

## 529 Plans for Your Grandkids



I have written quite a bit about 529 plans, including this post: [529 Plan FAQs](#). However, I was intrigued this week by an article I read that made the point that more Americans are giving the gift of college, setting 529 plan records. Grandparents are increasingly contributing to college savings plans for their grandkids. Many 529 plans saw double digit increases in gift contributions during this past holiday season, some as high as 94% over the previous year.

### Top 6 Reasons Grandparents Are Contributing to 529 Plans:

- 1) College has become ungodly expensive, and student loan debt is wreaking havoc on so many young people's lives. Among 2018 graduates, 69% have student loans with an average debt of \$29,800. In addition, 14% of their parents took out loans on their behalf, averaging \$35,600.
- 2) Many parents (61%) said they would prefer a gift of college savings to material gifts for birthdays, holidays, baby showers, and graduation. Apparently, many people have too many materials things, as [Jerry Seinfeld pointed out in this funny bit on \*The Tonight Show\*](#).
- 3) The money contributed to a 529 college savings plan grows tax-free if it's used for qualified higher education expenses. This is attractive to grandparents who want to minimize their taxes while supporting their kids and grandkids. It also makes it more attractive to contribute to a 529 plan when the beneficiary is young so that the account can compound tax-free for as many years as possible before the funds are needed.
- 4) Gift givers can contribute up to \$15,000 per year, per person without incurring any gift tax. This means a grandmother and grandfather (for example) could each give \$15,000 to a grandchild, \$30,000 total in any one year, and they could do this for as many grandchildren as they wish.

They could also give up to 5 years' worth of contributions at one time (\$75,000 per person) if they fill out a form saying their contribution is to be spread evenly over 5 years. The investment in the plan would go in all at once; the form just lets the IRS know that it is a 5-year gift instead of a one-year gift.

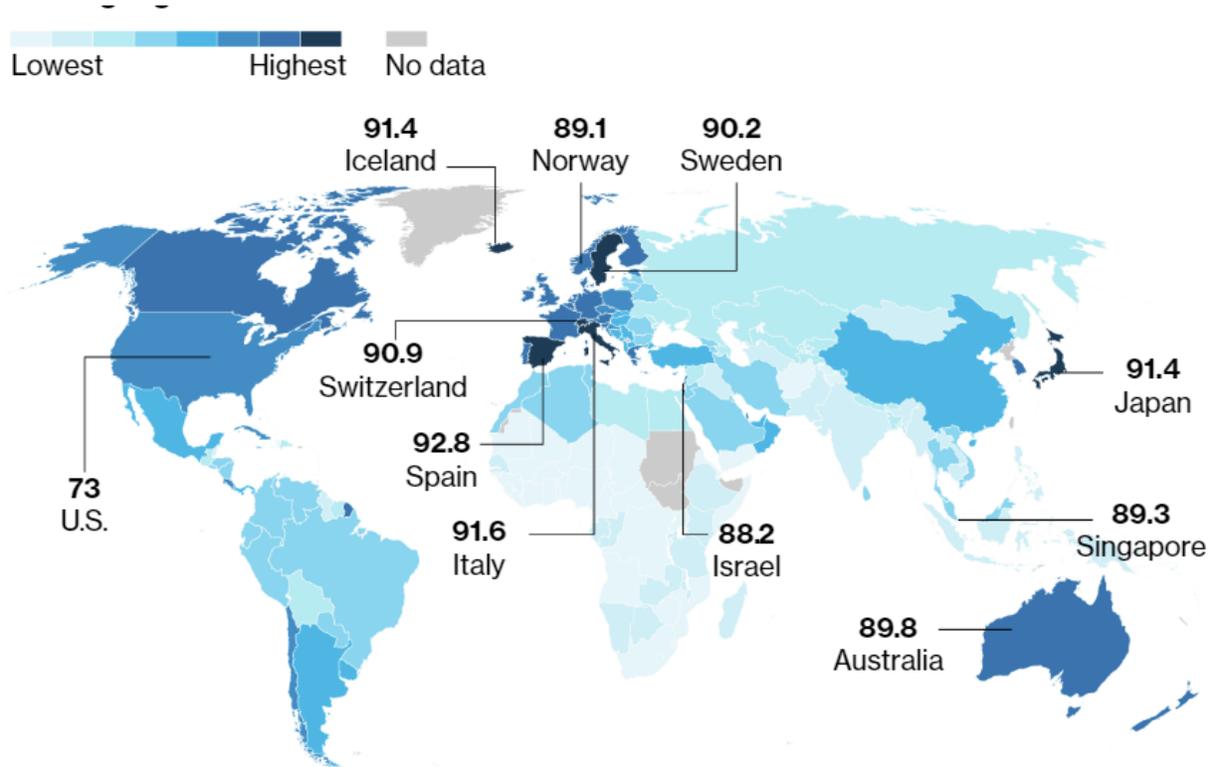
- 5) It is easy to open a new 529 plan with you as the owner and your grandchild (or any other person) as the beneficiary. However, it may be easier, and possibly advantageous, to contribute to a 529 plan owned by one of the child's parents. The reason revolves around how the 529 plan factors into eligibility for need-based financial aid (e.g., loans). You can read more about that [HERE](#).
- 6) Over 30 states offer a tax deduction or credit for your contribution. There is no requirement to use your resident state's plan, or the plan of the state where your beneficiary lives. However, most states require you to contribute your resident state's plan in order to get the state income tax benefit. Seven states, including Arizona, give you the tax break regardless of which state's plan you contribute to. [See the tax breaks your state offers for 529 plan contributions HERE](#).

### **Final Thought on 529 Plan Contributions for Your Grandchildren**

Helping with college expenses is a great way to improve the lives of your loved ones without spoiling them or denying them the pride that comes from achieving something on their own. The struggle is an important part of the journey, but student debt can (and does) limit a college graduate's options in life. So, I applaud all you grandparents who have the means and desire to support your grandchildren's education. As author Nelson Henderson once said, "The true meaning of life is to plant trees, under whose shade you do not expect to sit."

-Jeremy Kisner, Senior Wealth Advisor

## THE WORLD'S HEALTHIEST NATIONS



Bloomberg publishes a “Healthiest Country Index” each year. The image above shows the Global Health Index scores for the top 10 healthiest countries, and the United States. The study ranks 169 countries according to factors that contribute to overall health, such as life expectancy, access to clean water, and sanitation. It also penalizes countries for factors such as smoking and obesity rates.

The top 5 healthiest countries in order were:

- 1) Spain
- 2) Italy
- 3) Iceland
- 4) Japan
- 5) Switzerland

The United States ranked 35<sup>th</sup>! That was ahead of our neighbor, Mexico (53<sup>rd</sup>), but behind our friends to the north, Canada (16<sup>th</sup>). See all the rankings and details [HERE](#).