



Consider Gifting to a 529 College Savings Plan

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

WHAT'S A 529 PLAN?

A 529 college savings plan is an education savings plan sponsored by a state that is designated to set aside funds solely for future college costs. Named after Section 529 of the IRS code which created these types of plans, each state determines the lifetime maximum amount you may contribute per child and the investments available. Keep in mind most states allow non-residents to participate in the plan; however, if you invest in your state's plan, you may also enjoy state tax benefits that may include a state tax deduction on contributions as well as state-tax-free withdrawals.

A key benefit to a 529 plan is the tax-free growth available. Earnings in 529 accounts can grow state and federal tax-free, and withdrawals for qualified higher-education expenses are free from tax. Without the burden of tax, you will have more money available for savings. Moreover, the earlier you start saving you can get the greatest benefit from the power of compounded returns. Any withdrawals for purposes other than higher education will mean any earnings will be subject to federal income tax, and possibly a 10% federal tax penalty.

MAKE A GIFT

A unique aspect available for 529 plans is that you can accelerate funding them with a large gift. Federal law currently allows anyone to make a gift to anyone else up to \$14,000 per person, per year, without the imposition of a gift tax. For 529 plans, there is a special rule that allows you to frontload five years of gifts in one year — this means you can gift \$70,000 into a 529 plan (\$140,000 if you are married) without any gift tax consequences. Think about what those dollars could become in a tax-free 529 plan over many years of growth before a loved one heads off to college. Consider, though, that if you make a fully frontloaded gift, you cannot make any other taxable gifts to that loved one during the five-year period.

Consider whether a gift to a 529 college savings plan for a loved one is right for you. If you have the means, consider frontloading that gift to get the tax-free growth started as soon as possible. To get a plan started, or if you have questions about 529 plans, contact your Benjamin F. Edwards & Co. financial consultant.

IMPORTANT DISCLOSURES

The information provided is based on internal and external sources that are considered reliable; however, the accuracy of this information is not guaranteed. This piece is intended to provide accurate information regarding the subject matter discussed. It is made available with the understanding that Benjamin F. Edwards & Co. is not engaged in rendering legal, accounting or tax preparation services. Specific questions on taxes or legal matters as they relate to your individual situation should be directed to your tax or legal professional.



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One North Brentwood Boulevard | Suite 850 | St. Louis, Missouri 63105 | 314-726-1600 | benjaminfedwards.com | Member SIPC