Loan limit, which is currently a total of $27,000 for four years of college ($5,500 freshman year, $6,500 sophomore year, and $7,500 junior and senior years). Federal loans are generally preferable to private loans because they come with an income-based repayment option down the road that links a borrower's monthly payment to earned income if certain requirements are met. Whatever loan amount you settle on as being within your range, before committing to a college, your child should understand the total amount of borrowing required and the resulting monthly payment after graduation. In this way, you and your child can make an informed financial decision.

If there's any silver lining here, it's that parents believe their children may get more out of college when they are at least partly responsible for its costs, as opposed to having a blank check mentality. Being on the hook financially, even for just a small amount, may encourage your child to choose courses carefully, hit the books sufficiently, and live more frugally. Later, if you have the resources, you can always help your child repay his or her student loans.

Target the right colleges

To reduce the need to borrow, spend time researching colleges that offer grants to students whose academic profile your child matches. Colleges differ in their aid generosity. You can use a net price calculator — available on every college website — to get an estimate of how much grant aid your child can expect at different colleges. For example, one college may have a sticker price of $62,000 but might routinely offer $30,000 in grant aid, resulting in an out-of-pocket cost of $32,000. Another college might cost $40,000 but offer only $5,000 in grant aid, resulting in a higher $35,000 out-of-pocket cost.

A weighty decision
Most teens are not financially experienced enough to drive a $100,000 or $200,000 decision, especially one that has the potential to impact them for most or all of their 20s or longer. So parent guidance is critical.



UBWA Reads

Our Towns: A 100,000-Mile Journey Into the Heart of America by James Fallows

Excellent Sheep: The Miseducation of the American Elite and the Way to a Meaningful Life by William Deresiewicz

Tiger Woods by Jeff Benedict

Pain at the Pump: Why Does It Cost More to Fill Your Tank?

The Memorial Day weekend is the beginning of the summer driving season, and — not coincidentally — often a high point in the annual ups and downs of gas prices. This year, almost 37 million drivers hit the road and faced the highest fuel costs since 2014. The national average price for a gallon of unleaded gas was $2.97, up $0.60 from Memorial Day 2017. The price in California, the most expensive state for gasoline, averaged $3.74 per gallon.[1]

Prices at the pump eased off a little in June, but motorists can expect an expensive summer behind the wheel. If you're like most consumers, you may feel that you're playing gas-price roulette every time you fill the tank. Why are prices so volatile? And why is the trend so much higher now than last year?

Cost of crude

The price of crude oil is the most significant factor in the cost of fuel at the pump. For the period from 2008 to 2017, the U.S. Energy Information Administration estimated that crude accounted for 61% of the national average cost of a gallon of regular gas, with the rest attributable to refining (12%), distribution and marketing (12%), and taxes (15%).[2] All of these costs can vary at different times of the year and in different locations, but the cost of crude is subject to wide swings due to supply and demand on a global playing field.

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Pain at the Pump: Why Does It Cost More to Fill Your Tank?

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The simple explanation of why gas prices are high this summer is that oil prices have reached levels not seen since 2014. The price of Brent crude, the global benchmark, topped $80 per barrel on May 22 before sliding back to around $75 in mid-June. Back in June 2014, when the national average gas price was more than $3.50 per gallon, Brent topped out above $115 per barrel before plummeting to less than $30 in February 2016.[3] The steep decline was driven by increased U.S. production, primarily from shale oil, in a global economy that was slow to recover from the recession. There was more oil than the market could handle.[4]

To reduce the glut and prop up prices, the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC oil exporters led by Russia agreed to cut production starting in 2017 (later extended through the end of 2018).[5] With the United States continuing to produce at high levels, the OPEC strategy took time, but a strong global economy has driven demand, and oil prices have risen steadily over the last 12 months.[6]

If you're like most consumers, you may feel that you're playing gas-price roulette every time you fill the tank.

Dwindling supplies

Although oil exporters benefit from higher prices, increased costs and dwindling supplies have generated concern among industrialized oil-consuming countries, including the United States, which still depends on imports for almost 20% of the petroleum products that it consumes.[7]

A June 2018 report from the International Energy Agency predicted a continued increase in global demand in 2019, while noting that oil reserves among industrialized nations fell to a three-year low in April 2018. The economic crisis in Venezuela and the threat of renewed sanctions against Iran have added to concerns about oil supplies.[8]

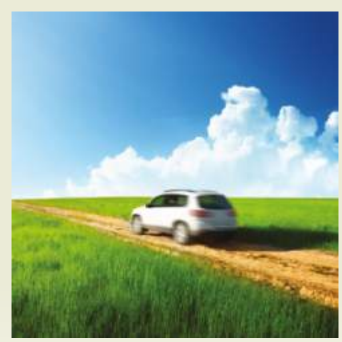
At a meeting in Vienna on June 22-23, OPEC — supported by Russia and other non-OPEC oil exporters — agreed to a modest increase in production of up to 1 million barrels per day, about 1% of the global daily supply.[9] The actual increase is expected to be less, but the additional output may help stabilize the market through the end of the year. Motorists could see some relief by late summer, but gas prices are likely to remain higher than last year.[10]

A driving nation

Despite high gas prices, Americans are embracing the summer driving season. For the week ending June 8, the estimated consumer gasoline demand rate was 9.88 million barrels per day, the highest weekly estimate on record.[11]

Still, pain at the pump may slow consumer spending on other goods and strain the consumer-driven U.S. economy. The American Automobile Association estimates that U.S. drivers are spending an average of $69 more per month on gasoline this summer compared with last summer. Even with an improved economy and a tax cut, this is a significant burden. The average American is spending about 7% of his or her annual income filling the tank.[12]

How much is too much? In a survey conducted earlier this year, about a third of consumers said they would change travel plans if gas prices hit $3.00 per gallon. Almost half said prices would have to reach $3.50 per gallon before they would cut back on their driving.[13]



Of course, the breaking point depends on your pocketbook, your transportation needs, and where you live. Gas prices vary widely on a regional basis due to distances from suppliers, local competition and operating costs, state fuel standards, and state and local taxes. Paying $3.00 per gallon might sound like a bargain to a driver in California or Hawaii, but it could be a game changer in Oklahoma or Alabama, where prices were under $2.60 in mid-June.[14]

No matter where you live, it might be worth doing some research and planning when buying gas. Keep in mind that quality can vary, especially at off-brand stations, and some vehicles have special fuel requirements. For gas prices in your ZIP code, check gasbuddy.com. To estimate the fuel costs of a road trip, try the AAA calculator at gasprices.aaa.com.

Safe travels, no matter what you pay at the pump!

1, 10-14) American Automobile Association, 2018
2, 3, 6-7) U.S. Energy Information Administration, 2018
4) The World Bank, 2018
5) Reuters, December 10, 2016, and November 30, 2017
8) International Energy Agency, 2018
9) Reuters, June 23, 2018

Quiz: Financial Facts That Might Surprise You

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If you have a penchant for financial trivia, put your knowledge to the test by taking this short quiz. Perhaps some of the answers to these questions will surprise you.

Questions

1. The first organized stock market in New York was founded on Wall Street under what kind of tree?

a. Maple
b. Linden
c. Buttonwood
d. Elm

2. Who invented the 401(k)?

a. Congress
b. Ted Benna
c. The IRS
d. Juanita Kreps

3. Which three U.S. bills together account for 81% of the paper currency in circulation?

a. $1, $20, $100
b. $1, $5, $20
c. $1, $10, $20
d. $1, $10, $100

4. Small businesses comprise what percentage of U.S. businesses?

a. More than 39%
b. More than 59%
c. More than 79%
d. More than 99%

5. Which U.S. president signed Medicare into law?

a. President John F. Kennedy
b. President Lyndon B. Johnson
c. President Richard M. Nixon
d. President George W. Bush

Answers

1. c. Buttonwood. On May 17, 1792, 24 New York City stockbrokers and merchants met under a buttonwood tree outside of what is now 68 Wall Street. Their two-sentence brokers' agreement is known as the Buttonwood Agreement.[1]

2. b. Ted Benna. A 401(k) is a tax-deferred, employer-sponsored retirement savings plan. Although the name comes from Section 401(k) of the Internal Revenue Code, this type of retirement savings plan was created by Ted Benna in 1979. At the time, he was a co-owner of The Johnson Companies, a small benefits consulting firm.[2]

3. a. $1, $20, $100. The $1 bill represents about 29% of the total paper currency in circulation. The $20 bill represents about 22%, and the $100 bill represents about 30%.[3]

4. d. More than 99%. Despite their size, small businesses are a big part of the U.S. economy. According to the U.S. Small Business Administration, small businesses (independent businesses with fewer than 500 employees) comprise 99.9% of all firms and account for 62% of net new jobs.[4]

5. b. President Lyndon B. Johnson. President Kennedy recommended creating a national health insurance program in 1961, but it was President Johnson who signed the Medicare bill into law on July 30, 1965. President Nixon extended Medicare eligibility to certain people under age 65 in 1972, and President Bush expanded Medicare to include prescription drug benefits in 2003.[5]

[1] NYSEData.com
[2] 401kbenna.com
[3] Federal Reserve, Currency in Circulation: Volume, December 2017
[4] U.S. Small Business Administration, August 2017
[5] Centers for Medicare & Medicaid Services