# TRUST

INVESTMENT PERSPECTIVES

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# The Class of 2030

## Gearing Up for College Without Going Broke

I recently dropped my youngest child off at his first day of kindergarten. As we were walking into the classroom, I overheard another parent reference these children as the Class of 2030. It caused me to think about those very kids, most of whom were tripping over their untied shoe laces, who will be arriving on college campuses in just 13 years. Scary. But not as scary as the college tuition.

According to some projections, the estimated cost for my five-year-old to attend a four-year public university is around $175,000 and this is assuming he receives in-state tuition. A private college is expected to be closer to $475,000. *Gulp*! No wonder college tuition and student loans are the top financial concern of young people today. Even for high net worth Americans, this price tag is getting harder to swallow. And in the end, the experts behind the projections agree that the best gift you can give your child (or grandchild) is an education.

### Saving for College & Paring Down Estates


An efficient method of saving for college is through a 529 savings plan. Created in 1996, this tax-advantaged investment vehicle has become a popular tool for helping save for college. It offers a variety of benefits, including some that go further than the goal of college tuition. It could even play a part in your family's estate plan.

A 529 plan can be set up for anyone intending to take part in post-secondary education (including university, community college or trade school). The account is owned and controlled by an individual (usually a parent or grandparent) and has a named beneficiary. There are

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several important tax benefits associated with most 529 plans.

First, assets within the account grow tax free, including appreciation and income. Second, as long as the funds are used for qualified education expenses (such as tuition, fees, room, board, and books), the withdrawals are free from federal, and usually state, income tax. Lastly, for state-sponsored 529 plans, contributions into these plans often receive a state tax deduction for the owner.

Contributions are considered completed gifts even though the owner retains control over the account. You may also create 529 accounts for as many individuals as you like, giving up to $14,000 annually per account (or if you are married, $28,000) without triggering gift taxes.

If students don't go to post-secondary education or don't need the money, beneficiaries can be re-assigned within the family. In addition, a 529 plan can be passed down from generation to generation without federal income taxes ever being paid as long as future heirs use the funds for qualified higher education expenses. Depending on the amount transferred, gift taxes may be a consideration. Funds can always be withdrawn from the 529 plan for non-educational needs, but the earnings portion will generally be taxed at the recipient's rate and subject to a 10% penalty. Additionally, state tax deductions received from previously made contributions may be subject to recapture.

### Setting Up A 529 Plan

If you decide a 529 plan is worth consideration, do your due diligence when selecting a plan. Plan features differ from state to state. At TCO, an experienced team can assist you with your gifting plans for your child or grandchild's college education. Consult our professionals before making any decisions that could impact your tax liability.

Now back to the Class of 2030: their future is bright; but we better start learning how to tie those shoes.