

Saving For College? Consider 529 Plans

If you have young children, and you're wondering when is the best time to start saving for college, the answer is: Now.

College costs are high. The current average cost for tuition, fees, room and board at a four-year private college is \$27,677 per year, according to the College Board. For a four-year public school, the corresponding cost is \$12,841 annually. Today's newborns will be looking at a four-year tab of approximately \$287,087 for the average private college and \$113,198 for the average public school.

These numbers can be daunting. But if you start saving early, you will be in a better position to meet college costs. One of the best savings vehicles available is a Section 529 College Savings Plan (named after the portion of the IRS code that authorizes these accounts).

- **You May Realize Significant Tax Benefits** — In a 529 College Savings Plan, your contributions to the plan can be withdrawn tax-free (federal) if the proceeds are used for qualified higher education expenses.* Many states also offer taxpayers a tax incentive to use in-state plans.
- **You Can Contribute Very Large Amounts** — You can contribute up to \$65,000 per beneficiary to a 529 Plan (\$130,000 for married individuals filing jointly) in the first year of a five-year period without incurring any federal gift-tax consequences, provided you do not make any additional gifts to the same beneficiary in the same five-year period**. Contribution limits can vary by state.

- **You Get Estate Planning Benefits**** — When you move money into a 529 Plan, you're moving it out of your taxable estate. Yet, as the account owner, you still retain control of the funds. That's an estate-planning benefit not available through many other vehicles.
- **You Control Withdrawals** — As long as you are the account owner of the 529 Plan, you control all withdrawals for the life of the account. You can even change beneficiaries, if you choose.
- **You Have Flexibility** — You can transfer to another 529 Plan or change investment options without changing the beneficiary. Both options are limited to one transfer in a 12-month period.

529 Plans offer important benefits. Consider putting a 529 Plan to work for you and your family.

Call your RBC Wealth Management® Financial Advisor today for more information.

How do I pay for a 529 plan? Like mutual funds, 529 Plans may charge a sales charge. In addition, you may pay an annual fee for participating in the plan. You will also pay administrative and management fees that are deducted directly from plan assets much like the expense ratio of a mutual fund. Consult the plan documents for a more comprehensive explanation of the fees.

** For more information regarding college savings plans, please visit www.collegesavings.org. Participation in a 529 Plan does not guarantee the investment return on contributions, if any, will be adequate to cover future tuition and other higher education expenses. State programs vary, therefore you should carefully review individual program documents before investing or sending money. Federal income tax on the earnings and a 10% penalty on distributions for non-qualified expenses may apply.*

*** RBC Wealth Management does not provide tax or legal advice. We will work with your independent tax/legal advisor to help create a plan tailored to your specific needs. Accelerated gifts are normally subject to an add-back feature in the event of death of the giftor.*

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