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529 PLANS

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UP TO $267,580 5 OPTIONS TO CHOOSE FROM GUARANTEES PRINCIPLE + -3%

ISSUES	PRO	CON
TAX BREAKS	Investment returns accumulated in a 529 are tax free as long as the money is used for qualified higher education expenses that's generally tuition and fees, plus room and board for full time students. Some state thought not California offer write offs on state tax returns for contributions to the plans, as well as tax free treatment for the money coming out.	It the money is not used for college, the investment returns and taxed at ordinary federal income tax rates as high as 35% not preferential capital gains rates that max out at 15% in addition, there's a 10% federal income tax penalty. States generally impose taxes and penalties on withdrawals that are not used for college costs, too. Then, too middle income taxpayers could be giving up tax credits when they pay for college with 529 assets, said Greenberg. The federal government offers the hope scholarship and lifetime learning tax credits for paying for college. But those who finance college with tax free savings can\t use the credits, because the government considers it double dipping. In some cases, the lost credits would be worth more than the tax free income.
INVESTMENT OPTIONS	The plans are professionally managed and usually, widely diversified. Some have low maintenance options called age based portfolios that adjust their investment strategy based on how soon the beneficiary will need the money. That provides some simplicity and investment stability for parents who don't want to take big risks or closely manage college savings portfolios. Virtually every state offers a 529 plan, and many state offer multiple plans that provides lots of options. Investors generally can choose a 529 plan from any state, buy experts Generally advise	There are so many plans to choose from that even experts say that making a choice can be difficult. Meanwhile, only a few529 plans allow investors to fine-tune their investment mix. And there are restrictions on how often assets can be moved so they're bad choice for active investors.

	parents to look at eh plan offered by their state of residence first especially if the state offers tax deductions to in state residence buying into the plan	
FEES	The plan are more expensive than similar mutual funds sometimes dramatically so. Experts maintain that investors must look carefully at the fees because they can drain the plans of their investment returns, and even cause losses in otherwise profitable years.	In some cases, the fees are higher because the plans offer plenty of services and allow small regular investment of as little as $ 25 a month. Super low cost funds simply cant afford high maintenance, low balance accounts.
AID AND OTHER CONSIDE RATIONS	The accounts are considered the asset of the donor not the beneficiary and that's better for financial aid purposes. Specially, where having $10,000 in a child name would reduce that child's eligibility for aid by roughly $3,500 a year, having that much in the parent's name would reduce aid by only about $500. Then, too, the donor who is usually a parent, can take the money back or give tit to another child if the intended recipient doesn't want to go to college, or the donor simply changes his or her mind.	If the intended beneficiary turns out to be a brilliant entrepreneur and doesn't want or need to go to college but could use the college savings to launch his business accommodating that request could cost plenty in tax penalties, (if the Student wins a full scholarship and the parents don't need their 529 funds for college, they can spend it on something else without paying the penalties, but they do have to pay the income tax.) Parents have to careful not to save too much in the plans. If savings overshoot expenses, the parent either needs to give the remaining savings to another aspiring student or face the tax penalties involved with a non qualified withdrawal.