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Looking for a Smart Way to Invest in Your Grandchildren's Future?

New York's 529 College Savings Program Direct Plan is easy, flexible and offers tax benefits

by NY's 529 College Savings Program (Paid Content)




PHOTO: SHUTTERSTOCK

If you want to give your grandchild a gift with the changing seasons, consider setting up a New York State 529 College Savings Program Direct Plan (NY 529 Plan) account. These savings accounts help you easily invest money toward your grandchild's higher education expenses while also providing a tax benefit to you today.

Benefits

Opening a 529 plan for your grandchild has multiple benefits for them and you.

It's easy.

Starting an account costs nothing, and there's no minimum contribution. Once you have an NY 529 Plan account, you don't have to pay just 0.12%, or \$1.30 per year for every \$1,000 you invest.

Opening an account takes about 10 minutes, even if you've never invested before. You can choose to set up your account based on your grandchild's age, set the dollar contribution you want to invest, and enter the investment date when your grandchild will be going to college. You can also establish automatic payments into your account so you know you'll fund their college savings as planned. If it seems complicated, NY's 529 Plan staff can answer your questions and help you set up an account. Visit nysaves.org for contact information.

It's flexible.

Your grandchild (both your direct and) can use the money you saved for them at any eligible, 2- or 4-year higher education institution, including eligible vocational and trade schools in the United States and even abroad. You can search for eligible schools at tufsa.gov.

You can also open an account for anyone, including other family members and friends.

NY's 529 College Savings Program Direct Plan has tax benefits to you now

- You, as NY 529 Plan savings grow free from federal and state income tax while the money remains in your account.
- Your money can be safe from federal gift taxes up to the gift tax exemption every year, which is \$200,000 for every year (or \$250,000 if you're married, filing jointly) and choose a split-gift election.
- You can choose to make a big contribution one year, reaching up to \$75,000 as an individual or \$100,000 if you're married filing jointly and choose a split-gift election, into each beneficiary's account without having to pay federal gift taxes, as long as you don't contribute to that beneficiary again for five years. Of course, your grandchild's situation is different, so talk with a tax advisor for the rules and offer to the Direct Plan's Disclosure Statement and Tuition Savings Agreement at www.nysaves.org for more information.
- When your grandchild (both your direct and) withdraw the money for qualified expenses (such as tuition, room, board, books, supplies and certain computer purchases and equipment), neither of you pay federal taxes.
- You can withdraw up to \$10,000 of your NY 529 contributions each year – \$5,000 if you're married and filing jointly – on your New York state income tax return.
- You and your grandchild won't have to pay state tax on qualified withdrawals.**

An Example: Small Savings Today - Really Add Up for Tomorrow




PHOTO: SHUTTERSTOCK

Maybe you've got a new grandchild and you've decided to open a 529 account for her. Based on an estimated expected average rate of return of 8% from a 529 plan, if you deposit \$200 every month, you'll have earned over \$2,000 in interest in five years. In 10 years, that interest grows to nearly \$6,000. By the time your grandchild is 18, she'll have around \$76,000 available, almost \$38,000 of which is from interest.**

You can play a powerful role in the future of your grandchild's education and help their parents overcome the strain of college debt they may take on later. A 529 educational savings plan is a smart financial tool that grows tax-free income. Opening an account for your grandchild lays the foundation for future success and ensures that your gift will continue, even after you're gone. Saving with New York's 529 College Savings Program Direct Plan is a great choice for everyone.

Invest in your grandchild's future. It's never too late to open an NY 529 account. Click here to get a free information kit or to speak to an expert.

*Tax rules on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements and certain withdrawals are subject to federal, state, and local taxes. State tax benefits may be subject to recapture in certain circumstances such as rollovers to another state's plan or non-qualified withdrawals.

**Investment risk is not guaranteed, and you could lose money by investing in the Direct Plan. Investments are subject to risk.

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