STIFEL

INVESTING

529 Plan

An Innovative and Powerful Way to Save for Higher Education Expenses

With the cost of education expenses rising at a greater amount than the rate of general inflation, planning for a child's education may be the most important financial decision of your life. Establishing an investment program today can secure your child's financial needs for their future. A 529 Plan may be the financial tool that can make the most of your savings for educational purposes.

Planning for the Future

A college student is faced with an extraordinary amount of college expenses. Tuition, room and board, books, fees, supplies, and equipment are just some of the expenses they will encounter for the duration of their college career. From 2009 to 2019, according to The College Board, college costs have risen an average of 3.9% for public colleges and 3.8% for private colleges, while inflation (based on CPI-U) has only risen 2%. For the 2019-2020 academic year, as reported by The College Board, the average tuition and fees charged by public four-year in-state colleges and universities was up 2.3% from the 2018-2019 academic year, while average private four-year college tuition rose by 3.4%. As the cost of college tuition and fees continues to rise at a steady pace, families must begin to plan earlier than ever for their child's education.

Why a 529 Plan?

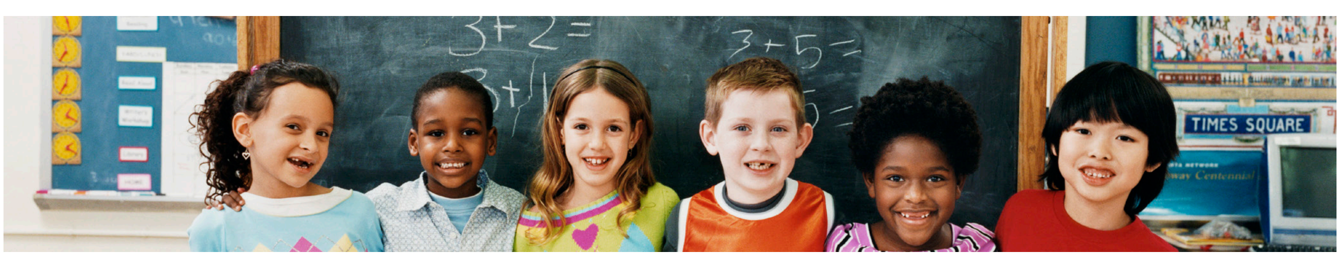
In the past, many concerned investors have used tools such as Coverdell Education Savings Accounts (previously known as Education IRAs) and custodial accounts to save for their children's or grandchildren's education. While these methods are certainly better than not investing at all, they do offer limitations. For example, Coverdell Education Savings Accounts have an annual contribution limit of $2,000 and there are income limits that restrict who can invest in the plan. Custodial accounts are a common way to save for education; however, they are fraught with problems. For instance, if the child doesn't go to college, the contributor can't remove the funds and they belong to the child when the child reaches the age of majority. Also, custodial accounts may cause a reduction in financial aid.

A 529 Plan can be a powerful financial solution when preparing for future educational expenses. With this unique plan, investors can experience tax advantages and estate planning benefits currently unavailable with other education planning strategies.

With a 529 Plan, assets grow tax-deferred, similar to a 401(k) plan or a traditional IRA. In addition, under current tax law, qualified distributions are federal income tax-free. (Nonqualified withdrawals are taxable as ordinary income to the extent of earnings and may also be subject to a 10% federal income tax penalty. State tax treatment may differ. Investors should discuss their particular tax situation with a tax professional.)

Contributions to a 529 Plan grow tax-free so long as the funds are ultimately distributed to pay for the plan beneficiary's qualified education expenses. Prior to 2018, this tax incentive was only available if the plan was used to fund the beneficiary's post-secondary education. Under the Tax Cuts and Jobs Act of 2017, 529 Plans can now also be used to cover up to $10,000 of a child's K-12 tuition. It is important to note, however, that some states have not updated their laws to include K-12 tuition as an eligible 529 Plan expense. To avoid potentially significant negative consequences, be sure to discuss your state's laws with your qualified tax professional prior to using your 529 Plan for this purpose.

Unlike IRAs, individuals of all income levels can open a 529 Plan, and multiple plans may be opened for different beneficiaries. Generally, there are no age or time limit restrictions for the participant or the beneficiary. This allows grandparents, or other relatives, to contribute to the beneficiary's education without being penalized. A 529 Plan allows an investor to contribute a lump sum of up to five times the annual gift exclusion ($15,000) in a single year, with no gift tax due on the transfer. This amount (up to $75,000, or $150,000 for married



In 2019, Barbara contributed $75,000 to each of her three grandchildren's 529 Plan accounts, which earn 8%.

$75,000 for Evan, age 11

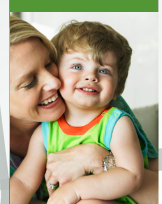
$75,000 for Mia, age 5

$75,000 for Isaac, age 2

Evan's account value 7 years later
$128,537

Mia's account value 13 years later
$203,972

Isaac's account value 16 years later
$256,946



Current gross estate value:	**$11,625,000**
(Less) 529 Plan Contributions	**$225,000**

If Barbara lives until 2023, assuming no growth of her assets, new gross estate value: $11,400,000

Barbara reduces her federal estate tax bill by approximately $90,000 (to $0)

Based on 2019 estate and gift tax laws and thresholds

The above is a hypothetical illustration only and is not intended to reflect the performance of any particular investment.

couples filing jointly) may be contributed to as many 529 Plans as you desire, provided there is a separate beneficiary for each account and no other gifts are made to that beneficiary, either directly or through a 529 Plan, for five years. Contributions are considered a completed gift and are removed from the donor's estate, provided the donor lives beyond the number of years for which the gifts were pre-funded.

With a 529 Plan, the account owner retains complete control of the account, including control of distributions, the ability to cash out the plan and access funds, and the ability to change the beneficiary. An added benefit to a 529 Plan is the increased maximum contribution limit. This can be very beneficial to the student wishing to attend a more expensive school or who plans to continue their education with graduate or doctoral studies.

Investors should consider carefully the investment objectives, risks, charges, and expenses associated with a 529 Plan before investing. The official program offering statement, which includes information on municipal fund securities, is available from your Financial Advisor and should be read carefully before investing. The value of a 529 account may fluctuate, and there is no guarantee that any investment portfolio will achieve the stated goal. Your investment may be worth more or less than its original value.

Take Action Now

Providing for the education of someone you care for, while preserving your assets, is an attainable goal. Call your Financial Advisor to discuss the 529 Plan and the importance of planning for college expenses today.