Bartholomew & Company Monthly

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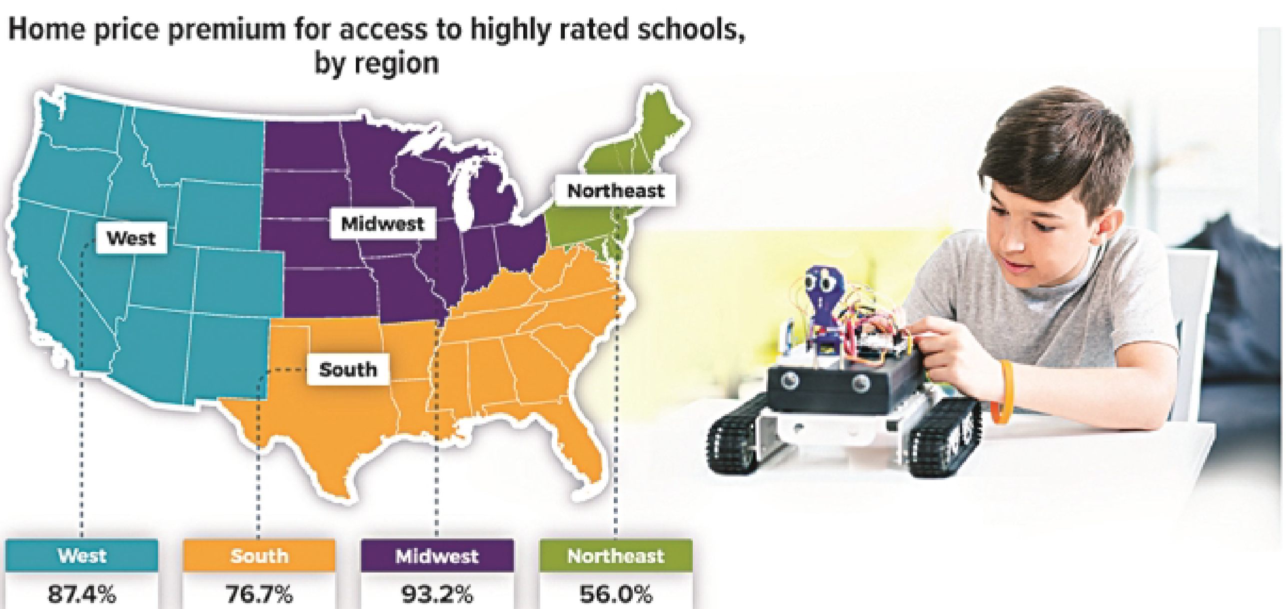
Location, Location, Location: The Premium Parents Pay for Top Schools

In much of the United States, the public school that a child is allowed to attend is determined by the location of the family's residence. As a result, the inventory of homes for sale near the best schools is often limited and properties tend to sell at a premium.

According to research conducted in 2024 by Realtor.com, homes in neighborhoods with a highly regarded public elementary school — rated 9 or 10 on the review platform GreatSchools.org — cost an average of 78.6% more than a typical home in a surrounding county. However, this premium varies greatly from place to place.



Source: Realtor.com, 2024

What Happens to Your Time Horizon at Retirement?

In investing, "time horizon" refers to the amount of time you have to pursue a financial goal. Along with that goal and your tolerance for risk, your time horizon is one of three key factors that typically help determine the mix of investments in your portfolio.

In your early retirement saving years, your time horizon could be a strong advantage. The younger you are, the more time you may have to withstand market volatility and pursue an aggressive growth investment strategy.

As you enter retirement, however, your time horizon begins to take on new meaning. Your investment strategy is no longer crafted to pursue a specific savings goal, but to balance different objectives. Understanding these objectives can help you shift your perspective from a single, goal-based, fixed time horizon to a multilayered, interrelated series of time periods.

Short-term objective: liquidity

The first objective is generally the need for liquidity; that is, how much cash you may need to keep in easily accessible, lower-risk vehicles.

You can start this assessment by determining the amount of income you'll need to meet life's basic necessities on a monthly or annual basis. After accounting for Social Security, Medicare and other health insurance, any pension income or work-related earnings, and possible income from real estate and other sources, is there a gap? If so, how much and how often will you need to withdraw from your retirement savings to cover that gap?

Next, consider the bigger picture: What are your plans over the next one to three years? Will you have any large expenses, such as buying a new car, repairing a roof, or undergoing a major health procedure? Will you take any vacations or attend big events such as a wedding? Finally, how much do you want to set aside for unexpected emergencies? General guidance suggests having at least three to six months of expenses in an easy-to-access savings vehicle, but the appropriate amount will depend on your unique situation. Considering all of these factors can help you determine how much to invest in short-term, lower-risk vehicles and set up a cash-flow schedule designed to meet your shorter-term needs.

Ongoing objective: managing market risk

The second objective is typically managing the risk associated with ongoing market volatility. Pre-retirees and retirees, in particular, face what's known as "sequence of returns" risk. This refers to the risk that the financial markets could experience a large loss just before or in the early years of retirement, leaving you with a diminished nest egg to support your income needs. Moreover, throughout your retirement, your portfolio will likely continue to experience ups and downs. The objective is to manage investments in a way that strives to provide income while helping to smooth out any bumps over time.

Long-term objective: sustainability

While market risk is one concern, longevity risk, or the chance that your savings won't last as long as you do, is yet another. The need to build a portfolio with lasting potential — at a minimum, to sustain your lifelong income needs, but also to leave a legacy if that is your goal — is perhaps the most important objective in a retirement portfolio. Consider designing an investment mix to pursue enough growth to help keep it sustainable as long as needed.

Retirement Portfolio: A Multilayered Approach

As each layer is depleted, it may be replenished by the next layer up.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. Rates of return will vary over time, particularly for long-term investments. Investments offering the potential for higher rates of return involve higher risk.

A layered approach

One way to think about your retirement portfolio is as a series of layers that could work together to pursue all three objectives. The bottom layer would be comprised of short-term, liquid vehicles designed to provide the cash flow needed for, say, one to three years. The middle layer would contain additional amounts needed within a decade or so and be made up of moderate-risk vehicles that aim to provide a stream of income and help balance inevitable volatility. The top layer, which would include the balance of your portfolio, would be designed to outpace inflation and pursue longer-term growth, striving for that necessary sustainability. Over time, as one layer is depleted, it can be replenished by the next layer up.

Could Employee Ownership Be Part of Your Succession Plan?

An employee stock ownership plan (ESOP) is a type of qualified retirement plan that enables a business owner to gradually transfer ownership shares to employees. Moreover, establishing an ESOP sets up opportunities for the owner of a closely held business to cash out (in whole or in part) in the future, while keeping the company going for employees and the community.

An ESOP may be a good option for small-business owners who don't plan to pass the reins to family members when they retire, but instead have loyal and capable managers who would be interested in taking over the company. In the meantime, an ownership mentality may enhance efficiency and productivity, because employees have a stake in the company's long-term success.

How ESOPs work

ESOPs are designed to invest their assets primarily in company stock rather than investing in the public markets. Annual cash contributions are made to the ESOP and used to purchase stock from the company, or the company may contribute the stock directly. In either case, the company can take a tax deduction for the value of each year's contribution, while the cash stays with the company.

Unlike other retirement plans, ESOPs are permitted to borrow money to purchase company stock. The company then makes annual contributions to the ESOP in the amount equal to the ESOP's principal and interest payments on the loan and uses the contributions to pay back that debt. The company's contribution as a whole is deductible, so the interest and the principal on the loan are deductible as well.

With an ESOP, an employee never buys or holds the stock directly while still employed with the company. If an employee is terminated, retires, becomes disabled, or dies, the plan will distribute the vested shares of stock in the employee's account.

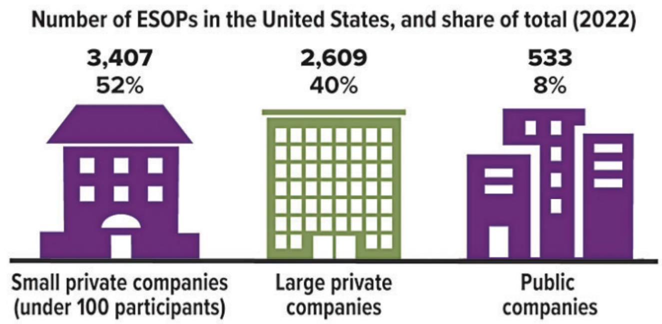
ESOP participants are investing heavily in a single stock, and their investment is tied to the financial health of the business. If the company declines in value, the ESOP may also. Thus, an ESOP should generally be offered alongside a standard retirement plan [such as a (401k)] with more diversified investment options.

A tax-deferred exit

There may also be tax benefits for a retiring owner who sells a business to an ESOP. If the ESOP owns at least 30% of the company after the sale, the capital gains tax on the sale may be deferred by reinvesting the proceeds in domestic U.S. securities ("qualified replacement property"). No tax would be due until the replacement securities are sold. If they are held until death, a stepped-up basis may apply, and the original gain may never be taxed.

In It Together

At last count, 6,548 businesses had ESOPs holding more than $1.8 trillion in assets, covering more than 14.9 million employees.



Source: National Center for Employee Ownership, 2025 (percentages rounded to the nearest whole number)

Business owners can defer taxes on the sale of business interests to an ESOP only if the shares were held for at least three years, and if the ESOP was established by a C corp (not an S corp). Among other conditions, stock bought by the ESOP may not be allocated to the seller or certain members of the seller's family, or to any shareholder of the company establishing the ESOP who owns more than 25% of any class of company stock. If this rule is violated, the company would be subject to a 50% excise tax, and the person receiving the allocation would also be subject to tax consequences.

ESOPs can be complicated and costly to establish and maintain, but they offer significant tax advantages that make them worthwhile in certain situations. It would be wise to consult an attorney with experience in the formation and maintenance of qualified retirement plans to help evaluate whether an ESOP could be appropriate for your business.

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FAFSA for 2026-2027 School Year Opens on October 1

After opening late the last two years, the FAFSA (Free Application for Federal Student Aid) for the 2026-2027 school year is back on track to open on the usual start date of October 1. Last year, in addition to the FAFSA opening late in December, families faced government processing delays that resulted in late financial aid packages from colleges.

Tips for submitting

Here are some things to know about the FAFSA.

- **FSA ID.** To file the FAFSA online, parents and students each need their own FSA ID, which is a username/password combination that functions as a legal signature. You can create an FSA ID online, and the same ID can be used for all years of college.
- **Income and assets.** The FAFSA requires two key types of information: income and assets. For income, the 2026–2027 FAFSA will rely on information from your 2024 federal income tax return as it uses a prior-prior year system, looking back two years. This data will be imported automatically from the IRS. For assets, the FAFSA uses the value of your assets as of the date you submit the form.
- **Student Aid Index.** The FAFSA calculates a figure called the "Student Aid Index," a benchmark that measures aid eligibility. Colleges use this figure to create a financial aid package that attempts to meet a student's financial need. Note that colleges are not required to meet 100% of a student's financial need.
- **Eligibility for Direct Loans.** All students who file the FAFSA are eligible for an *unsubsidized* Federal Direct Loan, regardless of financial need. But students who demonstrate need on the FAFSA are also eligible for a *subsidized* Federal Direct Loan, which means the government pays the interest that accrues during school, the grace period after graduation, and any authorized deferment periods. Both types of Direct Loans have annual borrowing limits: first year – $5,500 (max $3,500 subsidized); second year – $6,500 (max $4,500 subsidized); third year and beyond – $7,500 (max $5,500 subsidized). Students with significant financial need may also qualify for a Pell Grant.
- **College aid.** Even if a student does not plan to take out any federal loans, some colleges might require the FAFSA before awarding their own college-based aid, including merit scholarships and grants. So filing it can still be beneficial in this case.
- **Annual submission.** The FAFSA must be submitted each year for students to be eligible for federal aid for that academic year.

For more information, families can visit the federal student aid website at studentaid.gov.

Source: U.S. Department of Education, 2025