Act NOW to Take Advantage of Best College Savings Tool

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November 23, 2018

College is an investment with a large upfront cost and an unknown future payoff in enhanced earning power, an inherently risky proposition. Further, student debt is a $1.5 trillion crisis, with recent graduates owing a soul crushing average of just under $40,000. With college costs escalating rapidly, reducing future debt by ***starting to save as much and as soon as you can for a child's college education is vitally important.***

Enter the 529 College Savings Plan, a tax-advantaged vehicle authorized by Section 529 of the Internal Revenue Code and offered and operated by states to encourage parents and loved ones to save for a child's education. Contributions to 529 Plans are not deductible on your federal tax return, but your investment grows on a tax-free basis. Distributions are also tax-free, as long as they pay for qualified higher education expenses of the beneficiary, ***regardless of whether the college is public or private or where it is located.***

Both www.Savingforcollege.com and College Savings Plan Network (CSPN) www.Collegesavings.org offer a wealth of free, comprehensive information on 529 Plans. You should also consult your tax adviser.

The account owner 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.

The Tax Cuts and Jobs Act of 2018 expanded the definition of qualified expenses to include up to $10,000 per year in K-12 tuition expenses at private schools. Not all states have conformed to the new federal definition.

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 Direct Plan (for do-it-yourselfers) is located at https://www.collegechoicedirect.com/home.html and Advisor Plan at https://www.collegechoiceadvisor529.com/. In 2018, Morningstar awarded both Indiana plans its "Bronze" rating.

Ugift (https://www.collegechoicedirect.com/home/features-benefits/ugift.html) 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.

Indiana's tax benefit is extraordinarily generous. 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 ***postmarked or electronically initiated by 12/31/18*** and you can take a $1,000 credit on your 2018 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.***

"Pete the Planner" Dunn is an award-winning columnist with an uncanny knack for explaining personal finance concepts. According to Pete, "the easiest way to fund college is to fund this goal over time. If you start saving right away, then time becomes your ***friend***. If you wait until your kid is old enough to spell 'college,' then time is your ***enemy***. Here's what I mean:

"$200 saved per month for ***18 years*** (started the month your child is born) at a hypothetical 8% rate of return will give you **$97,071.03** by the time college rolls around.

"$200 saved per month for ***12 years*** (started on your child's 6th birthday) at a hypothetical 8% rate of return will give you **$49,188.71** by the time college rolls around.

“Waiting just **6 years** cuts your college savings **IN HALF**!!! That’s not good, but it’s math. So don’t fight math. Use math.”

“Next to saving for retirement, paying for education is one of the most significant financial commitments a family will make,” according to Troy Montigney, Executive Director of the Indiana Education Savings Authority. Further, “in nearly every case, a tax-advantaged 529 plan is the best way to reduce or eliminate the need for student loans.”
Finally, as Young Boozer, state Treasurer of Alabama and the chair of CSPN said, “Overcome the inertia, open the account and get something in it. Birthdays, Christmas, special days—any time you would anticipate giving a child a present, take the money that you would put into a hot new toy and put it into a 529 plan. No one can take a college education away and it doesn’t go out of style.”
