

Giving gift of college education easier than ever

Mickey Kim
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INVESTING

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Instead of getting sucked into Black Friday's vortex of excessive holiday consumerism, consider giving a gift that will last a lifetime by establishing or making a gift to a young person's 529 College Savings Plan account.

If you're an Indiana resident, the state will also reward you with an extremely generous tax incentive.

529 Plans help families invest 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 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.

The account owner opens an account and names a beneficiary (the future college student). Funds in the account are used to pay qualified expenses of the beneficiary, but the owner controls when withdrawals are taken and for what purpose. The owner can even reclaim the funds (with tax and penalty) or change the beneficiary.

Every state (except Wyoming) offers a 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. In 2017, Morningstar awarded both Indiana plans its "Bronze" rating.

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 12/31/17** and you can take a \$1,000 credit on your 2016 Indiana income tax bill. On a net basis, each dollar contributed costs you only 80 cents, representing a risk-free 25% return on your investment.

Ugift (www.ugift529.com) is a free-to-use (to both gift giver and recipient) service that lets account owners suggest family and friends celebrate children's milestones with the gift of college savings in lieu of traditional gifts. The account owner gets a Ugift code that can be entered by family and friends to contribute online at any time.

Gift of College www.giftofcollege.com is a gift registry for 529 Plans (and student loan accounts). The 529 account owner creates a Gift of College account (free) and links it to the 529 account. Friends and family can either make direct gifts to the Gift of College account or purchase online or physical gift cards (\$25-\$200) for a fee of \$3.95-\$5.95. Gift cards can also be purchased at Toys/Babies 'R Us. Over 25,000 gift cards have been redeemed in 2017.

The Private College 529 Plan (www.privatecollege529.com) is owned by nearly 300 member colleges nationwide—13 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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