Hello Friends,

$417,798 – any guesses to what the $ figure represents?

… Future college cost for today's 1-year-old kiddo! Attending their 4-year private university tuition with room & board from 2041-2044 has a $417K estimated price tag. That's a $175K increase vs today's $242K average when factoring in education's relentlessly inflating costs (based on [College Board's 2023 Trends in College Pricing)]().

In the spirit of back-to-school season and National College Savings Month**, the next 2-minutes intends to grow your *Wealthful Wisdom* on education planning and the lesser-known benefits of tax-advantaged 529 college savings plans.** Enjoy the read and [schedule a quick convo]() if you've got questions – I'm here to help.

On a personal note, my kiddos started 7th and 4th grade this school year (picture below/attached)! Summer was full of camp days for the kids and a mini vacay visiting family in D.C. Good luck to all the kids and parents heading back to school. Hoping you all have a great year.

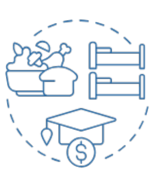
Education Planning w/ Tax-Advantaged 529 College Savings Plans

Discussing educational goals is a frequent and essential part of the financial planning process I'm helping parents, grandparents, and individuals navigate regularly. Even when they are clients uniquely positioned to finance their loved one's education today or sometime in the future by simply writing a check, a customized **529 college savings plan strategy** is often utilized for the benefit of further strengthening their financial future and fulfilling educational goals. That's because **529s provide tax-free growth opportunities, easy wealth transfer incentives, flexibility, and many more advantages**. Let's dive deeper into these benefits:

Tax-Free Growth - Contributions to the plan are made with after-tax dollars, but **investments grow tax free.** That gives the power of compounding on your investments extra umph**.**

Tax-Free Withdrawals – LOTS of education related expenses are eligible for tax-free withdrawals.

Qualified expenses for a student attending an eligible higher education institution* such as a college, university, vocational school or other post post-secondary educational institution include:



- ✓ Tuition & fees
- ✓ Books, supplies, tech & peripheral equipment
- ✓ Room & board on/off-campus (if attending school more than half time**)

… and others like [K-12 tuition]() up to $10K/yr

Full list here → [*Which Education Expenses Are Considered Qualified*]()

Convenience, Flexibility & Control – Nearly anyone can have a 529 savings plan account. Most commonly, it's the parents, grandparents or other family members funding it for the benefit of a child.

- **There are a lot of different 529 plans available and most offer a wide range of investment choices.** Having lots of accessible options helps you put your money to work in a **portfolio suited for your unique goals and timelines**. → *Because many choices exist among 529 plans, working with your financial advisor can not only save you time but also boost your confidence selecting from options they've matched to your unique needs*

- **Control of the assets** - The **529 account owner** maintains control over the assets, not the beneficiary. You don't need to worry your spring-break bound college student used their 529 funds to book a cruise for themselves and friends.
- **Ability to change beneficiaries** - the beneficiary can easily be changed to a member of the immediate or extended family (including siblings, grandchildren, nieces, nephews, cousins and more)
- **Transfer all or partial account balances between 529 beneficiaries** who are family members, without income-tax ramifications
- **No income, age or time restrictions** - Enjoy the tax deferred investment growth without facing time limit, age limit, or income limit restrictions and no required minimum distributions
- **Multiple contributors –** the account owner, family members, friends and others can gift $ into the 529. Makes for a great holiday or birthday present!

Tax Advantaged Gifting & Easy Wealth Transfer

- **Contributions made to a 529 are considered a gift. Under the rules that uniquely govern 529s, you can make a lump-sum contribution to a 529 plan up to 5x the annual gift tax exclusion limit.** Here's an example of a family maximizing this tax benefit:

  > *A high-net-worth family utilized the 529 plan's estate planning benefits by making a lump-sum contribution of $90,000 per recipient. This not only helped reduce their taxable estate but also allowed the investments to grow tax-free over the years. By the time their grandchildren were ready for college, the funds had grown substantially, covering a significant portion of their education costs.*

- In 2024 the annual gift tax exclusion limit is $18,000. **That means you can gift $90,000 per recipient (or $180,000 for married couples split gifting) without gift tax consequences** as long as you denote your five-year gift on your federal tax return and do not make any more gifts to the same recipient during that five-year period.
- **For some high-net-worth families, utilizing this strategy prior to 2026 may be a particularly effective wealth transfer strategy for your estate planning. Here's why…** The estate tax exemption in 2024 is $13.61MM for individuals (or $27.22MM for married couples). However, those levels will drop in half if the generous estate and gift tax exemptions from the TCJA sunset December 31, 2025 as scheduled. Unless congress acts swiftly to extend the provisions (questionable based on gridlock in Washington), the estate tax exemption in 2026 will fall back to $5MM for individuals (or $10MM for married couples) indexed for inflation. Yikes!

You can learn more about the estate planning benefits tucked inside 529 college savings plans on pages 12-14 of my Worthwhile Fall 2023 edition.

The Bottom Line

The benefits of 529 plans go well beyond covering college costs and include reducing taxes and building generational wealth. By investing in your family's education and the costs for future generations, you can help your family's long-term financial outlook and education.

Best regards,
Chelsea

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Certain conditions may apply. Earnings in 529 plans are not subject to federal tax and in most cases state tax, as long as you use withdrawals for eligible education expenses, such as tuition and room and board. However, if you withdraw money from a 529 plan and do not use it on an eligible education expense, you generally will be subject to income tax and an additional 10% federal tax penalty on earnings. As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also a risk that these plans may lose money or not perform well enough to cover education costs as anticipated. Most states offer their own 529 programs, which may provide advantages and benefits exclusively for their residents. An investor should consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program. Such benefits include financial aid, scholarship funds and protection from creditors. The tax implications can vary significantly from state to state.

*An eligible higher education institution is any postsecondary educational institution such as a college, university or vocational school, including many schools abroad that are eligible to participate in a federal student aid program administrated by the U.S. Department of Education.

Every investor's situation is unique and you should consider your investment goals, risk tolerance and time horizon before making any investment. Prior to making an investment decision, please consult with your financial advisor about your individual situation. Raymond James and its advisors do not offer tax or legal advice. You should discuss any tax or legal matters with the appropriate professional. The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. Any opinions are those of Chelsea Cellamare and not necessarily those of Raymond James. Expressions of opinion are as of this date and are subject to change without notice.

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