SCHOLAR'S EDGE 529

Investment management by: Principal®

CREATE LASTING LEGACIES

Flexible strategies for grandparents to support their loved one's education journey

Grandparents can integrate 529 plans into their financial plan, ensuring support for their grandchild's future goals. Starting early can make a significant difference, as it allows more time for savings to grow.

529 planning opportunities for grandparents

Grandparents have more opportunities than ever before to maximize the financial contributions they make to their grandchild's education. Regulatory changes continue to provide new flexibility and control, making 529 plans an even stronger tool for legacy planning.

1 Accelerated gifting / Superfunding a 529 plan

529 plans can be a powerful gifting and estate planning tool to help grandparents leave a meaningful legacy. The annual gift contribution limit in 2025 is $19,000 per beneficiary ($38,000 if filing jointly). However, grandparents have the ability to superfund a 529 plan by making a lump-sum contribution that is equal to five years' worth of contributions at once.

IMPORTANT DETAILS

- Make a $95,000 ($190,000 if filing jointly) contribution in 2025, which will be treated as being made over five years for gift tax recognition purposes.
- Funding a 529 plan moves assets out of the grandparent's estate into a grandchild's name, while retaining control as the account owner.

Opportunity: By superfunding early in their grandchild's life, grandparents can leave a meaningful legacy while maximizing the potential of compounding returns in a 529 plan.

2 Grandparents can play a bigger role in helping pay for education

Updates to the Free Application for Federal Student Aid (FAFSA) rules enhanced grandparents' ability to support their grandchild's education without jeopardizing financial aid eligibility.

IMPORTANT DETAILS

- Beginning with the 2024–25 award year, withdrawals from grandparent-owned 529 plans are no longer considered untaxed income in the FAFSA.
- Previously, withdrawals from 529 plans owned by grandparents were reported and included as part of the FAFSA "income test," which affected a grandchild's eligibility for need-based financial aid.

Opportunity: Grandparents now have greater flexibility to contribute to their grandchild's education savings using 529 plans without impacting their eligibility to receive financial aid.

3 Roll unused 529 plan assets into a Roth IRA for their grandchild

Grandparents can now roll over unused 529 plan assets to a Roth IRA for their grandchild, the beneficiary, helping to provide an early start for their grandchild's retirement.

IMPORTANT DETAILS

- The rollover is an option on 529 plans that have been open for a minimum of 15 years, for funds that have been in the plan for five or more years.
- Contributions made in the most recent five years, and any earnings on them, cannot be transferred.
- The Roth IRA must be established in the name of the 529 plan beneficiary.
- The aggregate lifetime amount eligible to roll over is $35,000 per beneficiary. Transfers are subject to annual Roth IRA contribution limits.

Opportunity: Grandparents can help their grandchild get an early start on retirement.

4 Required Minimum Distribution (RMD) age increased to 73 – and will again to age 75 in 2033

Funding a 529 plan with RMDs allows assets to grow tax-deferred again, and withdrawals on qualified education expenses are tax-free.

IMPORTANT DETAILS

- Grandparents must begin taking RMDs at age 73.
- As the account owner of the 529 plan, grandparents still retain control of the assets.

Opportunity: Grandparents have more time to close their retirement savings gap and minimize tax consequences afterward, while still using RMDs to contribute to their grandchild's education savings.

TO LEARN MORE ABOUT SCHOLAR'S EDGE 529 PLAN, TALK TO YOUR FINANCIAL PROFESSIONAL OR VISIT SCHOLARSEDGE529.COM.

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