

529 Plans:

Are they the best college savings plan for you?

529 plans have been one way for parents to fund their child's future educational expenses. They offer tax-deferred growth as long as they are used to pay for qualified higher educational expenses.

A less well known, but more flexible option, is the purchase of a Fixed Index Universal Life (FIUL) insurance policy. With it, you can receive the tax benefits of a 529 plan without their fees and risks to your investment. The chart below compares a 529 plan with a FIUL.

Question?	529 plan	FIUL (Fixed Index Universal Life) policy
What is it?	A tax-deferred account that must be used exclusively for future educational expenses.	A life insurance policy that provides cash value accumulation that can be accessed tax-free to pay for educational expenses or anything else.
How are the funds invested and are they at risk?	You choose from a provided list of mutual funds. Your investment is at risk as these mutual funds can go down in value.	You choose from a provided list of market indexes. Your investment can never go down in value and increases when the chosen index rises during a time period.
Are there on-going management fees?	Yes. Each mutual fund will charge you an annual management fee. The trustee of the 529 plan may also charge you an annual fee.	None
What are the taxes implications?	Funded with after-tax dollars and funds grow tax-deferred. They can be withdrawn tax-free assuming they are used for educational purposes.	Funded with after-tax dollars, funds grow tax-deferred and withdrawals from cash value are tax-free regardless of how they are used.
Financial Aid Impact?	Yes. The value of the plan's assets is added to the parent's assets to determine financial aid thereby reducing potential aid.	None
Use funds for other purposes?	Yes, but you will have to pay a 10% excise tax penalty in addition to income taxes.	Yes. Cash value can be used for any purpose without tax or penalty.
Initial death benefit?	No	Yes

There is more to learn about FIULs before deciding to invest in one for your financial situation. Please call me at (610) 999-3599 for a no-cost, no-obligation consultation to help you make an informed decision.



Elliot Goldberg is an independent Registered Investment Advisor specializing in helping clients generate dependable lifetime income for their retirement. Please contact him for more information at (610) 999-3599 or eg@goldata.com.