

Invest in Your Child's Future with a 529 Plan

A 529 plan is a great vehicle to save for your child's college education expenses.

Each state offers its own plan. Much like your 401(k) plan at work, they offer a set list of investments and the assets inside can grow tax free. As of 2023, you can gift up to \$17,000 per year per spouse to each child's account without having to file a gift tax return. Once the account balance reaches \$300,000+ no other contributions can be made. State rules vary. Visit www.savingforcollege.com to review state options for 529 plans.

Some states offer matching contributions or state income tax deductions on your contributions. There are no federal tax benefits on contributions. If withdrawals are made for qualifying expenses then you will not owe any taxes on the investment gains received. If you take money out for other purposes, you must pay a 10% penalty and income tax on those earnings.

Sample 529 Plan Totals Depending on Investment Length and Contribution Level*

Beginning at age	Monthly Contributions			
	\$50	\$100	\$200	\$300
18	\$0	\$0	\$0	\$0
17	\$622	\$1,243	\$2,487	\$3,730
16	\$1,293	\$2,586	\$5,172	\$7,759
15	\$2,018	\$4,037	\$8,073	\$12,110
14	\$2,801	\$5,603	\$11,206	\$16,809
13	\$3,647	\$7,294	\$14,589	\$21,883
12	\$4,561	\$9,121	\$18,243	\$27,364
11	\$5,547	\$11,095	\$22,189	\$33,284
10	\$6,613	\$13,225	\$26,451	\$39,676
9	\$7,763	\$15,527	\$31,054	\$46,581
8	\$9,006	\$18,012	\$36,025	\$54,037
7	\$10,348	\$20,697	\$41,394	\$62,090
6	\$11,798	\$23,596	\$47,192	\$70,788
5	\$13,364	\$26,727	\$53,454	\$80,181
4	\$15,054	\$30,109	\$60,217	\$90,326
3	\$16,880	\$33,761	\$67,521	\$101,282
2	\$18,852	\$37,705	\$75,410	\$113,115
1	\$20,982	\$41,965	\$83,929	\$125,894
0	\$23,283	\$46,565	\$93,130	\$139,696

*Select your chosen monthly contribution amount and your target start date, then the black dollar amount in the corresponding cell equals your expected total savings at age 18.

Note: These scenarios assume 8% annual rate of return, compounded monthly, contribution at the end of each month, and are for illustrative purposes only. Past performance is not a guarantee of future results.

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Takeaways:

- Contributing early and often can help you reap the benefits of compounding interest. So, the sooner you start, the better that outcome could be. Typically, an investor invests more heavily in equities when their child is young and moves to more moderate investments as they age. Consult with your advisor about the best way to invest for your specific situation.
- For the 2022-2023 school year, according to CNBC, the average cost of tuition, room and board for one year at a public university for an in-state student was approximately \$23,250, increasing at a rate of approximately 5%. This means that in 18 years, annual expenses at a public university could grow to be more than \$55,950 (\$225,000+ for four years).
- If you begin making \$300/month contributions at birth, you'll accumulate \$139,696 by the time the child is 18. However, if you wait to start contributing until age 5, you'll only have \$80,181. That's a nearly \$60,000 difference in savings on only \$18,000 in contributions!



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