

Happy 5.29 Day!

By: Principal, Tana Gildea, CFP®, CPA, CCFS

May 29th is officially National 529 Day or 529 College Savings Day. Most folks have heard about 529 savings plans and perhaps know the basics of these plans, so in honor of the day, we thought we'd share a few of the things that we love about 529 accounts.



They are easy! It is so easy to:

- Set up an account – online or with paper. You do need the Social Security number of the beneficiary, so all of you new parents and grandparents will have to wait to get that information before starting to click.
- Change your investment options. Keep in mind the “age-based” or newly named “enrollment age” options, as those allocations change automatically as the account beneficiary gets older. You don’t have to think much after that first set-up “click.”
 - Keep in mind if you do want to make a change, the IRS rules only allow two per calendar year unless you are changing the beneficiary.
- Make contributions. It is easy to link your bank account to your 529 account so that you can set up periodic contributions to automate the process or create one-time contributions when you have a “windfall” month.
 - Get rewards points that link to your 529 account. uPromise and similar programs have online shopping rewards that earn cash back to your 529 account and allow you to invite family members to save their points as well.
 - Savingforcollege.com has links to credit cards that offer you cash back points to your 529 account as well. Be sure you look at fees and the details of the offers.

They are flexible!

- If you move to a new state, you can open a new account in that state, use the old one, or roll the old account into the new one.
 - You can use the account for colleges in any state.
 - Remember, rollovers are only allowed once per year so keep that in mind.
 - If you received a state tax deduction in the original state, talk to your CPA before processing a rollover as there can be state “claw backs” for those tax benefits.
- You can change the beneficiary on the account to another qualified family member. This includes making the account owner the beneficiary.
- You can make the beneficiary the account owner, potentially allowing for withdrawals of non-qualified funds at a lower tax rate.
- You can take a distribution that is not subject to penalties in the amount of the benefit received if the beneficiary gets a scholarship, goes to a military academy, or for the expenses used for federal education tax credits (as well as a few other situations).
 - Remember, you will pay income taxes on the earnings. Your contributions are not subject to tax.
- You can use the funds for any eligible institution which includes trade schools and apprenticeship programs.
- You can use the funds for qualified expenses (limits shown are as of 2023).
 - \$10,000 per year can be used for qualified K-12 expenses.
 - \$10,000 can be used for student loan payments (lifetime max.)
 - Amounts up to the cost of attendance can be used for higher education.
 - Remember, if you qualify for education tax credits, you cannot consider those same dollars as qualified expenses for withdrawals from the 529.
 - This applies to graduate school costs as well as undergraduate.
- You can use the funds for Roth IRA contributions starting in 2024.
 - The source 529 account must have been established for 15 years.
 - The normal Roth contribution limits apply (the lesser of earned income or the IRS maximum).
 - This is currently limited to \$35,000 over the beneficiary’s lifetime.

They can save you taxes! This is the one most people think about and it's a big one.

- None of the investment earnings within the plan will be taxed unless you take a nonqualified distribution.
 - If you start saving early, this could be a full 18 years of earnings and investment growth before the first dollar is spent for college.
- Many states provide state tax benefits for contributions although there are generally limits.
 - Review the rules for your state plan or talk with your CPA about whether this is helpful for you.

They get people saving!

Any dollars saved are better than none and putting the funds in the 529 account helps you stay focused on the long-term goal. A few dollars per paycheck adds up over time, and if you add in some rewards plan dollars, and some tax dollars saved, it can be a real help come college time.

As always, you need to consider your own financial goals and priorities, discuss your situation with your advisors, and look at the totality of your situation before making decisions as there are always tradeoffs and drawbacks.

As another school year draws to a close, we want to applaud the kids on all of their efforts this school year, give a huge high-five to the teachers everywhere who give so much of themselves to their students, thank the parents for their support of schools and activities, and wish the best to the graduates who are at the end of one road and ready to start the next journey. Remember, it's always a good time to save for your goals, whatever they may be and however you choose to do it!

If you have any questions about 529 plans or would like to discuss further, please reach out to your client service team, or call 404.264.1400. You can also visit us on the web at HomrichBerg.com.

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