

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.

Much like your 401(k) plan at work, 529 plans offer a set list of investments and the assets inside can grow tax free. As of 2024, you can gift up to \$18,000 per year per spouse to each child's account without having to file a gift tax return. You can front-load these gifts for up to five years at once. A large lump sum deposit may strategically fit well into your financial plan and allow for more time for the investment to grow. State rules vary in terms of what the total account balance can reach. 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, but the contributions grow tax-free and withdrawals are tax-free if used for qualifying education expenses. If you take money out for other purposes, you must pay a 10% penalty and income tax on those earnings. With the passage of the SECURE Act 2.0, 529 plans can now be used to pay for up to \$10,000/year for K-12 education. There are some state specific exceptions to this, so please check if your state allows for this. Additionally, with the passage of the SECURE Act 2.0, 529 plans can now be used to make Roth contributions for beneficiaries if they meet certain criteria.

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

Years Until College	Monthly Contributions			
	\$50	\$100	\$200	\$300
0	\$0	\$0	\$0	\$0
1	\$622	\$1,245	\$2,490	\$3,735
2	\$1,297	\$2,593	\$5,187	\$7,780
3	\$2,027	\$4,054	\$8,107	\$12,161
4	\$2,817	\$5,635	\$11,270	\$16,905
5	\$3,674	\$7,348	\$14,695	\$22,043
6	\$4,601	\$9,203	\$18,405	\$27,608
7	\$5,606	\$11,211	\$22,423	\$33,634
8	\$6,693	\$13,387	\$26,774	\$40,161
9	\$7,871	\$15,743	\$31,486	\$47,229
10	\$9,147	\$18,295	\$36,589	\$54,884
11	\$10,529	\$21,058	\$42,116	\$63,174
12	\$12,025	\$24,051	\$48,102	\$72,153
13	\$13,646	\$27,292	\$54,584	\$81,876
14	\$15,401	\$30,802	\$61,605	\$92,407
15	\$17,302	\$34,604	\$69,208	\$103,811
16	\$19,360	\$38,721	\$77,442	\$116,163
17	\$21,590	\$43,180	\$86,359	\$129,539
18	\$24,004	\$48,009	\$96,017	\$144,026

*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, 529 investments should follow a glide path, with more invested in equities when a child is young and reduced equity exposure (and risk) as college draws closer. Consult with your advisor about the best way to invest for your specific situation.
- For the 2023-2024 school year, according to CollegeBoard, the average cost of tuition, room and board for one year at a public university for an in-state student was approximately \$24,030, increasing at a rate of approximately 4%. This means that in 18 years, annual expenses at a public university could grow to be more than \$48,580 (\$194,320+ 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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