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How to Make the Most of Your 529 College Savings Plan by James Garfinkel

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With a 529 plan, saving for college has never been easier. A 529 plan for college savings is a tax-advantaged savings program that allows an account owner to save for college free of federal and, sometimes, state income taxes. For example, New York State taxpayers can deduct up to $5,000 ($10,000 for a married couple filing jointly) of contributions to their Program account from their state taxable income each year. The account owner can use his or her 529 plan assets to help pay for tuition, certain room-and-board expenses, books, supplies, and other qualified higher-education expenses.

If your intended beneficiary decides to postpone college, you can leave your money in the account until a later date. If the beneficiary receives a scholarship or decides not to go to college, itâ€™s easy to name another family member as beneficiary and use the 529 assets to pay for that person's education, without penalty. If no one is available to be designated beneficiary for 529 plan assets, then you may close the account and earnings will be subject to federal income tax and an additional 10% penalty, as well as state and local income taxes.

One of the biggest mistakes most people make with their 529 college savings plan is to â€œset it and forget itâ€• â€“ it is important to review your 529 plan holdings on at least an annual basis. What was an appropriate investment allocation when your child is three, may not be appropriate when he or she is fourteen years old. Investment advisers often recommend moving from a more aggressive to a more conservative savings strategy as your child approaches college age.

Many financial planners are also recommending that parents consider alternative college savings strategies that offer similar tax advantages and greater flexibility. For example, juvenile or child life insurance is a financial product that can provide savings for college and insurance coverage for life.

For most parents and grandparents, 529 college savings plans are the primary source of savings for college and like all important purchases, you should carefully consider all your options before you invest and after you invest to make sure you will be able to meet your college savings objectives.

Juvenile life insurance has the potential to challenge other existing college savings strategies. Indexed universal has actually outperformed the S&P 500 SPDR ETF over the past 10 and 15 years. Unlike a 529 plan, the cash value of juvenile life insurance is not limited to qualified educational expenses.

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James Garfinkel, founder and CEO of New Amsterdam Life Insurance Foundation. Find out more about a College Savings Plan and a 529 Plan and child life insurance quotes at http://newamsterdamlife.com.

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