



## What You Need To Know About 529 Plans

A recent study by the College Board found the average annual cost of tuition and fees at four-year private institutions totaled \$35,830 for the 2018 - 2019 academic year.<sup>1</sup> With education expenses steadily increasing over the past 30 years<sup>2</sup> and total U.S. student loan debt soaring to \$1.4 trillion,<sup>3</sup> saving for college is as sensible as it is critical.

### What is a 529 plan?

A 529 plan is a tax-advantaged, education savings plan designed to help families set aside funds for future school costs.

### What are the benefits of a 529 plan?

529 plans offer significant tax and investment advantages.

#### TAX-DEFERRED GROWTH

Earnings grow tax-deferred from federal and state taxes.

#### TAX-FREE WITHDRAWALS

Withdrawals for qualified education expenses are exempt from federal and state taxes.

#### STATE TAX BENEFITS

Many states offer a deduction or credit for contributions.

#### GIFT-TAX BENEFITS

Contributions qualify for the annual federal gift tax exclusion - \$15,000 for individuals and \$30,000 for married taxpayers.

#### ESTATE BENEFITS

Under special rules for 529 plans, a lump sum contribution can be spread over five years for gift tax purposes. This forward gifting allows individuals to contribute \$75,000 and married couples filing jointly to contribute \$150,000 per beneficiary to help reduce your personal estate.

#### INVESTMENT OPTIONS

529 plan funds are professionally managed by well-established financial companies that offer a range of investment options, thus allowing you to tailor your portfolio to meet your needs and risk tolerance.

#### FLEXIBILITY

Family and friends can contribute to your child's 529 plan. Additionally, beneficiaries can be changed to other family members.

## What can 529 plan funds be used for?

### Higher Education

529 plan funds can be used for tuition, books, room and board, and other education-related expenses at most accredited colleges, universities, trade schools, and post-secondary educational institutions.<sup>4</sup>

### Primary and Secondary Education

529 plan funds can be used for kindergarten through high school tuition up to \$10,000 per year for each student and be tax-free at the federal level.<sup>5</sup>

<sup>1</sup> "Trends in College Pricing 2018," Trends in Higher Education Series, The College Board. 2018. Page 3. <https://trends.collegeboard.org/sites/default/files/2018-trends-in-college-pricing.pdf>

<sup>2</sup> "Trends in College Pricing 2018," page 12

<sup>3</sup> <https://www.debt.org/students/>

<sup>4</sup> Eligible institutions can be found at <https://ifap.ed.gov/ifap/fedSchoolCodeList.jsp>

We recommend you consult with your tax advisor prior to making withdrawals or distributions from a 529 plan for K-12 expenses. State income tax benefits may be subject to recapture.

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