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ADVISORS

YOU ASK, WE ANSWER



What are some things to consider before gifting a college savings plan to a child/grandchild?

Dear Kelly,

My first grandchild was born this year and I'd like to give her a holiday gift - the gift of education. Can you tell me a little bit about college savings plans, if I can open an account for her, and some of the things to consider? ↩

-Forward Thinking



A true story about giving a 529 plan to a grandchild that I would like to share.

I'd like to share a story and lesson learned, in case it helps you make a prudent decision about gifting a 529 plan.

One of my business partners is one of the last 12 grandkids for his grandparents. His grandparents opened and contributed to many of his brothers and cousins 529 plans with good intentions and felt horrible when they realized they did not have enough funds to contribute to an account for him. They even ended up taking out loans later on so they could treat the other grandkids equally in donations before they realized it was not possible. It ended up giving them feelings of immense guilt as well as financial instability.

There are other ways to give thoughtful financial gifts to grandkids that may be worth exploring if you see fit!

Dear *Forward Thinking*,

I love the idea of giving a holiday or birthday gift of a long term investment. It is a great idea for children as well as grandchildren. If you are wanting the funds to go specifically to future college costs, 529 plans (also called college savings plans) are a very good vehicle to use. It is important to know that once opened, there are limitations on what the funds can be used for (only for college purposes). On the right I have some of the frequently asked questions I receive about 529 plans. If after reviewing the information with your financial professional you decide to go a different route, opening a basic brokerage account and buying individual stock for a child / grandchild could be an option with less limitations.

Sincerely,

Kelly



Kelly DeMay is a Financial Advisor with Equitable Advisors. Equitable Advisors partners with SAANYS to provide financial articles, seminars, guidance and planning for SAANYS members.

As a SAANYS member, you are able to receive complimentary meetings to review your financial situation and plan for the future.

To set up a complimentary meeting with a Financial Professional or submit a *question for Kelly*, please email Kelly.Demay@equitable.com, don't forget to mention your SAANYS membership.

What if my grandchild never attends college, or gets a full scholarship?

You can always change the beneficiary on the account. If you take the money out for a purpose other than education, there can be tax implications and penalties. Please speak to your tax advisor for details.

Can other people contribute to the child's 529 plan that I open up?

Yes, but it may impact some of the tax benefits of a 529 plan.

How will contributing to a 529 plan affect my taxes?

For the better! There is a NYS tax benefit for contributions, see your tax advisor for details.

How do I open a 529 plan?

nysaves.org is a great resource to use. Also, reach out to your financial advisor for support.