

## MONEY

# The Best-Kept Secret: 529 Education Savings Plans

NewsUSA

(NU) - What you don't know really can hurt you when it comes to paying for your child's college education.

Yes, we're talking 529 plans. They've been around since 1996 - longer than most Generation Zers have been alive - but a new survey from Edward Jones found that a whopping 67 percent of Americans don't have a clue that they provide a tax-advantaged way to save money for tuition, books and other qualified education-related expenses at most accredited two- and four-year colleges, universities, and vocational-technical schools. Worse still, that 67 percent figure is 5 percent higher than the first time the survey was done in 2012.

"It's a concerning trend," says Tim Burke, a principal at the financial services firm Edward Jones.

"Concerning" because of the current average price tag of a four-year degree, including tuition, room and board: \$21,370-a-year at public schools, according to the College Board, and \$48,510-a-year at private schools.

And just how do those surveyed think they're going to handle that freight?

- **Personal savings accounts** (38 percent). Alas, the national average interest rate on such accounts is a measly 0.09 percent. Try covering even the more than \$1,200 the average college student spends on books and materials over the course of a year with that.

- **Scholarships** (35 percent). Is your kid a bona fide child prodigy or football star? Because Sallie Mae's "How America Pays for College" 2018 report found that only 17 percent of college costs were paid this way.

- **Federal or state financial aid** (33 percent). Pell Grants are the largest source of federally funded grants, and they max out at \$6,095 for the 2018-19 academic year. That would cover about 28 percent of one year's \$21,370 average cost at a public college - except that, as the College Board explains, "most students receive smaller grants because they are enrolled part time or because their family income and assets reduce their aid eligibility."

- **Private student loans** (20 percent). According to the Brook-



ings Institution, parents who take out loans - not the financially strapped Millennials we've heard so much about it - do so to the tune of \$16,000 a year on average, and nearly 10 percent are on the hook for \$100,000. "College debt is increasingly becoming a parent problem, too," ConsumerReports.com just warned.

Given all that, you can see why Kyle Andersen, another principal at Edward Jones, says that "by relying on scholarships or federal or state financial aid that a student may or may not receive, Americans leave themselves vulnerable."

Which brings us back to 529 plans.

Kudos to the 18 percent of those surveyed who said they'd implemented this strategy, which Edward Jones and others call "an attractive and practical way to save." How so? Remember when we said they're tax-advantaged? That means that (unlike personal savings accounts) the earnings in these plans - typically comprised of a portfolio of funds - accumulate tax-free, and that qualified withdrawals are exempt from both federal and state income taxes.

The federal gift tax exclusion allows a contributor to give up to \$15,000 per year, per beneficiary, or \$30,000 for married couples. Though almost every state has its own 529 plan - with total limits sometimes reaching more than \$500,000 - there's no "home-town restriction," so you might want to work with a local Edward Jones financial advisor to compare plans and review your situation.

Oh, one other thing less than half of those surveyed knew: 529 plans can also be used to pay for qualified K-12 tuition.