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Investing in a 529 College Savings Plan Benefits Your Grandkids ... And You! Here's How.

New York State account owners get extra tax benefits
by NY529 College Savings Program (Paid Content)




PHOTO: SHUTTERSTOCK

You want to do something meaningful and impactful for your grandchild's future – so they can pursue their dreams. Not only may a 529 college savings plan be a smart solution, it's also a way to invest. Saving with New York's 529 College Savings Program in particular is easy, flexible, and offers tax benefits – and New York State residents get extra benefits. Read on for more!

How well do you know 529 college savings plans?

Even though 529 programs have existed for years, there are still a lot of misconceptions about how they work. Understanding these plans better can help save you money, so let's bust some myths!

MYTH vs TRUTH

You can't give a 529 college saving plan as a gift.

TRUTH
MYTH

Here are some of the most significant benefits of a NY 529 plan:

- 1. There's flexibility built in.** You can save for your grandchild or any special child in your life. They can use the money for tuition as well as related education expenses at any eligible higher education institution – including vocational and trade schools – in the United States and even abroad. Your grandchild isn't required to live in New York State or attend school in New York State to receive the benefit. You can also choose an age-based investment option (conservative, moderate, or aggressive) that most closely matches the child's age and your comfort level with risk.
- 2. Time is on your side.** The earlier you open an account and the longer you keep your money invested, the more time it has to potentially grow.
- 3. You get tax benefits.** The NY 529 name comes from Section 529 of the Internal Revenue Code, which specifies the tax advantages. While your savings are in the account, your 529 account is exempt from federal income tax. You can contribute \$10,000 or less (\$30,000 or less if you're married and filing jointly) per year without incurring federal gift taxes. You should consult a tax advisor about your specific circumstances.
- 4. It's easy to start and maintain an account.** You can open a NY 529 account in very little time, at no cost. There's no minimum contribution, and you can decide how much and how often to contribute. You can manage your account and make transactions online any time of day.

5. BONUS benefits for New York State taxpayers. You can deduct up to \$5,000 of your NY 529 account contributions each year – \$10,000 if you're married and filing jointly – on your New York state income tax return.¹

You can play a powerful role in the future of your grandchildren's education, and help minimize the amount of college debt their parents may take on later. Saving with New York's 529 College Savings Program Direct Plan can be a smart choice.

It's never too late to open a 529 College Savings Plan. Click here to get a free information kit or connect with an expert.

¹Savings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty fee, as well as state and local income taxes. New York State tax deductions may be subject to require an even additional contribution equal to dollars to another state's 529 plan, or withdrawals used to pay elementary or secondary school tuition, registered apprenticeship program expenses or qualified education loan payments as described in the Disclosure Bulletin and Tuition Savings Agreement. State tax benefits for non-resident New York taxpayers may vary. Tax and other benefits are contingent on meeting other requirements. Please consult your tax advisor about your particular situation.

²Contributions of up to \$5,000 are deductible annually from New York State taxable income for married couples filing jointly; single taxpayers can deduct up to \$2,500 annually. New York State tax deductions may be subject to require in certain circumstances such as dollars to another state's 529 plan, non-qualified withdrawals, or withdrawals used to pay K-12 tuition, registered apprenticeship program expenses, or qualified education loan payments as described in the Disclosure Bulletin and Tuition Savings Agreement. State tax benefits for non-resident New York taxpayers may vary. Please consult your tax advisor about your particular situation.

³The account owner is the only contributor eligible for a New York State tax deduction.

⁴In the event the donor does not survive the 5-year period, a prorated amount will revert back to the donor's taxable estate. Investment returns are not guaranteed and you could lose money by investing in the Direct Plan.

⁵Investor.

The Comptroller of the State of New York and the New York State Higher Education Services Corporation are the Program Administrators and are responsible for implementing and administering the Direct Plan.

Advisory Broker-Dealer Services, LLC, serves as Program Manager and, in connection with its affiliates, provides recordkeeping and administrative support services and is responsible for day-to-day operations of the Direct Plan. The Vanguard Group, Inc., serves as the Investment Manager. Vanguard Marketing Corporation provides marketing and distribution services in the Direct Plan.

NY guarantees none of the State of New York, its agencies, the Federal Deposit Insurance Corporation (FDIC), the Vanguard Group, Inc., Advisory Broker-Dealer Services, LLC, nor any of their affiliates' financial services or guarantees the principal deposited therein or any investment returns or any account or investment portfolio.

New York's 529 College Savings Program currently includes two separate 529 plans. The Direct Plan is sold directly by the Program. You may also participate in the Indirect (Sales) Plan, which is sold exclusively through financial advisors and has different investment options and higher fees and expenses as well as financial advisor compensation.

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