

SAVING FOR COLLEGE

By: JILL COOPER, CPA

It's graduation time! If you are a parent or grandparent, a child's graduation brings out many emotions – pride, joy, relief and sometimes panic. If your child is graduating from 8th grade, you may feel relief that you still have four years to save for college. On the other hand, you may be worried that you **ONLY** have four years to save for college. If your child is graduating from high school, and heading off to college in a few months, you may be thrilled that you started saving for college when your child was 4. Or, you may feel panic because there is not a college fund available.

Tuition costs continue to outpace inflation by almost 3 times the rate of inflation. * Although post-secondary education costs have risen dramatically, the cost of higher education is not out of reach for most families if you plan ahead and begin saving early.

One way to save for higher education costs is to invest in a 529 college savings plan. These plans are named for Section 529 of the Internal Revenue Code and are operated by a state or educational institution that helps individuals and their families save for college, graduate, or vocational school tuition and education-related expenses in a tax-advantaged way. Contributions to the plan are made with after-tax dollars, but any earnings are tax-deferred while invested in the plan and tax-free if used to pay for qualified educational expenses.

Although not tax deductible for federal purposes, many states, including Missouri, consider contributions to a 529 plan to be eligible as a state income tax deduction. If you are the account owner, you can deduct up to \$8,000 (\$16,000 if you're married filing jointly) of your Missouri MOST 529 Plan contributions when you file your state income taxes. Distributions used to pay for qualified educational expenses are exempt from federal and Missouri taxes.



The key is to plan ahead and begin saving when the children or grandchildren are very young. Then when graduation time arrives you can sit back and enjoy the celebration.

If you have any questions about specific details of this tax advantage, please feel free to reach out to your Conner Ash Account Manager or [Jill Cooper, CPA](mailto:jcooper@connerash.com), at (314) 205-2510 or via email at jcooper@connerash.com.

Enjoy your summer!

*Sources: College Board, Annual Survey of Colleges