

Don't Overlook NC's Own College Savings Plan

If you're among the many who face the prospect of putting one or more children through college, you may already be aware of the advantages typically associated with so-called section 529 College Savings Plans. What you may not know is that if you're a North Carolina resident, North Carolina's own 529 plan may provide you with certain advantages not available through some other states' 529 plans. First, though, a quick primer regarding the benefits associated with saving for college through the use of a 529 savings plan...

Whether a child or an adult, an account may be established in the name of any beneficiary and contributions may be made by anyone. (Hear that Grandma?) Contributions are professionally managed by the sponsoring state or by selected investment management companies and account earnings are free from federal income taxes if funds in the plan are used to pay for the beneficiary's tuition, fees, room, board, and/or certain other higher education expenses. Beneficiaries maintain great flexibility in choosing among various colleges and funds unused by an original beneficiary may be transferred to certain other beneficiaries. Assets in 529 plans also generally receive favorable treatment under various financial aid formulas so long as the plan beneficiary is not also named as the plan participant.

Ok, so you knew that. If you have been leery of establishing a 529 plan because you knew the tax-free nature of the program was set to expire at the end of 2010, rejoice! The tax-free status of these plans is now permanent.

What's more, if you're a North Carolina resident who contributes to North Carolina's own 529 College Savings Plan, you may be eligible to deduct up to \$2,000 of your contributions (\$4,000 for joint filers) on your state income tax return.

And finally, while many states market their 529 plans through an army of brokers and insurance agents, North Carolina's plan is available to you directly – without the overhang of sales commissions. Check it out at www.cfnc.org.

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