



NACHMAN NORWOOD & PARROTT

WEALTH MANAGEMENT CONSULTANCY

PLANNING FOR EDUCATIONAL COSTS

If you have recently welcomed a new addition to your family, it is important to know that a child born in 2011 will one day require a large sum of money to attend college. While saving for college expenses may sound daunting, there are strategies available to help you build tax-free savings. One such strategy is a 529 Plan, an education savings plan operated by a state or educational institution, designed to help families accrue tax-free growth on their savings for future college costs. A 529 Savings Plan can simplify college planning, placing the gift of education well within reach.

BENEFITS OF A 529 PLAN

- **Federal tax benefits.** 529 plans offer income tax breaks. Although contributions are not deductible on your federal tax return, your investment grows tax-deferred, and qualified distributions to pay for the beneficiary's college costs come out federally tax-free. Certain states also offer state income tax deductions.
- **Donor retains control of funds.** The donor maintains control of the account. With few exceptions, the named beneficiary has no rights to funds. The donor decides on the timing and purpose of withdrawals.
- **Low maintenance.** A simple enrollment form is all it takes. Plan assets are often managed by an outside investment company serving as the program manager.
- **Simplified tax reporting.** Form 1099s are not required to report taxable or nontaxable earnings until the year you make withdrawals.
- **Significant estate planning benefits.** In many state plans, more than \$300,000 per beneficiary is permitted. This is subject to contribution guidelines. The gift amounts are removed from your taxable estate. www.savingforcollege.com
- **No age restrictions.** Generally, there are no age restrictions. If a person is considering going back to college or graduate school in the future, he or she can set up a plan for themselves. The account does not have to be set up at birth and does not have to be used during the "traditional" college years.
- **More than tuition.** Books, fees and room/board are eligible expenses.
- **Transferable.** If the beneficiary receives a scholarship, funds in their 529 plan can be transferred to a sibling, cousin or other direct relative.

Please consider the investment objectives, risks, charges and expenses carefully before investing in a 529 savings plan. The official statement, which contains this and other information, can be obtained by calling your financial advisor. Read it carefully before you invest.

The availability of such tax or other benefits may be conditioned on meeting certain requirements.

The investment return and principal value of the investment options are subject to market risk and will fluctuate, and when sold, may be worth more or less than the original cost.

529 Plans are subject to enrollment, maintenance, administrative and management fees and expenses. Non-qualified withdrawals are subject to federal and state income tax and a 10% penalty. College savings plans offered by each state differ significantly in features and benefits. The optimal plan for each investor depends on his or her individual objectives and circumstances. In comparing plans, each investor should consider each plan's investment options, fees and state tax implication.

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