COLUMBIA THREADNEEDLE INVESTMENTS
Your success. Our priority.

GIFTING STRATEGIES WITH 529 PLANS

WHAT YOU SHOULD KNOW

In the example to the right, Matt's parents avoid incurring federal gift tax in 2019 by staying within the $30,000 combined annual gift tax exclusion for married couples. To do this with only one spouse contributing, the Johnstons must:

- File IRS Form 709, the United States Gift (and Generation-Skipping Transfer) Tax Return, which is used to elect gift-splitting between married couples.

Over two years, Matt receives $210,000 toward his future education without his parents or grandparents incurring federal gift tax consequences. To avoid gift tax consequences:

- His parents and grandparents cannot gift to Matt, in a 529 plan or otherwise, more than the annual gift tax exclusion in any single calendar year (unless the exclusion amount increases or another exclusion applies). Accelerating gifting under the five-year election makes use of future-year exclusions, so his grandparents must make sure to keep track.

The gift that keeps on giving

Parents and relatives can benefit from two advanced gifting strategies available with 529 plans: annual gifting and accelerated gifting.

- Annual gifting allows each donor an annual gift tax exclusion of up to $15,000 per recipient ($30,000 per recipient for married couples).
- Accelerated gifting allows a larger gift to a 529 plan of up to $75,000 per recipient for individual donors ($150,000 for married couple donors) to be contributed all at once but prorated over five years for federal gift tax purposes. This can be used for large contributions without incurring federal gift tax or using the donor's lifetime gift tax exclusion.

With a 529 plan, the account owner also maintains control of the account assets, even though contributions are considered completed gifts and are excluded from the account owner's taxable estate. Please note that for accelerated gifting elections the donor must survive to the fifth calendar year or a prorated amount will be included in their estate.

Gifting 101

Meet the Johnston family. They hope their only child, Matt, will attend university when he graduates high school. They made modest contributions to a 529 plan for him in prior years but know they need to do more to meet their savings goal to ensure that Matt has enough resources to choose any school that accepts him. At the end of 2018, Mr. Johnston earns a large bonus, and he and his wife want to contribute $30,000 of it to Matt. In a 529 plan, they can do this without any gift tax liability by using both of their annual gift tax exclusions and consenting to gift-splitting.

Year	Total gift = $30,000	Annual gift tax exclusion
2019	Gifting year	$30,000

Advanced gifting

Matt's grandparents are comfortably retired and in a position to make meaningful contributions to a college savings plan for their grandson. To maximize the five-year forward gifting provision and the special gift tax exclusions available with 529 plans, they contribute $30,000 at the end of 2019, and in 2020 they contribute $150,000 as a gift and elect to prorate over five years. Taking these steps effectively removes $180,000 from their combined taxable estate without incurring any federal gift tax or using their lifetime gift tax exclusions.

Year	Grandparents' gift = $180,000		Year-by-year gift tax exclusion
2019		$30,000	$30,000
2020	Gifting year	$150,000	$30,000
2021	Gifting year +1		$30,000
2022	Gifting year +2		$30,000
2023	Gifting year +3		$30,000
2024	Gifting year +4		$30,000

Accelerated gifting

- 529 accounts can be opened for as many beneficiaries as you wish. For example, Matt's neighbors have five kids. Suppose the children's maternal grandparents want to contribute to college savings accounts for each of their five grandchildren: ages 8, 6, 4, 3 and 1. They can open five 529 accounts and then take advantage of accelerated annual gifting to maximize the amount contributed to each child and reduce their total taxable estate by $750,000.

Age 8	Age 6	Age 4	Age 3	Age 1	Total gifts
$150,000	$150,000	$150,000	$150,000	$150,000	$750,000

To learn more about college savings planning with a 529 plan, contact your financial advisor.

Be prepared for future college costs

- Use the College Savings Projector at columbiathreadneedleus.com/calculators for a personalized, realistic estimate of what college will cost and what it will take to save for it.
- Learn about the financial aid system using the Expected Family Contribution (EFC) calculator at columbiathreadneedleus.com/calculators.
- Ask grandparents and other relatives to consider contributing to a 529 plan for your child, and explain the potential tax benefits of gifting.

To find out more, call **800.244.5674**
or visit **columbiathreadneedle.com**

COLUMBIA THREADNEEDLE INVESTMENTS

Qualified distributions from grandparent-owned 529 plans are treated as income to the beneficiary on the subsequent year's FAFSA, potentially having a big impact on eligibility for needs-based financial aid.

Please consider the investment objectives, risks, charges and expenses associated with 529 plan investments before investing. Contact your financial advisor or visit columbiathreadneedle.com for a program brochure, which contains this and other important information about the plan. Read it carefully before investing. You should also consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other benefits such as financial aid, scholarship funds and protection from creditors that are only available for investments in such state's qualified tuition program.

Columbia Management Investment Distributors, Inc., member FINRA, is the distributor and underwriter for the Future Scholar 529 College Savings Plan Financial Advisor Program. The Office of State Treasurer of South Carolina (the State Treasurer) administers the Program and has selected Columbia Management Investment Advisers, LLC and Columbia Management Investment Distributors, Inc. (Columbia Management) as Program Manager. Columbia Management and its affiliates are responsible for providing certain administrative, recordkeeping and investment services, and for the marketing of the Program. Columbia Management is not affiliated with the State Treasurer.

Withdrawal of earnings not used for qualified higher education expenses will be subject to federal and possibly state and local income tax and may be subject to an additional 10% federal penalty tax.

Total contributions to each 529 plan cannot exceed the amount necessary to provide for the beneficiary's qualified higher eduction expenses. Each plan generally establishes a contribution limitation.

The tax information set forth in this flier is general in nature and does not constitute tax advice on the part of Columbia Management Investment Distributors, Inc. or its affiliates. The information cannot be used for the purposes of avoiding penalties and taxes. Consult with your tax advisor regarding how aspects of a 529 plan relate to your own specific circumstances.

Not FDIC insured • No bank, state or federal guarantee • May lose value

Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies.

Columbia Management Investment Distributors, Inc., 225 Franklin Street, Boston, MA 02110-2804

CT-FSA/**247226 L (01/19)** EL13/2342921