

# Parents: Tax-free savings may benefit your K-12 scholar [H1]

Traditional 529 plan expanded for primary, secondary ed – even laptops [H2]

I was surprised by a recent headline showing that few parents are using 529 savings plans for their school-aged children. We have seen new and exciting changes to these plans. There can be significant tax advantages to embracing these “qualified tuition plans”.

Traditionally, the 529 plan was a vehicle for savings for college. In fact, these plans are sponsored by state agencies or educational institutions.

But the new tax law signed at the end of 2017 now allows use of the plans for K-12 private and parochial education.

*529 savings plans have taken on new features. It's not just for high ed anymore! [H2]*

The new law allows withdrawal of up to \$10,000 annually for K-12 education expenses, including public, private, or parochial schools. Withdrawals may even be used for things like purchase of a new laptop computer.

Putting the market to work [H2]

One of our client families established and funded 529 accounts for their young children. As the years passed and the children became teens, these accounts now are generating significant earnings, well in excess of the initial contributions. The family withdraws \$10,000 per child each year to pay for middle school tuition at a private institution. In this case, the parents also contribute \$10,000 back into the 529 accounts.

Avoiding the tax bite [H2]

Today, an individual contributing to a 529 plan can add 5 years' worth of contributions, about \$75,000 total, in one year without incurring federal gift taxes. A significant gift like this can relieve estate taxes down the road.

Assets in a 529 plan grow tax free as long as the funds are used for educational expenses.

Net advantage: Spending money with a lower tax basis now, while gaining a higher tax basis in these 529 accounts going forward.

These 529 plans have been great tools for families saving tax-free for college expenses. But with a changing educational landscape, they may be flexible tools in helping young families with K-12 education expenses.

There are countless ways to look at retirement and tax planning. Recent changes in tax law have closed some doors while opening others. To determine the best choice for your business, and your personal retirement investing, it's good to look at all of the options. Let's talk about your unique situation: schedule an appointment with me, Andrew B. Ellis, CPA, CFP, CFA Financial Advisor (865) 288-2123

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