529 SAVINGS ACCOUNTS

EDUCATION & SO MUCH MORE...

WHAT IS A 529 ACCOUNT?

A 529 account is a tax advantaged plan designed to encourage saving for a student's qualified education expenses.

KEY FEATURES OF 529 ACCOUNTS

TAX ADVANTAGES

Tax-Deferred Growth
Regardless of how the funds are ultimately used, earnings are not subject to annual taxation for state and federal purposes while invested.

Tax-Free Distributions to Cover Qualified Expenses
**State definition of qualified expenses may be different from Federal*

FLEXIBILITY AND CONTROL

Owner Maintains Control – as an owner, you have access to the funds, investments, liquidity & control...at all times.

Owners have the **Flexibility to Change** who benefits or owns the account if circumstances change. Most states will allow these adjustments at any time without incurring taxes, penalties or fees. Confirm with your specific 529 plan.

Generally Anyone Can Open a 529 Account
Unlike many other tax deferred accounts, a Federal 529 account has no income, time or age limits.

There is **No Limit on the Number of 529 Accounts** that can be opened for different beneficiaries in any given year, but there is a maximum value limit. See vendor for details.

EXAMPLES OF QUALIFIED EDUCATION EXPENSES

- Postsecondary, Vocational and Technical Education Tuition
- On or Off Campus Room and Board
- Text Books and School Supplies
- Computers, Software and Other Technology Needs
- K-12 Tuition (Up to $10,000 per year)
- Student Loan Repayment (Up to lifetime limit of $10,000)
- Special Needs Expenses in connection with enrollment or attendance at an eligible post-secondary school

10% Penalty on Earnings – earnings withdrawn and used for a non-qualified expense are subject to income tax and a 10% withdrawal penalty.

WHO CAN BENEFIT FROM THESE PLANS?

- Spouse
- Children
- Step Children
- Foster Children
- Adopted Children
- In-Laws
- Siblings
- Step Siblings
- Parents
- Step Parents
- Aunts/Uncles (or their spouses)
- Nieces/Nephews (or their spouses)
- First Cousins
- Family Ancestors...

ADDITIONAL FEATURES OF 529 ACCOUNTS ON BACK SIDE...

THE PARR MCKNIGHT WEALTH MANAGEMENT GROUP
CLARITY. CONFIDENCE. STRUCTURE.

Before making any decisions, feel free to involve us in a conversation with your tax advisor and/or estate planning attorney. We'd be happy to coordinate a call!

612-324-0240 www.parrmcknightwmg.com

ADDITIONAL FEATURES OF 529 ACCOUNTS

Potential State Tax Deduction on Contributions in more than 30 states in the U.S.

Accelerated Gifting Opportunities Potential to gift 5x the annual gift tax exclusion amount in a single year.

529 Assets are Not Included in the Taxable Estate of the owner and thus are not subject to estate taxes at their passing. Amounts may be included in the estate of contributor if passes before 5 year period expires.

The Beneficiary of the Account Doesn't Obtain Ownership at Death if a successor owner is established on the account.

No 1099Q or Taxable Reporting until you make withdrawals.

Assets May Be Protected against claims by creditors or judgements.

Earnings are Not Subject to Required Minimum Distributions (RMD's) or a 10-year payout requirement.

A Disabled* Beneficiary Can Take Penalty-Free Distributions This means you may be able to use it as a potential source of funding health and long term care expenses. Ordinary income tax on the earnings are still applicable.

Illustration #1 – ESTATE PLANNING

- Grandma and Grandpa set up individual 529 accounts for each of their 10 grandchildren.
- Using accelerated gifting, they contribute $160,000 to each account for a total of $1,600,000.
- Those assets are now outside of their estate and are not subject to state or federal estate tax upon their passing. Additionally, $0 of their lifetime estate and gift tax exclusion was used.

An individual is allowed to open a 529 account and use accelerated gifting to contribute up to 5x the annual gift tax exclusion ($16,000 in 2022). If married, each spouse can gift this amount.

Illustration #2 – LONG TERM CARE

- Husband sets up a 529 account for himself and 30 years later decides to change the beneficiary to his wife.
- The wife develops health problems late in life and is deemed disabled by the IRS definition.
- Funds can be distributed without incurring a 10% penalty to help pay for medical expenses for the wife. Income taxes may apply.

An individual is allowed to open a 529 account for theirself. In the future, they can change the beneficiary to their spouse. If that spouse is deemed disabled, the 529 account distributions can be made penalty free.

WANT TO LEARN MORE ABOUT 529 ACCOUNTS? CHECK OUT THESE HELPFUL WEBSITES...

www.savingforcollege.com www.finaid.org www.theeducationplan.com

OR CALL THE PARR MCKNIGHT WEALTH MANAGEMENT GROUP AT 612-324-0240

*The law defines disability as the inability to do any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.