

KIM: Forget door busters and give the gift of education

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INVESTING

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Skip buying Star Wars gear and instead establish or make a gift to a young person's 529 College Savings Plan account. Not only is it a gift that will last a lifetime, but if you're an Indiana resident, the state will reward you with an extremely generous tax incentive.

529 Plans help families invest now to pay future college costs. Contributions to 529 Plans are not deductible on your federal tax return, but your investment grows on a tax-free basis. Distributions from the Plan are tax-free, as long as they pay for qualified education 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 opens an account and names a beneficiary (the future or current college student). Funds in the account are used to pay qualified expenses of the beneficiary, but the account owner controls when withdrawals are taken and for what purpose. The beneficiary generally 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 (except Wyoming) offers at least one 529 Plan, open to residents of any state. While 529 Plans share many characteristics, they differ as to the investment choices offered, fees, performance and state tax benefits.

Information on Indiana's CollegeChoice 529 Savings Plans is located at www.collegechoiceplan.com. The Direct Plan is for do-it-yourselfers, while the Advisor Plan is offered by financial advisors. Morningstar rates sixty-three 529 Plans; 4 are rated Gold, 7 Silver, and 18 Bronze (including both Indiana plans, partially based on the state's tax benefit). Morningstar's Christine Benz 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 each year--for contributions made **directly to a CollegeChoice account**, whether they are the account owner or not. Make a \$5,000 contribution **received by 12/31/15** and you can take a \$1,000 credit on your 2015 Indiana income tax bill. On a net basis, your \$5,000 contribution costs you only \$4,000.

This is the closest you will ever come to a "sure thing" in investing.

According to Troy Montigny, Executive Director of the Indiana Education Savings Authority, "Opening a 529 account creates an expectation a child or loved one will continue learning. Every bit saved now makes a big difference later. With low minimum contributions of \$10 and arguably the best tax incentive in the country, it's never too early or too late for Hoosiers to save for education expenses through the CollegeChoice Plans."

The Private College 529 Plan (www.privatecollege529.com) is owned by nearly 300 member colleges nationwide--12 in Indiana. It is a prepaid tuition plan (minimum initial contribution \$25). Participants purchase Tuition Certificates at current tuition rates, to be redeemed for education years down the road at any member college. Importantly, the **colleges bear the market risk** and **you do not have to commit to a particular college until you actually enroll and redeem your certificates.**

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