

Happy 529 Day!*

As of May 2017, student loans in the US total \$1.44 Trillion. While we support and encourage education, many of us want our children and grandchildren to receive that education without being saddled by loads of debt.

So as usual we're sending out a 529 college savings plan update.* Many of our clients, some of our employees, and I personally use 529 plans to save for our children's, nieces' and nephews' and grandchildren's college education.

Often I get asked the best way to save for college education and my advice usually boils down to a few simple ideas:

- 1) Start saving early** – The power of compound interest is a wind at your back, particularly if you start saving years before school starts.
- 2) Save consistently** – Whether it's once a year or every month, a consistent commitment to savings makes accumulating the large amount a student may need much more reasonable. (Making automatic deposits is my personal favorite method, as one is not re-making a decision to contribute but makes the decision one time.)
- 3) Use a 529** – The major benefit of investing in a 529 plan is that earnings on these accounts are tax free if the money is used for qualified education expenses. Over time the benefit of tax-free growth is substantial. A few states still have an additional state tax deduction for contributions to 529 plans (although not in North Carolina; however we don't believe this should be a primary consideration in using a 529 plan).
- 4) Don't compromise your financial well-being to avoid all debt** – In some cases parents are willing to defer their retirement goals to help their children. While most of us want to minimize the debt burden on our children, that shouldn't mean putting yourself in a difficult financial situation. If your child wants an expensive education, allowing them to take some ownership and even to take on some debt may make sense.
- 5) Remember that the education should be an investment** – Higher education should lead to higher earnings. Said another way, there should be an expected return. A five-year degree in romance languages that leads to a job as a barista at Starbucks and \$50,000 in debt can be an enormous drain on your family's time and resources.

Bottom Line: If you would like to discuss your 529 investments or college funding in general, please give us a call. We are happy to help with college planning.

*Whereas I normally send this update out on May 29, this year I have delayed the update by one day out of respect for those who have served our country and who were celebrated yesterday.

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Investors should consider their investment objectives, risks, charges and expenses associated with municipal fund securities before investing. This information is found in the issuer's official statement and should be read carefully before investing.

Before investing, the investor should consider whether the investor's or beneficiary's home state offers any state tax or other benefits available only from that state's 529 Plan.

Katherine Newton, a 30-year veteran of the financial services industry and Certified Financial Planner™, crafts protectorates for her clients' wealth so they have confidence to pursue what's most important in their lives.

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