RBC Wealth Management

WealthMonitor

RBC Wealth Management
Totland Group
328 Newman Springs Road
Suite 380
Red Bank, NJ 07701
732-576-4630
totlandgroup@rbc.com
www.thetotlandgroup.com

The Cost of a Wedding

Congratulations, you're getting married! While you're looking forward to the big day, chances are you're overwhelmed with all the planning you have to do...and how you can possibly afford the wedding of your dreams. After all, your wedding will probably be the priciest party you will have in your lifetime. According to a study conducted by The Knot, the national average price of a wedding in 2016 was $35,329, an increase of $2,688 from 2015.[1]

By following some basic budgeting, saving, and planning guidelines, you can estimate what your wedding will cost.

Figure out who's paying for the wedding

One of the first things you should do is have a discussion with your future spouse about how you will foot the bill for the wedding. Be honest about your expectations and agree on an amount you both feel comfortable spending.

If your families have expressed a desire to help cover the cost, talk to them next. Ask them exactly how (and what) they would like to contribute. One family might decide to give a set dollar amount, whereas another may commit to paying for a particular expense, such as the ceremony or the reception. Regardless of how your families may help, you should leave the conversation with a better idea of how much you and your partner will need to contribute toward wedding expenses.

Establish your budget

When you consider the venue, wedding dress, invitations, catering, cake, DJ or band, photographer, flowers, and more, it's no wonder that weddings are so expensive. This is why it's important to break down your budget at the outset of your planning to help make sure you don't break the bank.

The first step in establishing your budget should be to write down a list of priorities. For example, if you and your future spouse want to provide your wedding guests with a spectacular culinary experience, you will need to allot more money for food. Or perhaps you both want to have a more modest celebration and put most of your money toward a grand honeymoon. Your personal taste and how much you're willing to spend overall will help you figure out how much you need to save and what you want to splurge on. Search online for useful tools and calculators to help stay on track with your budget.

Start saving

The sooner you start setting money aside specifically for your wedding, the better off you'll be. Set a goal and reserve a percentage of your monthly income to help you reach it. In addition, put an extra 10% aside in the event that costs are higher than expected.

In addition to stashing cash, stay in line with your budget by looking for hidden costs and being frugal. Expenses that may seem minor but add up over time include stamps for invitations and RSVP cards, favors, tips/gratuities, and marriage license fees, among others. If you find yourself spending too much in one area, make cuts in another. Trim down the guest list, choose flowers that are in season or grown locally, scale down your centerpieces, or opt for a lower- or no-cost venue, such as a park or family member's backyard. Use creativity and sensibility to see how much you can save.

Consider wedding insurance

Remember that bit about emergency funds? Depending on when and where your wedding will take place, that cash may come in handy. But even with careful planning, it's still possible that unforeseen circumstances could complicate your plans. Fortunately, wedding insurance coverage may be available. Coverage options and limitations vary, so you'll need to read the fine print carefully before you purchase a policy. Contact an insurance agent and each of your vendors to learn more about your options. You may find it's worth the peace of mind for your walk down the aisle.

[1] The Knot 2016 Real Weddings Study, February 2, 2017, theknot.com

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Infographic: 4 Things to Do in the 4 Years Before College

College is a huge financial undertaking. With costs increasing every year and the prospect of too much student debt at the forefront of many families' minds, it's more important than ever to be an educated college consumer. Go into the planning process wisely with these four steps.

1 Take stock of your savings

A few years before you need to start paying tuition bills is a good time to look at your college savings. How much have you saved? Are you currently making monthly contributions? Can you increase them? How much will you have saved by the time your child graduates from high school?

2 Get familiar with financial aid...

Get an estimate of your expected family contribution (EFC) by filling out the federal government's FAFSA4caster tool at www.fafsa.ed.gov. Your EFC will depend on your family's income, assets, and household information, like the number of children you'll have in college at the same time.

3 ... and net price calculators

Colleges differ in the amount of merit and need-based financial aid they offer. To get an idea of how generous a college is, run the net price calculator available on every college website to get an estimate of what your out-of-pocket costs will be at that college. This 10-minute endeavor can help you compare the cost of different colleges in an apples-to-apples way.

4 Have a frank conversation with your child about college costs

Share how much you expect to have saved and how much you will be able to contribute each year during college. When talking about loans, make sure your child knows exactly what the monthly payment will be after graduation for different loan amounts. Help your child avoid excessive borrowing.

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Student Loan Debt: It Isn't Just for Millennials

The intersection of student loan debt and Social Security benefits

Since 2001, the federal government has collected about $1.1 billion from Social Security recipients to cover unpaid federal student loans, including $171 million in 2015 alone. During that time, the number of Americans age 50 and older who have had their Social Security benefits reduced to pay defaulted federal student loans has risen 440%.

Source: The Wall Street Journal, Social Security Checks Are Being Reduced for Unpaid Student Debt, December 20, 2016

It's no secret that today's college graduates face record amounts of debt. Approximately 68% of the graduating class of 2015 had student loan debt, with an average debt of $30,100 per borrower — a 4% increase from 2014 graduates.[1]

A student loan debt clock at finaid.org estimates current outstanding student loan debt — including both federal and private student loans — at over $1.4 trillion. But it's not just millennials who are racking up this debt. According to the Consumer Financial Protection Bureau (CFPB), although most student loan borrowers are young adults between the ages of 18 and 39, consumers age 60 and older are the fastest-growing segment of the student loan market.[2]

Rise of student debt among older Americans

Between 2005 and 2015, the number of individuals age 60 and older with student loan debt quadrupled from about 700,000 to 2.8 million. The average amount of student loan debt owed by these older borrowers also increased from $12,100 to $23,500 over this period.[3]

The reason for this trend is twofold: Borrowers are carrying their own student loan debt later in life (27% of cases), and they are taking out loans to finance their children's and grandchildren's college education (73% of cases), either directly or by co-signing a loan with the student as the primary borrower.[4] Under the federal government's Direct Stafford Loan program, the maximum amount that undergraduate students can borrow over four years is $27,000 — an amount that is often inadequate to meet the full cost of college. This limit causes many parents to turn to private student loans, which generally require a co-signer or co-borrower, who is then held responsible for repaying the loan along with the student, who is the primary borrower. The CFPB estimates that 57% of all individuals who are co-signers are age 55 and older.[5]

What's at stake

The increasing student loan debt burden of older Americans has serious implications for their financial security. In 2015, 37% of federal student loan borrowers age 65 and older were in default on their loans.[6] Unfortunately for these individuals, federal student loans generally cannot be discharged in bankruptcy, and Uncle Sam can and will get its money — the government is authorized to withhold a portion of a borrower's tax refund or Social Security benefits to collect on the debt. (By contrast, private student loan lenders cannot intercept tax refunds or Social Security benefits to collect any amounts owed to them.)

The CFPB also found that older Americans with student loans (federal or private) have saved less for retirement and often forgo necessary medical care at a higher rate than individuals without student loans.[7] It all adds up to a tough situation for older Americans, whose income stream is typically ramping down, not up, unlike their younger counterparts.

Think before you borrow

Since the majority of older Americans are incurring student loan debt to finance a child's or grandchild's college education, how much is too much to borrow? It's different for every family, but one general guideline is that a student's overall debt shouldn't be more than his or her projected annual starting salary, which in turn often depends on the student's major and job prospects. But this is just a guideline. Many variables can impact a borrower's ability to pay back loans, and many families have been burned by borrowing amounts that may have seemed reasonable at first glance but now, in reality, are not.

A recent survey found that 57% of millennials regret how much they borrowed for college.[8] This doesn't mean they regretted going to college or borrowing at all, but it suggests that it would be wise to carefully consider the amount of any loans you or your child take out for college. Establish a conservative borrowing amount, and then try to borrow even less.

If the numbers don't add up, students can reduce the cost of college by choosing a less expensive school, living at home or becoming a resident assistant (RA) to save on room costs, or graduating in three years instead of four.

[1] The Institute for College Access & Success, Student Debt and the Class of 2015, October 2016

[2-7] Consumer Financial Protection Bureau, Snapshot of Older Consumers and Student Loan Debt, January 2017

[8] *Journal of Financial Planning,* September 2016

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Should I purchase towing and rental reimbursement coverage for my car?

For many individuals, driving a car is a necessity. Whether you're driving to work or running errands on the weekend, not having your main source of transportation for even just a week or two can have a major impact on your daily routine. As a result, you'll want to make sure your transportation needs are properly covered in case your car is ever disabled or in an accident. Fortunately, in addition to standard auto insurance coverage, most insurers offer optional towing and rental reimbursement coverage for an additional cost.

You can usually purchase towing coverage for a small premium. This type of coverage will pay for any towing and labor charges (up to a specified limit) incurred when your vehicle is disabled. This coverage can be used any time your car breaks down — not just when it's in an accident. Keep in mind that the insurer usually pays only for labor performed (e.g., jump-starting a battery, changing a tire) at the location where your vehicle is disabled and does not cover actual repair work performed at a service station.

Towing coverage is convenient to have, especially if you travel a lot in your car. However, if you already have roadside assistance through another source (e.g., a road and travel plan), you may not need to purchase towing coverage.

Rental reimbursement coverage pays a set amount per day for the cost of a rental car if your car is being repaired because of an accident that is covered under your auto insurance policy (some policies also provide coverage when a vehicle is stolen). Typically, this type of coverage is limited to a certain amount per day (e.g., $30), up to a maximum amount (e.g., $900). For an additional premium, the daily limit can usually be increased.

Whether you need rental reimbursement coverage for your car will depend on your transportation needs. If you own two vehicles or have access to an alternative means of transportation, you may be able to get by without it. However, if your car is your main source of transportation, it may be a worthwhile purchase.

How can I protect myself and my home from wind damage?

Depending on where you live, your home may be vulnerable to damage from tornadoes, hurricanes, and other windstorms. These weather events can cause devastating and costly losses, so it's important to know how you can protect yourself and your home before a storm strikes.

The first thing you should do is review your homeowners insurance policy. In most cases, windstorms are one of the basic perils covered by standard homeowners insurance. But there can be exceptions. For instance, sometimes windstorm damage is excluded from homeowners coverage in areas where windstorm damage is common. Find out for sure by checking your insurance policy or by speaking with your insurance company or agent.

If you discover that protection from windstorms is not available on your current policy, don't worry. You may be able to purchase optional coverage from your insurer, or another insurer at an additional cost. Your options depend on such factors as whether you live in a high-risk area and how much additional coverage you can afford.

Even with windstorm coverage, you may not be fully compensated in the event of damage to your home or your belongings by wind-related weather events. Keep in mind that you'll be covered only for named perils and only up to the coverage limits for your policy. Any losses that exceed those limits will have to be paid out of your own funds. Remember that you will need to pay out-of-pocket for any deductible that applies before your insurance begins to cover your losses.

Besides making sure you have windstorm coverage, you can take additional steps to help protect yourself and your home in the event of a windstorm. Creating an emergency kit, securing your property, heeding evacuation warnings, and establishing a safety plan with your family can also help you weather windstorms.