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College 529 savings accounts make fine gifts any time of the year

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Chalk it up to New Year's resolutions.

How else do you explain why the first quarter of the year is typically one of the biggest times for contributing to state-sponsored college savings plans known as 529s?

In the first three months of 2010, 2011 and 2013, for example, more money poured into 529 accounts than in any other quarter of the year, according to data from the nonprofit College Savings Foundation.

While the books haven't closed on 2014, 529 accounts attracted \$1.8 billion in fresh money in the opening quarter — the same as in the second quarter and far higher than in the three months that ended Sept. 30.

With college costs continuing to rise, it's never too early to think about saving money to cover tuition, room and board. And judging by the numbers, clearly a whole lot of people have resolved to do just that.

The state 529 plans, named for the section of the federal tax code that created them nearly 20 years ago, are among the most popular ways for parents and others to finance college or graduate school.

The 529s, such as Learning Quest in Kansas and Most in Missouri, typically invest in mutual funds. While contributions are not deductible, investments grow tax-deferred and withdrawals used to pay for qualified higher-education expenses aren't subject to taxes. Many states offer tax breaks for contributions as well.

One complicating factor: President Barack Obama has targeted some of the 529 tax benefits as part of a broader plan — unveiled in his State of the Union address — to streamline and eliminate some educational tax breaks. While existing 529s would be exempt from changes and passage of any tax overhaul faces long odds, the issue bears watching.

That said, there are easy ways to contribute to 529s. Whether the beneficiary is a newborn or a high school student, consider making a donation in the form of a gift.

Gifting programs — whether it's \$40 or \$14,000 — aren't just for the end-of-year holiday season. They work just fine for birthdays, Valentine's Day, religious celebrations, academic achievements and other milestones. Here are three gifting options:

- Many state 529 programs include a feature on their website called Ugift, which allows family and friends to make gift contributions. Donors can access an online Ugift code that can be used at any time to make a one-time donation or recurring gifts into a child's account.
- A number of mutual fund companies that manage 529 programs offer gifting certificate services. At Franklin Templeton, for example, anyone can write a check for as little as \$50 or set up the contribution through their banks' bill pay services. You can also send a celebratory note as well if it's a holiday, birthday or graduation gift.
- Social gifting services have popped up in recent years that allow friends and family to contribute to 529 programs. Three popular ones are GiftedPath, GradSave and the Gift of College.

With GiftedPath, parents create a personalized page online with family photos where donors can make contributions using their credit card. The contributions are sent directly to the family's 529 account.

Before writing any checks, it's always best to talk to a tax expert about gift and estate tax benefits and whether third-party donors qualify for any state tax breaks.

There's another college savings gift idea that's a bit unorthodox — programs that work with low-income families. These aren't 529 accounts per se, but they operate under the same guiding principles.

In that vein, consider the nonprofit [1:1 Fund](#), which partners with several college savings programs around the country that work with low-income children. Choose one of the programs, such as the Children's Aid Society or the I Have a Dream Foundation, and your donation will be used to match dollar for dollar what the student saves.

Does the gifting make a difference? Yes, based on various research reports, which conclude that students who have set aside money for college are at least six times as likely to attend a four-year college as those with no dedicated college savings account.

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