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Cadence clips

FOCUSED ON WHAT MATTERS MOST.

Tips From A College Admissions Insider

Getting a college education is simple because all you have to do is get accepted and pay for it. This gives us the chance to highlight something we ourselves learned in college: the difference between the words "simple" and "easy". Though used interchangeably, they are different words with different meanings. Simple means uncomplicated, while easy means not difficult. OK, confession time, we're paraphrasing pretty hard on those definitions, but we do stand by them because something that is simple isn't always easy. What we're going to attempt with this piece is to give suggestions on how students and their families can decrease the difficulty associated with getting accepted by their schools of choice and reducing the amount they will pay while attending. This is not necessarily an article on how to pay for college, so much as one on how to reduce the costs of attending.

Obviously this is not our forte. We're financial planners. It is much, much more in our wheelhouse to advise people on how to afford college, however there are so many elements that come into play before you receive your first tuition bill that it makes sense to discuss how to reduce the costs of attending regardless of how those bills will get paid. To assist us in stepping outside of our normal financially-oriented box, we have enlisted the aid of the Dean of Admissions for a Midwestern college to pass along to you and potentially your student suggestions covering the two most important questions your pre-collegian should have:

- What can I do to increase my chances of being accepted by my college of choice?
- What can I do to decrease the amount I will have to pay for my college of choice?

Younger High School Students

The more time your student has to add to his or her academic achievements, the better. It doesn't take a college graduate to figure that out. If your student is not yet a freshman in high school, then she or he can be lining up like planes on approach, ready to hit the ground running right off the bat. (And hopefully when he or she is in college, his or her English teacher will discourage him or her from mixing metaphors like we just did. Hey, we studied numbers in college, not words.) If she or he will be a freshman in the fall, then game time starts around Labor Day and his or her academic and extra-curricular resume starts getting built in the fall of this year.

Despite how high schools and colleges have changed since we graced their halls, there are still some things that remain relatively the same regarding what colleges want their incoming students to have taken during their high school careers, notably:

- 4 Years of English
- 4 Years of History/Social Studies
- 3 Years of Math
- 3 Years of Science
- 2 Years of Foreign Language

Of course there are an uncountable number of internet sites that will help guide students regarding how to make themselves more attractive to their future colleges of choice, however the one that was recommended to us by our Midwestern Dean is Raise.me. Through Raise.me students earn scholarship money for academic and extracurricular achievements from nearly 150 partner colleges and universities while they progress through high school, essentially creating and building their own scholarship along the way. Raise.me monetizes good behavior and hard work, like getting good grades, volunteering, playing on sports teams, and more by assigning smaller monetary amounts to certain activities and levels of achievement that add up over time based on how many different achievements a student accumulates. Think of it like building a $10,000 scholarship $250 at a time. Raise.me is free for students as the costs are paid by charitable foundations and the member colleges. Different institutions offer different amounts for the various achievements, for example one college may award a student $1,000 for earning an A in a core course, while another may offer $500. Luckily, if a student is a sophomore, junior or senior, she or he can go back and fill in past achievements to accumulate more dollars. A program like this addresses two needs: what should students do to be more attractive to their college or colleges of choice, and how can they earn scholarships to help pay for it.

<u>High School Seniors</u>

By senior year, a lot of the hay is already in the barn, and students have to shift from resume manufacturing to resume marketing. With over 600 colleges accepting the Common Application, there's a good chance no matter how many colleges to which your student applies, she or he will only have to complete one application. Admissions officers really do read beyond GPAs and test scores on the college applications, so ways of increasing a student's desirability to a college include:

1. <u>The quality of the application essay.</u> Be a person in the essay, not an applicant. Give that application reader a sense of who you are so they think of YOU instead of just the application.

2. <u>Use every space available on the application.</u> If there were dips in performance for part of your high school experience, explain them. Say more about yourself at every opportunity.

3. <u>Interview at the college, even if they don't require it.</u> Connect with people who may be able to influence the process at every opportunity to demonstrate your interest in attending their beloved institution. To that end. . .

4. Meet with an alumnus or an alumna if that is an option. Frequently alumni and the admissions officer assigned to your geographic area are in contact, and another meeting helps to demonstrate your enthusiasm for their alma mater.

5. Find out who covers your territory in the admissions office and connect with them somehow, either via email or in person. If your application does not put you in the clear admit pile, then it will go to a committee, and if there is a person on that committee that can connect you, the person, to the application, it will increase your chances of being moved into the admit pile. Only one quarter to one third of prospective students do this, so there is ample room to set yourself apart.

6. Apply to multiple schools, but there's no need to go crazy. The 1 million students who applied to the 700 colleges that take the Common Application last year applied to 4.5 schools on average. If you already know you are a good fit for the school of your choice, you don't have to go crazy applying to too many other places. If you know there are three places you would like to go and you're a good fit for all of them, there's no need to start reaching beyond that to start applying to schools you'd like to go to less. On the other hand, if you're not comfortable with how you might stack up against other incoming students, especially if you have a number of schools you find appealing, applying to more might help your chances. The FAFSA aid form no longer requires students to reveal all the schools to which they are applying and how they rank those schools. Additionally, no admissions officer should ask you to be specific on where else you're applying.

Increasing the monetary awards and decreasing the costs.

Multiple choices may help reduce the cost of college. As we detailed in our April newsletter, the average incoming student pays only 45% of the published tuition and fees, and being accepted to multiple places increases the chances of receiving at least one deeply discounted offer. There are a number of ways to receive monetary awards that will lower the total amount you will have to pay. It's probably not all that common for students to know exactly where they want to go by their freshman or sophomore year of high school, but at some point they should look at potential schools to see what scholarships and other awards schools give and for what reason. As our Dean of Admissions friend said, colleges express their values through their aid awards.

1. Academic Scholarships. Purely academic scholarships are just that, and only the courses you took and the grades you earned in those courses are considered. There are many scholarships that combine academic achievement with other core school values, so getting good grades, being a team captain, and editing the yearbook are as important as ever. Academic and merit scholarships show you just how high you are on the incoming student pecking order.

2. Athletic scholarships. Everyone knows what these are already, but counting on them is tricky. Many students have to decide between going to a school of their choice and playing a sport at a school that is not of their choice. Unless you are in the very, very high talent percentages for a given sport, it is difficult to control your destiny with athletic scholarships. However, that does not mean pursuing them would not be worth it: playing a sport you love

while helping reduce the cost of a college degree can be a great combination. Meanwhile, if you happen to love rowing or fencing or squash, or if you could LEARN to love one of them, then there may be a way to both get into an Ivy League school and pay less. Specializing in sports that not many kids play can be a successful strategy.

3. Non-academic, non-athletic scholarships. This is where the colleges express their values the most, though even here there are some situations to navigate. If you want a music scholarship, it's better to be a bassoonist than a soprano. There's an abundance of one and a dearth of the other. Likewise, some colleges give community service scholarships, so it can pay dividends to research your schools of choice as early as you have schools of choice, and dig into the variety of awards they give incoming students.

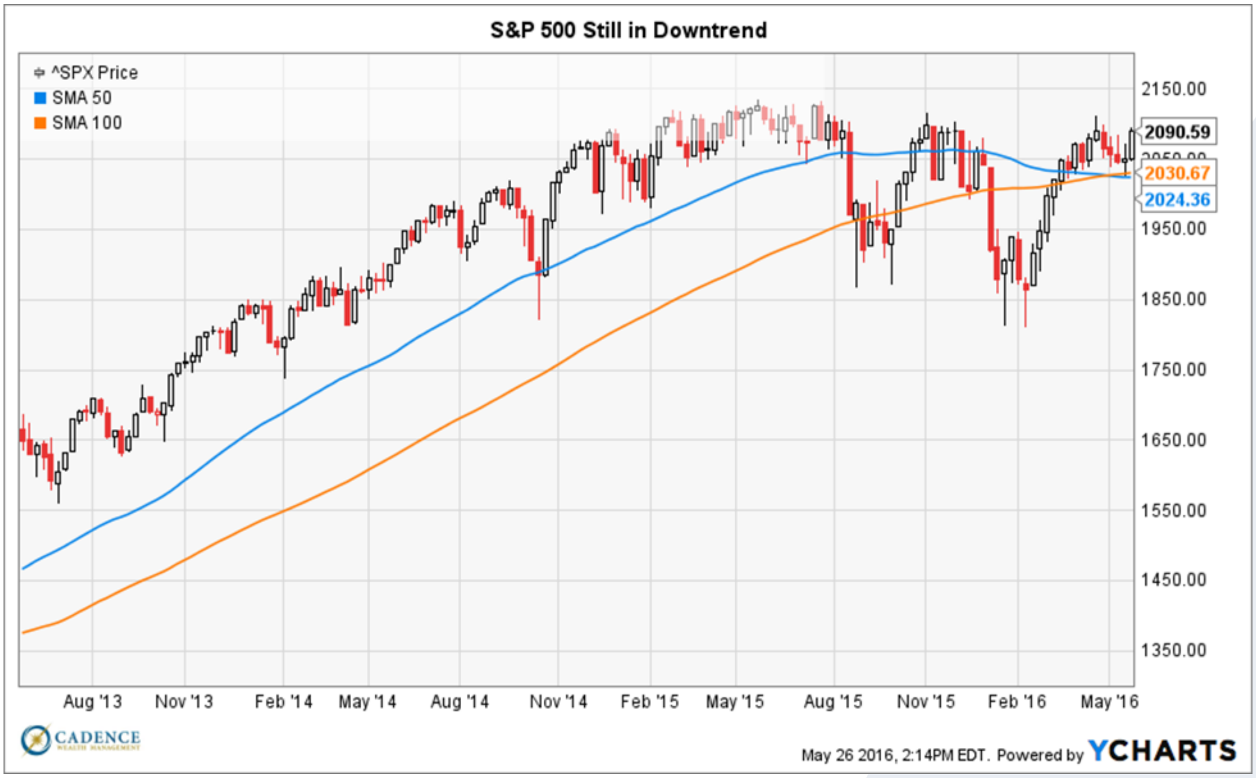
4. Playing colleges against each other. Not many students have the opportunity to do this, and even with those who think they do there are rules. If you get an offer from a school of your choice, but there's still a school you'd rather attend but is a reach to afford, you can go to that school with the other school's offer and see if they will be willing to match it. This ONLY works if the school that gave the offer is on the same academic level as your preferred school. If it's not, they will probably respond with "I hope you'll be very happy there!" However, if you get a great offer from a good school, you can make contact with a different school and say you'd rather go there but you need something from them similar to what the other school offered. There is not a great chance of it working, but every year it works for some.

The simple part of this is it all makes sense and we appreciate the wisdom this 20-year plus veteran of the college admissions process shared with us. However, given how much work has to get done those four years of high school and during the application process, especially writing the most important essay of their lives, students are not faced with an easy task of getting into the schools they want and reducing how much they will have to pay. Despite how much society may have changed since you were in college, the world still needs and values learned people, and a good college education remains one of the most likely ways your child or grandchild will provide for their own lives as they transition from the diaper-wearing toddlers we still remember so well into the woman or man she or he will become, seemingly overnight!

Have the Markets Thoroughly Confused You Yet?

If you're looking for the markets to behave logically, you'd better adjust your expectations. They don't. Over the short to medium term, the factors that drive markets are complex, confusing, and incredibly inconsistent. One day investors may interpret good economic news favorably and buy stocks while on another day that same positive news could stoke fears that the Fed may now be more inclined to raise interest rates and take away the punch bowl because of it. Sentiment changes daily causing fluctuation that can test our investment discipline and resolve. When this happens, it's best to look at the bigger picture and focus on the facts. If the facts that caused us to invest a certain way change, we consider changing. If they don't, then we don't.

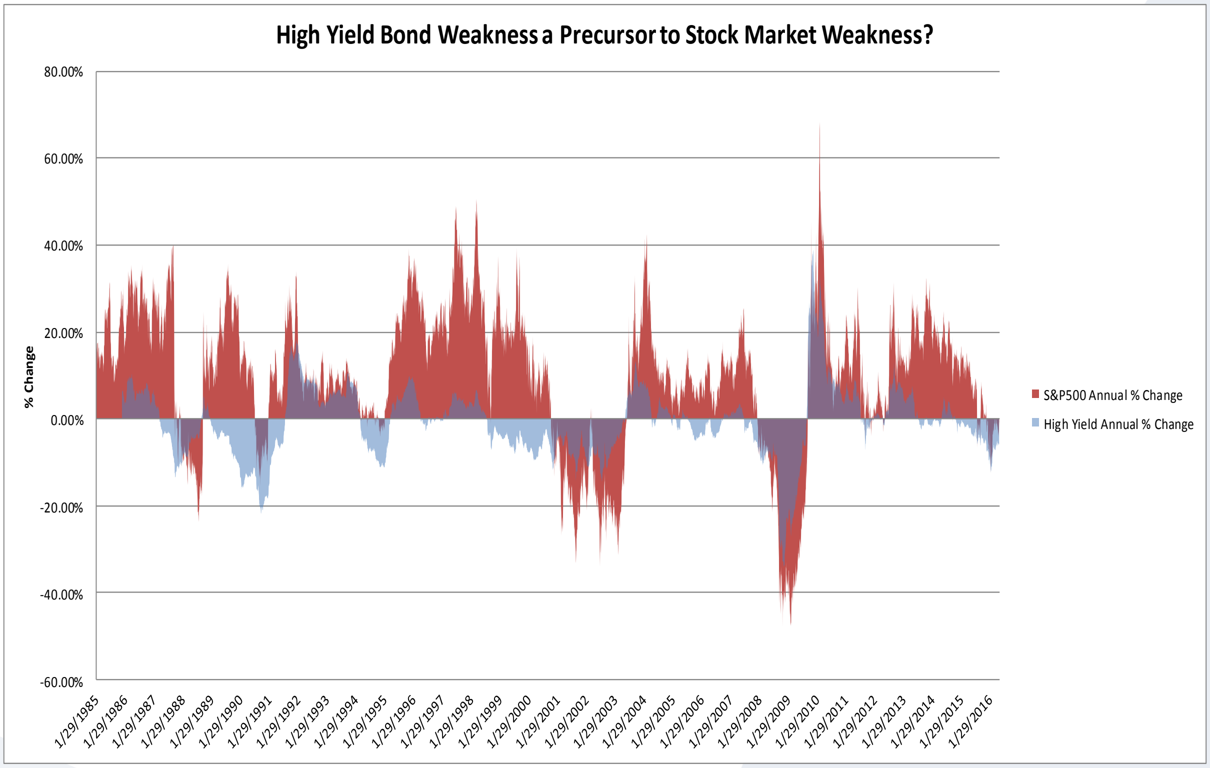
As of the time we're writing this, the S&P 500 (and most major indices) are still in a downtrend. We define this as a process of the market setting lower high points and lower low points as time passes. You can see this from the chart below.



Since the market topped in May of 2015, it hasn't made any progress. Regardless of how powerful the rally from the February low has been, this is not a sign of a healthy bull market. Rather, it's very consistent with how bull markets end and begin to transition into downward trending ones. Until this downtrend is broken, we continue to feel as though extra caution is warranted. If this fact changes, we'll likely be more willing to increase exposure to stocks in certain strategies. Long term, as we outlined in our April letter, the valuation of the S&P 500 still hovers around 24x earnings on a GAAP basis, which represents nothing short of nose-bleed levels from a historical perspective. At some point when investor sentiment shifts, prices will come down - very possibly quite dramatically. This is something every investor needs to be aware of and positioned for. That said, markets can do crazy things for quite some time. We take no shame in admitting that we've called for greater than average conservatism for a while now. The reason for this is we cannot know – nor can anyone else - the exact turning point for markets. We do know based on history however, that when extremely expensive markets like the one we're in now finally reverse course, most of the gains from the bull market are wiped out. Hanging on for late-stage returns can be analogous to picking up pennies in front of a steamroller. We'd rather not, unless it's part of a strategy that takes on a disciplined approach and can move quickly. There needs to be ample evidence to suggest that the market can move higher for weeks and months before this makes sense to us. A break above previous highs would be a start.

A Clue From the High Yield Market?

One part of the markets we've been watching carefully is high yield bonds. As a category they've struggled since the middle of 2014, which could indicate that investors are becoming more risk-averse and seeking out safer asset classes for their money for one reason or another. If we look back in time, we can see that it's not uncommon for high yield bonds to begin performing poorly shortly before the stock market declines. This was true before the stock market crash in 1987 as well as before both of the most recent bear markets in 2000 and 2007. As you can see from the graph below, this recent weakness in the high yield bond market is more supportive of future stock market weakness than strength. The investment proxy we're using for high yield is the Vanguard High Yield Corporate Fund.

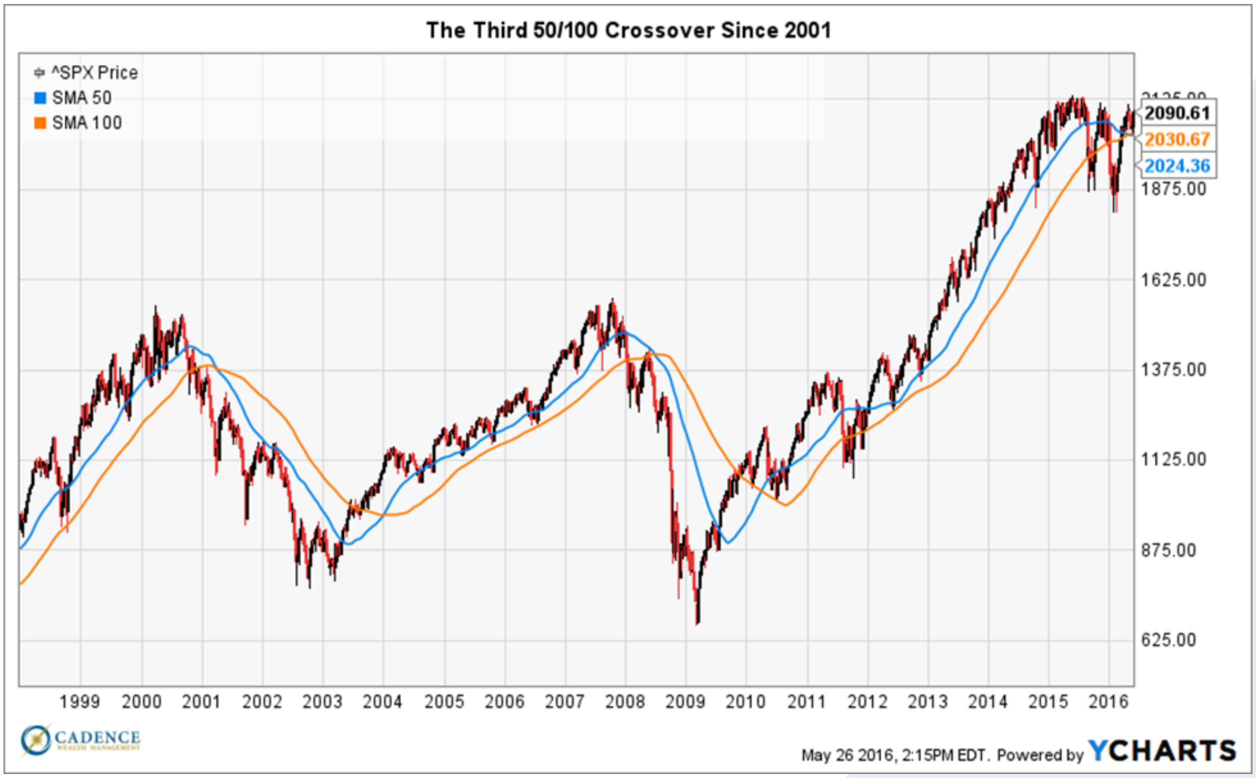


Source: YCHARTS for data; chart by Cadence Wealth

<u>Further Evidence of Trend Change?</u>

Moving averages are a very common tool in analyzing asset prices. They help investors see visually what has happened to prices over different periods of time – the trends. A common use of moving averages involves looking at what a shorter-term average is doing relative to a longer-term one. This can indicate a change in price trend either upward or downward. For example, when a shorter-term moving average for the S&P 500 crosses below a longer-term one, this indicates that prices have been weaker over the short term than long term. Whether that weakening trend is going to continue depends on many factors, but the market technician would be inclined to assume that the recent weakness is probably for good reason and would likely continue.

One moving average relationship we're looking at is the 50-week versus the 100-week. What we've observed going back to the early 1960's is that when the former crosses below the latter, the S&P 500 more times than not has continued to weaken. In fact, of the nine times this has happened since then, six of them have led to further deterioration in stock prices. The last two times we've seen this moving average crossover were in 2001 and 2008 – both incidents that resulted in further market losses. **So it's important that we pay attention to the fact that this crossover just took place again earlier this month.** Is this a foolproof indicator of impending market mayhem? No. Nothing is. It is however a reflection of just how much steam stocks have lost over the last few months, and more times than not, this isn't a good thing.



From where we stand at this point in time, the facts haven't changed. Markets are still in a downtrend over the last 12 months against the backdrop of an historically expensive market. There are plenty of clues that would indicate that this downtrend should continue – we cited two above. This warrants continued caution. If stocks break out of this downtrend and move higher, then this could indicate that markets aren't yet ready to move according to logic or reason and the party could last a bit longer. Although we don't feel this is the most likely scenario, it could very well happen. If it does, we'll adjust accordingly within the portfolio strategies that can adjust quickly. Any upward move this late in the game, with so many clues suggesting it shouldn't be happening, needs to be looked at with a skeptical eye. Rallies in downward-trending markets are usually the most convincing… and short-lived.

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