

# 529 College Savings Plans

Simply the Smart Way to Save for College

## What Could Be Smarter?

There is no more precious gift you can give a child than a college education — and a 529 college savings plan is simply the smart way to give it. 529 college savings plans offer significant tax benefits and an exceptional degree of control and flexibility.

What's more, 529 plans can be used for virtually any public or private institution of higher education in the United States and even many abroad. Morgan Stanley offers 529 college savings plans that provide an array of investment options. Utilizing the resources and intellectual capital of one of the world's leading investment institutions, your Morgan Stanley Financial Advisor can help you select the 529 plan that's best for you.

## A Wealth of Benefits

While the cost of living is steadily increasing, higher-education costs are rising at a faster rate — approximately twice the rate of general inflation.<sup>1</sup> And although more financial-aid options are available to students, family incomes have declined or have remained stagnant, underscoring the importance of college planning.<sup>2</sup> In this environment, 529 college savings plans can offer numerous advantages over other college savings vehicles:

### **TAX-DEFERRED GROWTH POTENTIAL.**

Contributions to a 529 college savings plan account grow tax-deferred. Withdrawals are also free from federal tax as long as they're used for qualified education expenses, such as tuition, room and board or books.<sup>3</sup>

**STATE TAX BENEFITS.** In many states, contributions may also be deducted from state income tax. State laws vary, so consult with your tax advisor.<sup>4</sup> ►

► **ESTATE PLANNING ADVANTAGES.**

529 plan assets are excluded from your estate and thus not subject to estate taxes. Individuals can contribute up to \$14,000 a year (\$28,000 for a married couple) per beneficiary without incurring federal gift tax. You can make up to five years' contributions in a single year.<sup>5</sup>

**EXCEPTIONAL FLEXIBILITY.** Anyone can contribute to 529 plans — parents, grandparents, aunts and uncles or even friends — and there are no age limits or income restrictions. You can even change the beneficiary without penalty.<sup>6</sup>

**HIGH CONTRIBUTION LIMITS.** Contribution limits are in excess of \$200,000, enabling you to accumulate sufficient assets to cover college costs fully. Limits vary by state, so check with your Financial Advisor.

**MORE CONTROL OVER YOUR ASSETS.**

With a 529 college savings plan, you, not the beneficiary, control how the money is used, thus ensuring that it is spent according to your wishes.

**A Broad Range of Investment Strategies Tailored to Your Needs**

Morgan Stanley offers many 529 plans from some of the nation's leading mutual fund companies. You can choose from a range of investment strategies, depending on the specific plan, the age of the beneficiary, your financial objectives and risk tolerance. Your Morgan Stanley Financial Advisor can help you select the 529 college savings plan that best suits your needs.

**A Lasting Gift**

A 529 plan offers an exceptional array of tax benefits, flexibility and control. It can help you put a child you love on the path to success, while reducing the taxable value of your estate.

Your Morgan Stanley Financial Advisor can answer your questions about 529 college savings plans and help you develop the education-planning strategy that is best suited to your needs and objectives. To get started, contact your Morgan Stanley Financial Advisor today.

<sup>1</sup> Edvisors.com (2015).

<sup>2</sup> The College Board, "Trends in Student Aid 2014" [www.collegeboard.com](http://www.collegeboard.com).

<sup>3</sup> Assets can accumulate and be withdrawn federally tax-free only if they are used to pay for qualified expenses. Earnings on nonqualified distributions will be subject to income tax and a 10% federal income tax penalty.

<sup>4</sup> Some states offer favorable tax treatment and other benefits to their residents only if they invest in the state's own Qualified Tuition Program. Investors should consult with their financial and tax advisor before investing in any 529 plan, or contact their state tax division for more information.

<sup>5</sup> This assumes that there are no gifts made by the gift giver to the beneficiary in the prior five years. Any gifts made in the five years prior to or the four years after an accelerated gift is made may result in a taxable event.

<sup>6</sup> Some plans may have age, residency or other restrictions and may charge a fee for beneficiary changes.

**The 529 Plan Program Disclosure contains more information on investment options, risk factors, fees and expenses, and potential tax consequences. Investors can obtain a 529 Plan Program Disclosure from their Financial Advisor and should read it carefully before investing.**

Prior to investing, investors should consider whether their resident state or the resident state of the beneficiary offers any state tax or other benefits that are only available in that state's qualified tuition program.

Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors do not provide tax or legal advice. Clients should consult their personal tax advisor for tax-related matters and their attorney for legal matters.