

Don't Forget About Future Liabilities

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I was outside throwing the baseball with my son the other day and couldn't help but remember the days when I had to be careful when I threw to him. The last thing I wanted was a ball hitting him in the face and me having to feel the wrath from his mom. Now, it's like throwing a baseball to a buddy in the backyard. He will soon be 10 years old and my daughter just turned 7. Time can truly sneak up on you and from a financial standpoint, that can be dangerous if we aren't preparing properly.

For an in-state student, the cost of a university can run someone about \$25,000/year (<https://financialaid.ua.edu/cost/>). Factor in inflation, and as my kids hit college age I will have a massive liability on my hands. The best thing one can do to prepare for such an event is to plan ahead!

For college, the most popular savings tool is the 529 plan. The 529 plan allows you to utilize after tax dollars, invest the money, and any growth that occurs will be tax free if the funds are used towards education. Typically with 529's, you are also able to take a state tax deduction (up to a certain dollar amount) for the funds you put into the plan each year. One downfall to consider with a 529 is that if it is not used for college, you could face a penalty on the growth that occurred in the account. Here is a link to the Alabama plan highlighting the pros and cons: <https://www.collegecounts529.com/faqs/>.

College is obviously a big expense that many people will need to consider for when looking at their overall investment plan. Other big ticket items could be cars, a house, a wedding for a child, business startup, and the list goes on and on. When you're choosing the investment vehicle for whatever liability you're trying to plan for there are different

considerations you have to make. When does this money need to be available? Will you be investing on a monthly or annual basis? What, if any, tax advantage accounts might be available for this particular expense? One of the biggest financial setbacks is a lack of planning. By identifying these liabilities today and planning for them one can take a major step forward with their financial future.

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