

KIM: Give gift of college and let Indiana pick-up 20% of tab.

Mickey Kim
December 6, 2014

A college education is one of life's costliest investments. This holiday season, skip buying the "got to have" whatever and consider establishing or making a gift to a young person's 529 Plan account. Not only is it a gift that will last a lifetime, but if you're an Indiana resident, the state will pick-up 20% of the cost.

529 Plans help families invest to pay future college costs. While contributions to 529 Plans are not deductible on your federal tax return, your investment grows on a tax-free basis. Distributions from the Plan are tax-free, as long as they pay for qualified expenses of the beneficiary, regardless of whether the college is public or private or where it is located.

Both www.Savingforcollege.com and www.Collegesavings.org offer a wealth of free, comprehensive information on 529 Plans. You should also consult your tax adviser.

A donor (relative or friend) opens an account and names a beneficiary (the future or current college student). Funds in the account are used to pay qualified college expenses of the beneficiary, but the account owner controls when withdrawals are taken and for what purpose. In most cases, the beneficiary has no rights to the funds. The account owner can even reclaim the funds (with tax and penalty), change the beneficiary or move the investment to a different 529 Plan.

Every state offers at least one 529 Plan, open to residents of any state. While 529 Plans share many characteristics and benefits, they differ as to the investment choices offered, fees, performance and state income tax benefits.

Information on the Indiana CollegeChoice 529 Plan is located at www.collegechoiceplan.com. The Direct Plan is for the do-it-yourself investor. The Advisor Plan is for investors working with a financial advisor. Morningstar rates sixty-four 529 Plans; 4 are rated Gold, 4 Silver, and 21 Bronze (including both of Indiana's, based on the state's tax benefit). As Christine Benz, Morningstar's Director of Personal Finance says, "the Indiana 529 Plans' lineups are sensibly structured and Indiana's tax credit is among the most generous in the country."

Hoosiers can claim a 20-percent income tax **credit**--up to a maximum of \$1000 per return--for contributions made directly to a CollegeChoice account, whether they are the account owner or not. Make a \$5,000 contribution **received by 12/31/14** and you can take a \$1,000 credit on your 2014 Indiana income tax bill. On a net basis, your \$5,000 contribution costs you only \$4,000.

There is no substitute for saving early and often, but this is the closest you will ever come to a "sure thing" in investing.

According to Jodi Golden, Executive Director of the Indiana Education Savings Authority, "With arguably the best tax advantage in the country, Hoosiers have every opportunity to help a loved one reach their full potential by saving for their education. It's never too early or too late, but with costs rising every year, it's imperative Hoosiers prepare for that tomorrow, today."

New for 2014, it only takes \$10 to open a CollegeChoice account. Once the account has been open a year, you can deposit funds and claim the tax credit, even if you quickly turn around and withdraw the funds to pay for qualified expenses. You won't find a better "door-buster" deal.



INVESTING

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