

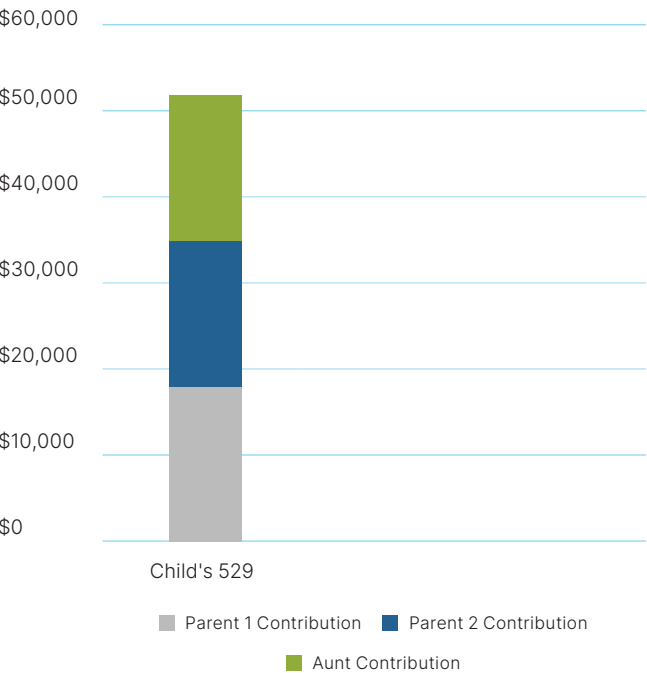
529 Gifting

529 accounts are a tax-friendly way to save for education expenses. Growth is tax free if withdrawn to cover qualified education expenses for the account's beneficiary. Contribution limits for these accounts can be tricky, though; it can help to know that 529s mostly follow gifting rules.

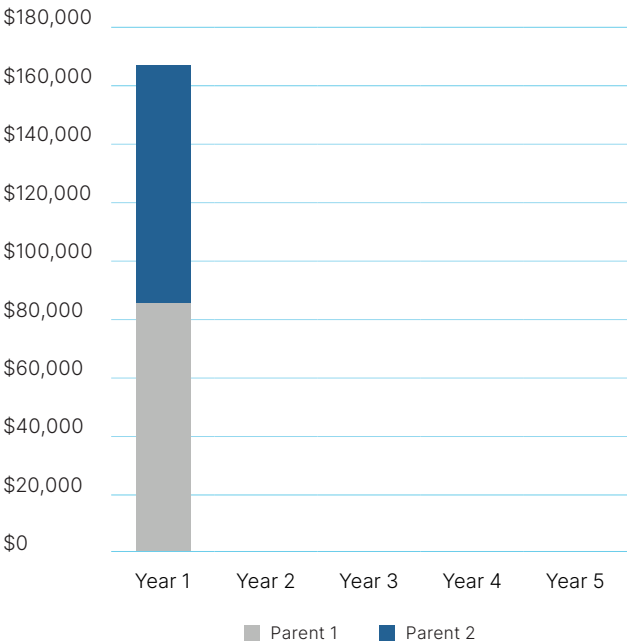
Gift tax rules allow you to give up to the annual gift tax exclusion amount (\$18,000 for individuals or \$36,000 if married filing jointly in 2024) per year to any individual. If you exceed this amount, you may need to tap into your lifetime estate exclusion or pay a gift tax. To avoid reductions to your estate tax exclusion, consider gifting up to the gift tax limit per year to as many 529 beneficiaries as you would like.

An advantage to 529s is that you may superfund (i.e., front load five years' worth of gifting into one year) your gift. And, if you're a married couple filing jointly, you can combine your superfunding capabilities to contribute up to five years' worth of the annual gift tax exclusion amount to a 529 in one lump sum. This provides even greater flexibility in contributing to 529s. Be mindful to coordinate such strategies with your CPA to account for appropriate gift-splitting forms that may need filing, among other considerations.

2024 Gifts to 529 Account



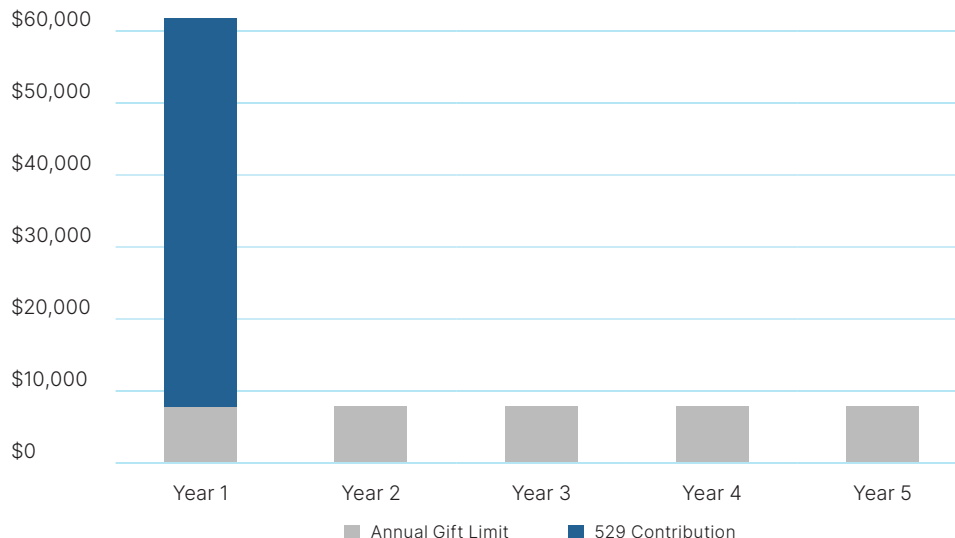
5 Year Superfunding



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Gifts beyond the annual gift limit, but below maximum superfunding



Whalid gifts \$50,000 to a nephew's 529 account. Because he is gifting more than \$18,000, he will take advantage of superfunding. Since he is not contributing the full \$90,000 superfunding amount, his annual gift to his nephew for five years will be calculated as follows:

$\$50,000 / 5 \text{ years} = \$10,000$; $\$18,000 - \$10,000 = \$8,000$

Frequently Asked Questions

Q Other than gifting regulations, are there limitations to 529 contributions?

Yes. Although there are no income requirements or thresholds for 529 contributions, there may be account size limits enforced by specific 529 plans.

Q Is there a limit to how much my 529 may receive per year in gifts?

No. Your account may receive as many gifts as you like, provided the account doesn't become larger than the limit enforced by the 529 plan.

Q Does transferring my account to another state count as a gift?

Generally, no. Rolling over a 529 account to another plan does count as a gift. When making a transfer, always check with the state rules for transferring and receiving plans. In addition, tax rules permit only one 529 rollover per year.

The fees, expenses, and features of 529 plans can vary from state to state. 529 plans involve investment risk, including the possible loss of funds. There is no guarantee that an education-funding goal will be met. In order to be federally tax-free, earnings must be used to pay for qualified education expenses. The earnings portion of a nonqualified withdrawal will be subject to ordinary income tax at the recipient's marginal rate and subject to a 10-percent penalty. By investing in a plan outside your state of residence, you may lose any state tax benefits. 529 plans are subject to enrollment, maintenance, and administration/management fees and expenses.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

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