AIG

Section 529 Savings Plan.

Investing for education expenses.

The cost of a college education continues to rise

Over the past decade, published in-state tuition and fees at public four-year institutions increased by 16% in inflation-adjusted dollars. The current average total cost of one year at a public four-year institution (in-state) is $38,640, and $50,770 for a private four-year institution. How much could a college degree cost in five or 10 years?

Source: College Board, Trends in College Pricing 2020.

College savings plan

A 529 plan is a flexible savings plan designed for future higher education costs. Many states sponsor these tax-advantaged college savings plans which offer key incentives, including federal (and possible state) tax-free distributions when used for qualifying higher education expenses. Nonqualified withdrawals of earnings are taxed as ordinary income and may be subject to an additional 10% federal early withdrawal tax penalty. Your financial professional can perform an estimated college cost calculation and help you develop a savings plan.

With most 529 plans, you can:

- **Use the money at any eligible school in any state** (rules may vary by state; consult your financial professional). Money accumulated in most plans can be used for room, board, books and supplies at any eligible accredited two-year or four-year college or university, or post-secondary vocational training program in the United States. **Distributions from a 529 plan of up to $10,000 used to pay tuition expenses for enrollment at a public, private or religious elementary or secondary school are treated as qualified expenses.** Please note that some states offer favorable tax treatment to residents only if they invest in their state's own Section 529 plan.
- **Invest without income restrictions.** Anyone (parent, grandparent or others) can establish a Section 529 account, regardless of income level or beneficiary's age. This might be ideal for high-net-worth investors to help reduce estate planning taxes while contributing to a child's education.
- **Withdraw earnings tax-free.** Investment earnings, when withdrawn for qualifying education expenses, are tax-free. Any earnings proceeds not used for qualifying education expenses will be subject to federal income taxes and a 10% federal early withdrawal tax penalty.
- **Change beneficiary designation.** You can change the beneficiary at will to certain other family members of the original beneficiary. This means if one child does not use all the money for education, you can designate the funds to another beneficiary.
- **Realize enhanced gift tax benefits.** You can contribute up to $15,000 to a Section 529 plan in a year without gift tax consequences. You may contribute up to $75,000, provided you elect to spread the gift evenly over five years. No other gifts are allowed to that child for a five-year period without gift tax consequences.

Section 529 plans can lose value and are not government or FDIC insured. The value of an investment in a Section 529 plan will fluctuate and, when withdrawn, can be worth more or less than its original cost. There is no guarantee that the plan will grow to cover college expenses.

Section 529 savings plan

Compare a Section 529 College Savings Plan to other education funding plans

	Section 529 College Savings Plan	Coverdell Education Savings Account (formerly Education IRA)	Custodial Accounts
Are there tax advantages?	**Yes**. Earnings grow tax deferred. Earnings are exempt from federal taxes if distributions are used for qualified higher education expenses. Some states allow for deductions on contributions.	**Yes**. Earnings grow tax deferred. Earnings are exempt from federal taxes if distributions are used for qualified education expenses.	Earnings in excess of $2,100 are taxed at rates that apply to trusts and estates.
Is there a penalty for a nonqualified withdrawal?	Yes, 10% on earnings	Yes, 10% on earnings	No
Is there a maximum contribution per beneficiary?*	Yes, the amount reasonably expected to cover secondary education expenses	$2,000 per year	No
Can the beneficiary be changed?	Yes	Yes	No
Are there limitations on income or age?	No	Yes	Yes
Where can withdrawals be used?	Qualified higher education expenses	Qualified education expenses	Any purpose as allowed by state law
Who owns for financial aid purposes?	Donor	Student	Student

Some states offer favorable tax treatment to residents only if they invest in their state's own Section 529 plan. You should consult with a tax advisor regarding the state tax consequences of any investment in a Section 529 plan.

To obtain a 529 plan offering statement, contact your financial professional. You should compare any 529 plan you are considering with any 529 college savings plan offered by your home state or your beneficiary's home state and consider, before investing, any state tax or other benefits that are only available for investments in the home state's plan. Please read the plan's offering statement which includes investment objectives, risks, fees, charges, expenses and other information. You should read it carefully before investing.

* Contribution limits vary by state. Federal law allows single taxpayers to contribute up to $15k per year or make a lump-sum contribution of $75,000 to cover five years and be exempt from gift taxes.

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