



Consider Gifting to a 529 Education Savings Plan



National 529 Plan Awareness Day falls annually on 5/29. This day celebrates the importance of preparing for future education expenses and the advantages of 529 Savings Plans. While there are several ways to save for a loved one's education, 529 savings plans can be an attractive choice.

What's a 529 Savings Plan?

A 529 savings plan is an education savings plan sponsored by a state that is designed to provide tax-advantaged savings for future education costs, specifically for K-12 tuition expenses at public, private and religious schools (up to \$10,000 per year) and a variety of qualified expenses at colleges, universities or other post-secondary education institutions. Named after Section 529 of the Internal Revenue Code which created these types of savings plans, each state determines the lifetime maximum amount that can be accumulated per student and the investments available for their plan, but the money saved in a state's 529 savings plan does not have to

be used for schools in that state. Keep in mind if you invest in your state's plan, you may also enjoy state tax benefits that include a state tax deduction or credit for contributions as well as state-tax-free withdrawals.

The two main benefits of a 529 savings plan are tax-deferral on your earnings and tax-free withdrawals for qualified education expenses. Without the burden of taxes, your money goes farther. The earlier you start saving, the greater the benefit from the power of compounded returns. Any withdrawals for purposes other than education will mean any earnings will be subject to federal income tax, and possibly a 10% federal tax penalty.

Benefits of a 529 Savings Plan?

A unique aspect available for 529 savings plans is that you can accelerate funding them with a large gift. Federal law currently allows anyone to make an annual gift per person up to \$18,000 in 2024 (\$17,000 in 2023), without the imposition of a gift tax. For 529 savings plans, there is a special rule that allows you to frontload five years of gifts in one year — this means you can gift \$90,000 in 2024 (\$85,000 in 2023) into a 529 savings plan. If you are married, you can double that to \$180,000 in 2024 (\$170,000 in 2023) without any gift tax consequences. Think about what those dollars could become in a tax-free 529 savings plan over many years of growth before a loved one needs it. If you take advantage of advanced gifting to a 529 savings plan, keep in mind that you



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cannot make any other taxable gifts to that individual during the five-year period.

Is a gift to a 529 education savings plan for a loved one right for you? With the rising costs of a college education, if you have the means, advanced gifting is a great way to get a jump start on tax-free savings for the future. Plus, 529 savings plans are not just for

college savings anymore. Any registered apprenticeship program for students who seek to learn a trade or skill, can also receive tax-free withdrawals from 529 plans savings. To get a plan started for your child or grandchild, or if you have questions about 529 education savings plans, contact your financial advisor. ■

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