

## Giftgiving – the Long Game

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My nephew was born in 2005. As the only grandchild (at the time) for both sets of his grandparents, over the years he's gotten many gifts from his large extended family, many of which have since migrated to the attic or have been given to other relatives as he's gotten older.

For years I resisted giving him toys or the latest video game for every birthday, holiday or special occasion. Instead, I contributed what I would have spent on a gift to a 529 account that I established for him when he was first born.

While it may seem a bit unkind, at least by my nephew's standards, to not to let a kid open a gift on his birthday, holiday or special occasion, I was determined to stick to my plan. From my own experience, I knew that 1) gifts get tossed aside fairly quickly as children grow; 2) college is expensive and comes rapidly; and 3) the potential tax-free growth of a 529 plan was worth a few frowns.

I eventually opened an account for my niece when she was born in 2008 and started contributing \$25 a month to both accounts, on top of the bigger gifts.

Saving for college, especially via gifting, is a long game. I'm pleased to say that through a combination of the larger financial gifts, very small monthly contributions, tax-free growth and a robust market, my nephew, now age 15, has an account balance of roughly **\$14,000!** My niece, who is about to turn 13, has an account balance of roughly **\$12,000**. I hope to see both accounts continue to grow.

While I know this money won't cover a 4-year education – their parents are saving for that— it is gratifying to know that the toys and games they likely would have forgotten have turned into a way to help them in the future. The average student borrows about \$30,000 to pursue a bachelor's degree (*Source: The Institute for College Access and Success, 15th Annual Report, October 2020*). If they had to borrow the average, I know I would be cutting that amount in half—and, if you factor in interest, more than that.

So, as we celebrate 529 Day on May 29th, I have a few thoughts on gifting as a slow and steady way to help build towards college:

- Consider gifts to a 529 as an alternative to the latest and greatest toy, game or gadget.
- As beneficiaries get older, talk about the 529 account – it can initiate a great discussion around financial literacy and also trigger a broader discussion of their hopes and dreams for college.
- If the first few years of college can otherwise be covered by the child's parents without loans, consider waiting until senior year to withdraw your gifted 529 assets as it will not impact financial aid.
- For you own children, gently suggest to grandparents and other relatives that they contribute to a 529 account in lieu of a larger gift.
- Even if the beneficiary doesn't want to go to college, 529s are flexible: the funds in a 529 can, in most cases, be used to finance other advanced educational opportunities such as trade schools.

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