ADP 529 College Savings Plan

# PAYROLL DEDUCTION PROGRAM FOR COLLEGE SAVINGS

## The 529 College Savings Plan Advantage

*by Richard A. Feigenbaum, founder of College Savings Consultants, Inc.*

Tax-deferral, tax-free withdrawal* and continuing control over who the beneficiary will be. The key to the 529 College Savings Plan is that the investments and savings grow in the 529 Plan account on a tax-deferred basis. Regardless of what tax is or is not imposed at the time the money is withdrawn, the growth on the investments during all of the years prior to withdrawal is on a tax-deferred basis. The advantages of tax-deferred growth are substantial. No matter the tax bracket you are in, the savings achieved by not having to reduce your gains by an income tax (federal and state) is substantial.

Unlike the traditional savings plan where all income earned is taxed in the year the income is generated, with the 529 College Savings Plan you get to grow the money that otherwise would have been sent to the tax collector. In essence you are playing with their money, being allowed to continue growing the assets free of any tax burden.

Taking advantage of tax deferred growth whenever possible makes great investment sense. This is the very same reason many people try to fully fund their retirement plans, such as individual retirement accounts and 401(k)s, to take advantage of the tax deferred growth on their investments afforded by the qualified retirement plan. This tax-deferred growth is the very same reason that the 529 College Savings Plan, with its tax deferred growth, provides a wonderful advantage to a family trying to save and grow assets for college.

The 529 College Savings Plan also allows for an unprecedented amount of control by the owner of the account over the eventual use of the assets. While direct control over the nature of the investments is prohibited, the control over when the assets are used and for whom they are used can be controlled by the owner/creator of the account. This provides substantial estate planning opportunities that previously have not existed. The ability to change the beneficiary allows for the redirection of assets from one beneficiary to another if the assets are not needed or are not used for college. This also allows for the saving of money for college before children are even born, or to save for grandchildren that are years away from being born.

ADP Retirement Services

*Distributions for qualified expenses are free of federal tax. Under current law, tax-free earnings and distributions apply until December 31, 2010.