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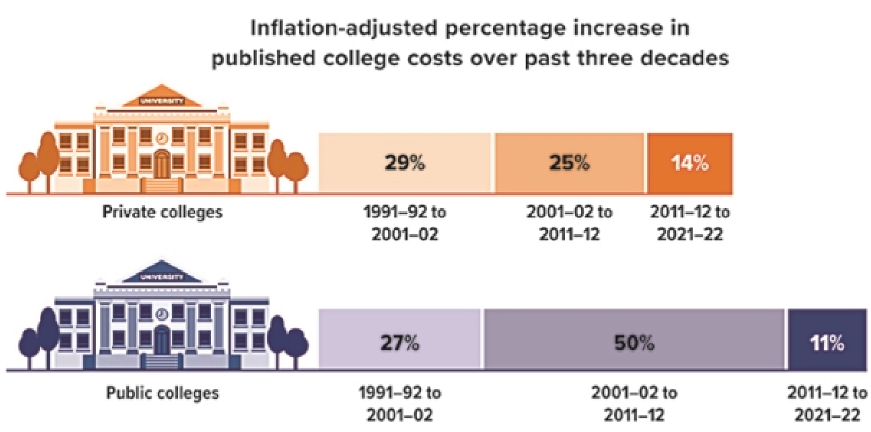
$27,330

Average total cost of attendance (COA) for an in-state student at a four-year public college for 2021-2022. Total COA includes direct billed costs for tuition, fees, room, and board, plus an amount for indirect costs for books, transportation, and personal expenses. The average total COA for a four-year private college is $55,800.

Source: *Trends in College Pricing and Student Aid 2021,* College Board

Three Decades of College Cost Increases

Over the past 30 years, the cost of college tuition, fees, room, and board has increased 85% at private colleges and 111% at public colleges *above and beyond* the rate of general inflation. After significant cost increases during the 1990s and 2000s, colleges have made a concerted effort over the last decade to rein in cost hikes. This is especially true for public colleges, as states have generally allocated more money to their higher-education budgets after years of cuts.



Source: *Trends in College Pricing and Student Aid 2021,* College Board

Working While Receiving Social Security Benefits

The COVID-19 recession and the continuing pandemic pushed many older workers into retirement earlier than they had anticipated. A little more than 50% of Americans age 55 and older said they were retired in Q3 2021, up from about 48% two years earlier, before the pandemic.[1]

For people age 62 and older, retiring from the workforce often means claiming Social Security benefits. But what happens if you decide to go back to work? With the job market heating up, there are opportunities for people of all ages to return to the workforce. Or to look at it another way: What happens if you are working and want to claim Social Security benefits while staying on your job?

Retirement Earnings Test

Some people may think they can't work — or shouldn't work — while collecting Social Security benefits. But that's not the case. However, it's important to understand how the retirement earnings test (RET) could affect your benefits.

- The RET applies only if you are working and receiving Social Security benefits *before* reaching full retirement age (FRA). Any earnings after reaching full retirement age do not affect your Social Security benefit. Your FRA is based on your birth year: age 66 if born in 1943 to 1954; age 66 & 2 months to 66 & 10 months if born in 1955 to 1959; age 67 if born in 1960 or later.
- If you are under full retirement age for the entire year in which you work, $1 in benefits will be deducted for every $2 in gross wages or net self-employment income above the annual *exempt amount* ($19,560 in 2022). The RET does not apply to income from investments, pensions, or retirement accounts.
- A monthly limit applies during the year you file for benefits ($1,630 in 2022), unless you are self-employed and work more than 45 hours per month in your business (15 hours in a highly skilled business). For example, if you file for benefits starting in July, you could earn more than the annual limit from January to June and still receive full benefits if you do not earn more than the monthly limit from July through December.
- In the year you reach full retirement age, the reduction in benefits is $1 for every $3 earned above a higher annual exempt amount ($51,960 in 2022 or $4,330 per month if the monthly limit applies). Starting in the month you reach full retirement age, there is no limit on earnings or reduction in benefits.
- The Social Security Administration may withhold benefits as soon as it determines that your earnings are on track to surpass the exempt amount. The estimated amount will typically be deducted from your monthly benefit in full. *(See example.)*
- The RET also applies to spousal, dependent, and survivor benefits if the spouse, dependent, or survivor works before full retirement age. Regardless of a spouse's or dependent's age, the RET may reduce a spousal or dependent benefit that is based on the benefit of a worker who is subject to the RET.

Back to Work

In this hypothetical example, Fred claimed Social Security in 2021 at age 62, and he was entitled to a $1,500 monthly benefit as of January 2022. Fred returned to work in April 2022 and is on track to earn $31,560 for the year — $12,000 above the $19,560 RET exempt amount. Thus, $6,000 ($1 for every $2 above the exempt amount) in benefits will be deducted. Assuming that the Social Security Administration (SSA) became aware of Fred's expected earnings before he returned to work, benefits might be paid as illustrated below.

In practice, benefits may be withheld earlier in the year or retroactively, depending on when the SSA becomes aware of earnings.

The RET might seem like a stiff penalty, but the deducted benefits are not really lost. Your Social Security benefit amount is recalculated after you reach full retirement age. For example, if you claimed benefits at age 62 and forfeited the equivalent of 12 months' worth of benefits by the time you reached full retirement age, your benefit would be recalculated as if you had claimed it at age 63 instead of 62. You would receive this higher benefit for the rest of your life, so you could end up receiving substantially more than the amount that was withheld. There is no adjustment for lost spousal benefits or for lost survivor benefits that are based on having a dependent child.

If you regret taking your Social Security benefit before reaching full retirement age, you can apply to withdraw benefits within 12 months of the original claim. You must repay all benefits received on your claim, including any spousal or dependent benefits. This option is available only once in your lifetime.

1) Pew Research Center, November 4, 2021

Going Public: How Are Direct Listings Different from IPOs?

An initial public offering (IPO) is the first public sale of stock shares by a private company. IPOs are important to the financial markets because they help fuel the growth of innovative young companies and add new stocks to the pool of potential investment opportunities.

When a company files for an IPO, new shares are created, underwritten by a bank, and sold to the public. But that's not the only way for a company's stock to become publicly traded. When a company uses a direct listing, typically only existing shares are sold to the public on a stock exchange — no new shares are issued, and no underwriters are involved.

There were more U.S. IPOs in the first half of 2021 than there were in all of 2020, which was also a record year.[1] The number of direct listings has ticked up, too, but there were just three in 2020 and six in 2021.[2]

Going public is a fraught process that few companies dare to navigate on their own. Even so, several well-known companies have sparked media coverage and investor curiosity when they chose to bypass the traditional IPO process.

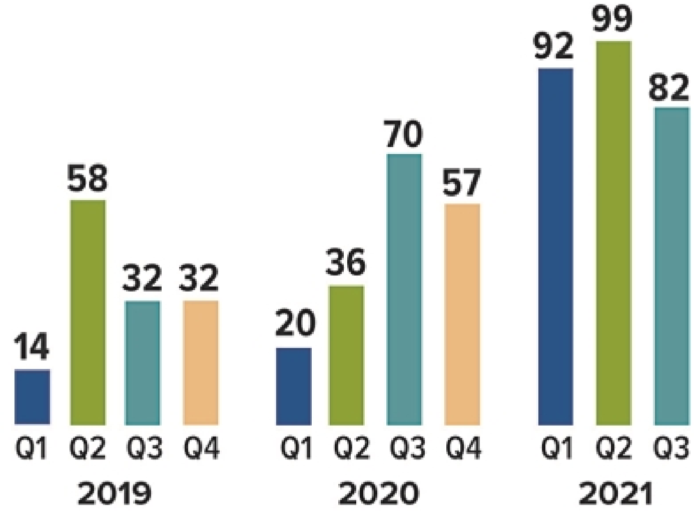
Two Roads, One Less Traveled

The path a company takes to the stock market generally depends on its business goals. Companies that pursue a traditional IPO often want to raise as much money as possible for expansion purposes. Direct listings, on the other hand, give company founders, employees, and early investors a way to cash out some of their equity without diluting the value of the company's stock.

The underwriters that facilitate the IPO process typically organize a "roadshow" to market the stock and gauge the interest of institutional investors. They also guide the company through regulatory requirements, help set the initial offer price, and may guarantee the sale of a specified number of shares at the offering price. IPOs usually have a three- to six-month lockup period, which is an agreement with underwriters that prevents employees and other early investors from immediately selling their shares. Keeping insider shares off the market can help quell market volatility in the early days of trading.

A company may be able to make its stock market debut faster and at a much lower cost with a direct listing, and there is no lockup period. But going public without underwriting support can also be risky. The supply of shares becoming available for sale is undefined, and the demand for those shares can be difficult to predict, which could result in insufficient liquidity.

Number of Traditional U.S. IPOs



Source: PwC, 2021

Investor Access

One catch associated with IPOs is that many investors who want to buy shares at the offering price don't have the opportunity to do so. Moreover, those who buy the stock on the first day of trading often miss out on much of the sought-after "pop," because a large part of the appreciation can take place between its pricing and the first stock trade. With a direct listing, everyone has access to the stock at the same time, but this also means share prices can be more volatile after trading begins.

In fact, some investors who rush to buy highly anticipated IPOs or directly listed stocks on the first day might pay inflated prices, because that's when media coverage, public interest, and demand may be greatest. Share prices could drop in the weeks following a large first-day gain as the excitement dies down and fundamental performance measures such as revenues and profits take center stage.

The return and principal value of all stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Investments offering the potential for higher rates of return also involve a higher degree of risk.

1) Reuters, June 15, 2021

2) Warrington College of Business, University of Florida, 2022

Raising Money-Smart Teens

As teens look forward to summer activities, especially those that cost money, the next few months might present an ideal opportunity to help them learn about earning, spending, and saving. Here are a few age-based tips.

Younger Teens

In recent years, apps have proliferated to help parents teach tweens and teens basic money management skills. Some money apps allow parents to provide an allowance or pay their children for completing chores by transferring money to companion debit cards. Many offer education on the basics of investing. Others allow children to choose from a selection of charities for donations. Some even allow parents to track when and where debit-card transactions are processed and block specific retailers or types of businesses.

Most apps typically charge either a monthly or an annual fee (although some offer limited services for free), so it's best to shop around and check reviews.

Older Teens

Many teens get their first real-life work experience during the summer months, presenting a variety of teachable moments.

Review payroll deductions together. A quick review can be an eye-opening education in deductions for federal and state income taxes, and Social Security and Medicare taxes.

Open checking and savings accounts. Many banks allow teens to open a checking account with a parent co-signer. Encouraging teens to have a portion of their earnings automatically transferred to a companion savings account helps them learn the importance of "paying yourself first." They might even be encouraged to write a small check or two to help cover the expenses they help incur, such as Internet, cell phone, food, gas, or auto insurance.

Consider opening a Roth account. A teen with earned income could be eligible to contribute to a Roth IRA set up by a parent — a great way to introduce the concept of retirement saving. Because Roth contributions are made on an after-tax basis, they can be withdrawn at any time, for any reason.

Roth IRA earnings can be withdrawn free of taxes as long as the distribution is "qualified"; that is, it occurs after a five-year holding period and the account holder reaches age 59½, dies, or becomes disabled. Nonqualified earnings distributions are taxed as ordinary income and subject to a 10% early-withdrawal penalty; however, if the account is held for at least five years, penalty-free distributions can be taken for a first-time home purchase and to help pay for college expenses, which may be helpful in young adulthood. (Regular income taxes will still apply.)