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Life. Investing. And Everything in Between

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How To Make the Right Decisions | Successful College Preparation

By Kelly L. Olczak, CFP®

Please forgive my lateness in posting this month's newsletter. I think there is some irony in my tardiness because my husband and I have spent quite a bit of time this month helping our kids move it to their college apartments. This is the second year that our daughter, Grace, has



had an apartment and the first for our son, Liam. Getting prepared for college can be both exciting and overwhelming for a high school senior. Honestly, I was in complete denial about getting ready for college for both of our kids. I think some of the reason for this procrastination was two fold – 1. I could not believe that they were going to go to college – how on earth did that time fly by so fast and 2. How on earth were we going to pay for college. And, Yeah, I know, I know, I am a Certified Financial Planner, and a pretty good one at that, but the process of getting organized was so incredibly overwhelming, I did not know how to start.

Here are some of things I learned about starting in 2020... Oh, yeah. That's the year our oldest started her freshman year – in quarantine. Needless to say, she was not a happy camper.



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So, what did I learn? Let me share some things.

The key to [successful college preparation](#) is to establish an efficient and structured plan.

Having a clear roadmap to guide your planning can make the process smoother and ease any worries that you might have as you move on to the next phase of your life.

Let's look at some important steps that can ease the stress and uncertainty that often accompanies the transition to college life.

7 boxes to check

According to [Sallie Mae's Higher Ambitions: How America Plans for Post-Secondary Education 2020](#), 94% of high school students are likely to continue their education after high school.

Although not everyone will attend college or obtain a two- or four-year degree, developing a plan and establishing goals can increase the likelihood of making the right choices. If you can check off these seven boxes, you will be well on your way.

1. Research the schools that capture your attention

Just under half of high school seniors have researched potential colleges. So, what are you looking for?

Is it a state university or a private college? Do you prefer a large or small school? Do you want to stay near home, or would you prefer an out-of-state college? Is there a specific career or major area of study that will influence your choice?

The top three factors students reported when researching and choosing a college are:

- Does the school offer a program that matches their desired career or major?
- Where is the school located?
- What type of financial aid is offered?



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2. Rising costs are real

It's no secret that the [cost of college has soared](#). According to BestColleges.com, on average, tuition and fees rose 5.1% a year at public four-year colleges and 3.9% a year at private four-year colleges between 2000 and 2020. But there is some good news, as the pace has slowed.

If you need some extra cash to attend university, taking out a student loan could be a viable option. There's no shame in borrowing for your education.



However, it's important to remember that loans must be repaid. Don't overextend yourself. You don't want to end up with a burdensome repayment schedule that lasts long after graduation.

It is also important to consider scholarships and grants. According to Online College Plan, scholarships are often overlooked as a valuable resource for funding. It's a missed opportunity that may leave free money on the table.

There are three different types of scholarships offered:

- Need-Based Scholarships, based solely on financial need
- Merit-Based Scholarships, based solely on academic excellence or extracurricular achievements
- Special Scholarships, based on a variety of factors and are usually offered to students of a specific race, gender, chosen field, and more



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Consider these resources:

- [50 best scholarships for online college students](#)
- [20 featured scholarships for veterans](#)
- [Easy scholarships quick college cash](#)
- [Trade school scholarships](#)

While we want to get you pointed in the right direction, please supplement our ideas with your research.

In addition, let the [treasure hunt](#) for local money begin at your area's Department of Education or youth and family government agencies. Even if they don't have grants, they can get you pointed in the right direction.

3. FAFSA is key

About 60% of high school seniors have filed the Free Application for Federal Student Aid (FAFSA) for their upcoming freshman year by April. The FAFSA costs nothing to complete, but it can unlock thousands of dollars of financial aid for college.

Some of the monies are distributed on a first-come, first-served basis, so don't put it off. The clock is ticking.

The opening date for the FAFSA application is usually October 1. However, due to new changes in the application, the opening date for *this year only* has been moved to December 2023.

Consider completing the form even if you have no intention of taking out student loans. Otherwise, you could inadvertently forfeit scholarships, grants, and work-study opportunities.

4. Test-taking wanes in influence

The SAT or ACT is becoming less of a requirement nationally, and many colleges and universities are now test-optional.



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If you're considering the SAT or ACT, there are test prep classes and practice exams available online.

5. Essays and letters of recommendation increase your odds

There is no shortage of resources for writing college essays, as a quick Google search will reveal. Here's one to consider from *U.S. News and World Report*: [How to Write a College Essay](#).

The most important thing to do is to get started.

In addition, ask for and collect letters of recommendation from teachers (in and out of the classroom), guidance counselors, and even your principal that highlight your strengths and contributions.



Some teachers write so many letters that they may unintentionally seem generic. Therefore, you may consider providing them a “tip sheet” that highlights your best work and accomplishments.

6. Take a trip

That's right, visit the school or schools you would like to attend. No two campuses are alike. The admissions office at your school of interest can help you plan your visit.

An on-campus tour allows you to explore the school, the dorms, the library, the classrooms, the dining hall, the student union, recreational facilities, campus hangouts, off-campus life, and much more.



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During your visit, you may conclude that this could be your home away from home for the next four years—or you may decide that what you thought would be a favorite just doesn't fit.

7. Your guidance counselor is there for you

Applying to colleges can seem overwhelming, but you can seek assistance from your high school guidance counselor, who can offer valuable advice that simplifies the process.

Did you know that school counselors can nominate students for scholarships? It's a great idea to build a relationship with your counselor early on, as it could potentially lead to financial assistance.

How do you climb a mountain? Put one foot in front of the other.

If you're heading to college next year, or even in the next couple of years, breaking up your prep work into smaller tasks can help reduce stress and give you a sense of achievement. Start your prep work today, and you will be amazed by what you'll learn and the challenges you'll overcome.

Brief Market Update

Is the stock market up 7% or 37% this year?

Well, it depends. According to one major index, the market is up a respectable 7%. That's not bad following last year's dismal performance, but contrast that with another well-known index, and we might conclude that the stock market is up nearly 20%.

Sounds great, right? Well, it is, unless we compare it to a third index, which has soared 37% since the start of the year.

That said, let's name some names. The Dow Jones Industrial Average is up 7%, the S&P 500 is up almost 20%, and the tech-heavy NASDAQ Composite is up 37%.



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Key Index Returns		
Index	MTD %	YTD %
Dow Jones Industrial Average	3.4	7.3
Nasdaq Composite	4.1	37.1
S&P 500 Index	3.2	19.5
Russell 2000 Index	6.1	13.7
MSCI World ex-U.S.A*	1.7	11.3
MSCI Emerging Markets*	4.9	9.2
Bloomberg Barclays U.S. Aggregate Bond TR USD	-0.6	1.5

Source: Wall Street Journal, MSCI.com, MarketWatch, Bloomberg

MTD returns: May 31, 2023–July 31, 2023 YTD returns: December 30, 2022–July 31, 2023

*U.S.D.

That's a huge disparity. Which one is correct? They all are, but performance is based on how the indexes are constructed.

Let's start with the Dow. The Dow Jones Industrial Average is the oldest and best-known index. It debuted in 1896. Today, it is made up of 30 large companies.

In order to get today's value, you simply total the 30 stock prices and divide by what's called the Dow Divisor.

Why not divide by 30? The purpose of the index divisor is to maintain the continuity of the index amid stock splits, mergers, spinoffs, and more, which have complicated the arithmetic.

As of a month ago, [the divisor was 0.15172752595384](#).



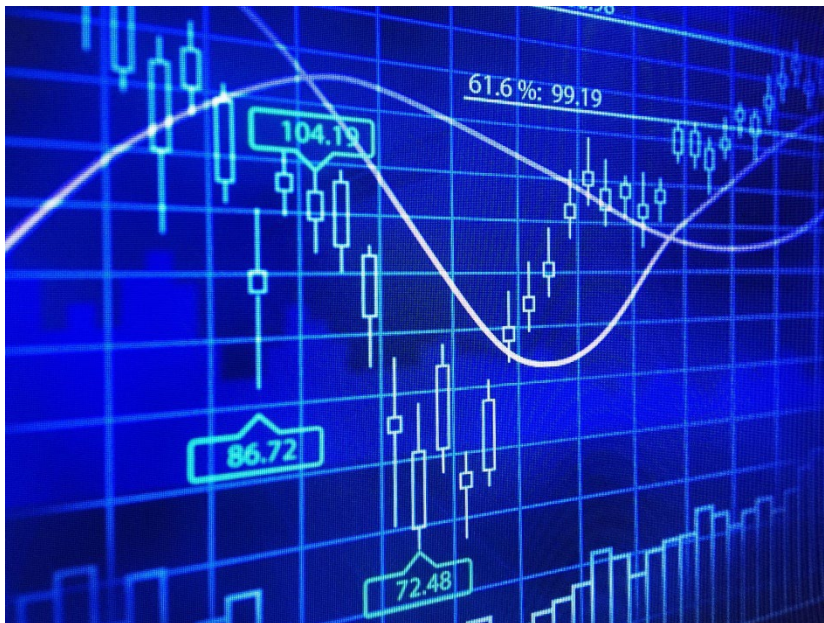
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From a practical standpoint, you can quickly see how a high-priced stock, which might rise or fall by 10%, will have a larger impact on the Dow than a lower-priced stock, which rises or falls by 10%.

Additionally, the index includes blue-chip companies that tend to be slower-growing but more established. The Dow typically doesn't decline as much in a down market as we saw last year. It may not rise as much in a bull market.

But 2023's discrepancy between the major indexes is unusually large.

That leads us to the S&P 500 Index, which is comprised of about 500 firms and covers about [80% of the market](#). Market professionals commonly use the S&P 500, rather than the Dow, as a benchmark and when discussing overall stock market performance. Additionally,



when you watch the evening news, you may hear the

Unlike the Dow, the S&P 500 is a market-capitalization-weighted index, which means that the larger companies, determined by their respective market capitalization (the number of shares outstanding x share price), have a greater impact on the index.

For example, the [top seven stocks](#) account for about one-

quarter of the index.

This year's impressive performance can be attributed to the significant contribution of super-sized tech giants, including Apple (AAPL), Microsoft (MSFT), and Nvidia (NVDA), which have performed particularly well.



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This dovetails into the NASDAQ Composite, which is heavily skewed toward technology stocks. Like the S&P 500, it is also a market-capitalization-weighted index, and the big tech names have driven this year's stellar performance.

There are about 3,500 securities on the NASDAQ, but just two, Apple and Microsoft, account for a whopping [25% of the NASDAQ Composite](#). Technology accounts for 55% of the index.

The importance to you the investor – why should you care...

Simply put, the Dow isn't as exposed to technology as the S&P 500 and NASDAQ. While we've experienced quite a run-up in tech this year, since June, the rally has broadened, which is healthy.

As we move forward, much will depend on interest rates and economic growth, though let's not discount that unexpected events could influence shares, too.

The recent moderation in the rate of inflation has taken some pressure off the Federal Reserve.

Economic activity is also an important component, as most large companies are dependent on consumer or business spending for profit growth.

Longer term, we advise a diversified approach. Loading up on one sector may bring impressive short-term gains. But as we saw last year, it can also exacerbate losses. In 2022, the NASDAQ shed 33%, while the Dow lost just under 10% (MarketWatch data).

I trust you have found this review to be informative. If you have any inquiries or wish to discuss any concerns, please don't hesitate to contact me or any member of my team.



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As always, it's a privilege and a humbling experience to know that you have chosen us as your financial advisor. Thank you for the trust you have placed in us.

Final thoughts

There are always going to be good markets and bad markets. I like to tell our clients that we can only control what we can control. We cannot control what the markets do, but we can control what we own. That is what we focus on.

Please let me know if you have any questions or would like to discuss your personal situation. The intent of our newsletter has always been to leave you a little more educated and comfortable with current events and important retirement topics. Also, let me know if there are any topics that you would like us to focus on.

Feedback would be amazing!

If you are a client, Thank you! I recognize that you have many advisors to choose to work with. That you have chosen our firm, I am honored and humbled for the opportunity to serve as your financial advisor. If you are not one of our clients and would like to chat about our unique client experience, I would be very happy to meet with you!

All the best,

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