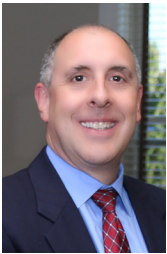


# The New Tax Law: 529 Plan Savings Now Available for K-12 Tuition

The tax-free advantages of a 529 can now be used for other schooling expenses.



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Lawrence Fiorella serves as a Financial Advisor in the Fredonia, New York office of HBKS® Wealth Advisors (HBKS®). He specializes in providing personal financial planning for investments, retirement, protection planning, retirement income, estate planning strategies, education funding, tax management strategies and wealth preservation strategies.

Mr. Fiorella has over 17 years of financial planning and analysis expertise in corporate finance with three Fortune 500 companies. He began his financial services career as a financial advisor with AXA Financial in Roanoke, Virginia. Mr. Fiorella later relocated back to Western New York to join Ameriprise Financial Services. In 2010, he began working with Raymond James Financial Services and in 2016 Mr. Fiorella joined HBKS® after Comprehensive Wealth Solutions merged with the firm.

Mr. Fiorella earned his Bachelor of Science in Finance and Accounting from the State University of New York at Buffalo.

On December 22, 2017, new tax legislation was signed into law. The legislation includes a new provision that could be a boon to private education: families can save tax-free up to \$10,000 per beneficiary per year for K-12 private and religious schools. Previously the tax-free savings and earnings on savings in 529 plans could be used only for college, university or other eligible post-secondary educational institution expenses.

With 529 plans, you put money in, let it grow for years in mutual funds and then pull it out to use for higher education expenses. When you do, you don't pay capital gains taxes on what you've earned over time. Account owners now can treat K-12 withdrawals as qualified expenses with respect to the federal tax benefit.

An article in the December 21, 2017 New York Times, "Yes, You Really Can Pay for Private School with 529 Plans Now," by Ron Lieber, cites an example of a family in the highest tax bracket that opens a 529 plan with a deposit of \$200,000, the money growing at 6 percent annually, the family withdrawing the maximum \$10,000 each year at a savings of \$2,380 in taxes. At the conclusion of a child's 12 years of private elementary, middle and secondary schooling, the account would still retain \$370,717. Once the beneficiary of the 529 account heads off to college, the family can withdraw as much as the entire annual cost of college and related expenses each year, avoiding capital gains taxes over that period as well.

States, not the federal government, administer the plans, and 35 of them offer some sort of tax deduction or credit when you make deposits. The plans are quite flexible: you can be an Ohio resident, buy a Pennsylvania plan and send your student to college in California. You can compare plans at [savingsforcollege.com](http://savingsforcollege.com). The treatment of withdrawals in regard to state income taxes relative to the new K-12 provision will also be determined individually by the states.

Account owners can also roll over 529 plans to ABLE plans, up to the ABLE annual contribution limit of \$15,000. ABLE accounts are tax-advantaged savings accounts for individuals with disabilities and their families, created by the Achieving a Better Life Experience (ABLE) Act of 2014. The beneficiary is the account owner, and income earned by the accounts is not taxed. While education is one of the uses of an ABLE account, virtually any expense related to needs due to a disability qualifies.

For many, mapping out the right financial plan to fund a child's higher education is complicated. It is important to consider the available options before determining the appropriate strategy for your family's circumstance. Working with a trusted advisor is the ideal place to start. HBKS Wealth Advisors has the experience and expertise to help establish the plan which best suits you. □

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