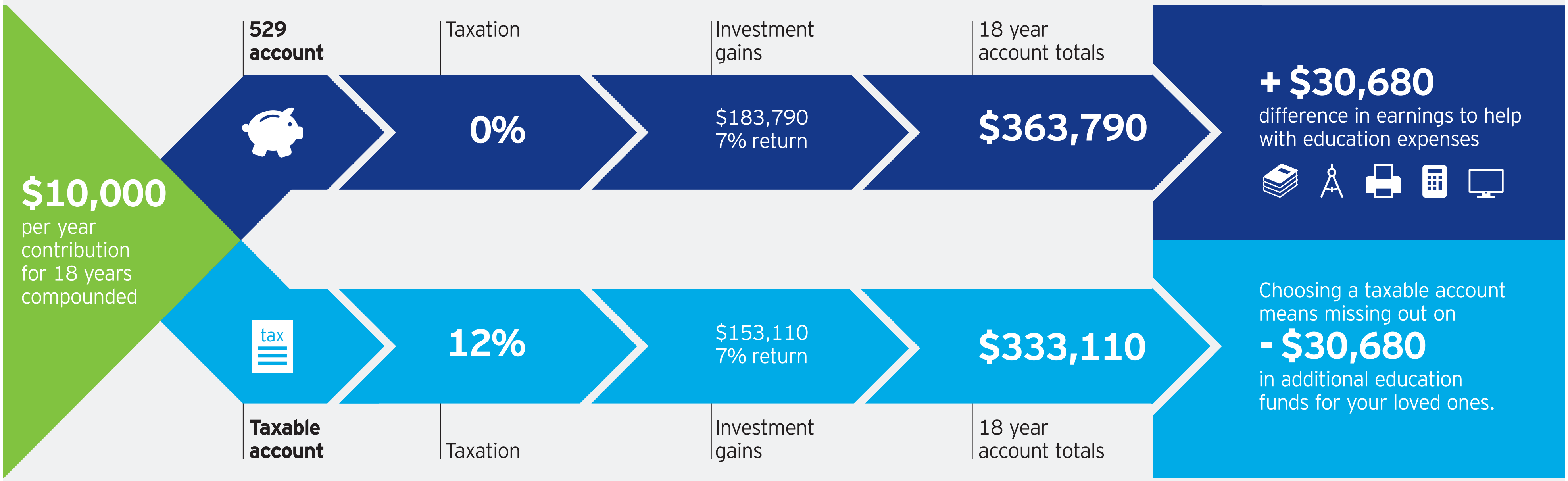
Investable Ideas

Put your RMDs to work: The power of 529 gifting

Are you over 70½ and fortunate enough to not need all or part of your required minimum distributions[1] (RMDs)? If so, consider funding a 529 college savings account with your RMD. It could be the gift of a lifetime: kids cannot outgrow it, and it never goes out of style. Consider this example: Judy begins receiving her RMD and contemplates two options to save for her grandchildren's education:

- Contribute $10,000 annually for 18 years in a 529 account, minimizing her gift tax or;
- Invest $10,000 annually for 18 years and then gifting it to her grandchildren

How would you rather put your $10,000 a year to work?



This hypothetical example is for illustrative purposes only and is not intended to be investment or tax advice. Assumes a 7% investment return, taxed at 12%. Investment product rates of return will vary over time and may experience losses.

1. Required minimum distributions are the minimum amount you must withdraw from certain retirement accounts once you reach age 70½.

Potential advantages to using RMDs to fund a CollegeBound 529

Tax-free earnings and compounding:
Using RMDs to fund a 529 allows earnings to grow and compound tax-free.[1]

Students obtain more federal financial aid:
Grandparent-owned 529's are not included in the federal financial aid asset calculations since determination is limited to the income and assets of both student and parents. Distributions from the grandparent-owned 529 will count as student income for the financial aid determination for the year following the distribution.

Maintain ownership flexibility:
You can establish 529 accounts for multiple children and divide your RMDs between them or change the beneficiary and retain the tax benefits.

Over 70 1/2 and not taking your RMD?
A severe IRS penalty:

50%

of the distribution amount shortfall

Since tax regulations can change, please consult irs.gov/retirement-plans for more details.

Nearly all retirement accounts are subject to the RMD rule, including:

- IRAs
- 401(k), 403(b) and 457(b) accounts
- Keogh plans

Take advantage of CollegeBound 529

If you don't need all or part of your RMDs, consider using that money to fund a CollegeBound 529 account. It is truly the gift that keeps on giving, helping to provide a successful future for younger family members.

Your financial advisor can help you decide how best to help your grandchildren and other loved ones save for college. So talk to your advisor and visit CollegeBound529.com, where you can access college savings tools and resources.

1. Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements and certain withdrawals are subject to federal, state, and local taxes.

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