

529 Day: A Reminder That Smart Planning Pays Off

Every May 29th, we recognize **529 Day**—a timely opportunity to think about education savings and how to make the most of it. Last year, we answered some of the most common questions we hear from clients about 529 plans. If you missed it, you can [click here to read that article](#).

Let's be honest, taxes **aren't the most exciting topic** for most people. They're often seen as confusing, boring, or downright dreadful.

But not for us.

This year, we want to share a real-life story that shows just how important the right strategy can be when it comes to saving for college.

A Story of Good Intentions—and a Missed Opportunity

We recently welcomed a new client: a successful business owner in a high tax bracket. He and his wife deeply valued education and had saved **\$500,000** to help pay for their four grandchildren's college tuition and were proud of the legacy they were creating.

However, as we were building out their financial plan, we found that the entire amount was held in a **taxable brokerage account** set up by a previous advisor.

The goal had the best intentions. But unfortunately, the strategy was flawed.

When assets in a brokerage account are sold to cover tuition or anything else, any gains are taxed, either at short-term capital gains rates (ordinary income) or long-term capital gains rates (15–20%). After accounting for federal and Illinois state taxes, that \$500,000 didn't stretch as far as they'd hoped. They were left with less than \$95,000 per grandchild, not the \$125,000 they had planned.

Had those funds been invested in a **529 college savings plan**, they could have avoided those taxes entirely, because 529 accounts offer **tax-deferred growth** and **tax-free withdrawals** for qualified higher education expenses.

Why 529 Plans Are Worth Considering

Many families don't realize the full scope of benefits that 529 plans offer. **Of course, no account is perfect. Here's a quick comparison:**

529 Plans – Pros:

- **Tax-deferred growth** and **tax-free withdrawals** for qualified education expenses
- **State tax deductions** (in Illinois, up to **\$10,000** for single filers and **\$20,000** for couples filing jointly)
- **Lower impact on financial aid** calculations
- **Creditor protection**, depending on your state

529 Plans – Cons:

- Funds must be used for qualified education expenses
- Limited investment options

Brokerage Accounts – Pros:

- Broader investment choices
- No restrictions on contributions or withdrawals

Brokerage Accounts – Cons:

- Subject to capital gains taxes
- Higher impact on financial aid
- No creditor protection

The Takeaway


Our new clients were understandably frustrated, they had planned and saved but weren't educated about their options. Unfortunately, they learned too late that **strategy matters as much as saving and investing**.

On this 529 Day, we encourage you to take a fresh look at your education savings plan. Are you using the most tax-efficient tools? Are your investments aligned with your goals and time horizon?

If you're unsure—or want to make sure your current plan is on track—**we're here to help**.

At **Werth Weil Wealth Management**, we *love* helping clients find smart strategies to keep more money in their pockets. We believe in paying what you owe—not giving Uncle Sam a bonus.

We're a **fee-only, independent firm** that operates under a **fiduciary duty**, which means we always put your best interest first. Tax strategy is a key part of every financial and investment plan we create. For many of our clients, **education planning** is a major goal—and we make sure it's done with what is in your best interest.

 **Email us at info@werthweilwealth.com** to schedule a time to talk. Let's make sure your savings go as far as they can—for you, your children, and your grandchildren.

Mark Weil is an investment advisor representative of Dynamic Wealth Advisors dba Werth Weil Wealth Management Inc. All investment advisory services are offered through Dynamic Wealth Advisors.