



Michael A. Dribin

Broad and Cassel attorneys at Law

Mr. Michael A. Dribin is a Partner in the Miami office of Broad and Cassel. He is the Chairperson of the Firm's Estate Planning and Trusts Practice Group. He joined the Firm in 1987. Mr. Dribin focuses a majority of his practice in estate planning and probate and trust litigation. Mr. Dribin is a Board Certified Wills, Trusts and Estates Lawyer, and a Fellow of the American College of Trust and Estates Counsel (member, Fiduciary Litigation Committee). He can be reached at 305-373-9400 or by email at mdribin@broadandcassel.com.

529 Plans Make Saving For College Easier

Learning the basics, restrictions and benefits of 529 Plans

What was already an attractive way to set aside funds for higher educational expenses has become a great way to accomplish that goal as a result of the Economic Growth and Tax Relief Reconciliation Act of 2001.

The Basics

A donor may contribute to a 529 Plan on behalf of the designated beneficiary (most often, a child or grandchild). To the extent permitted under the Plan, amounts saved in a 529 Plan may be used for the higher educational expenses of the designated beneficiary. The designated beneficiary must be enrolled in an "eligible educational institution" - any institution whose students are eligible to receive federal student financial assistance.

The 529 Plans are sponsored by individual states. However, at the present time, 30 of these plans are open to residents of any state.

Major money management companies administer the plans. The donor invests assets in a specified portfolio of mutual funds, or in a portfolio of mutual funds tailored to the age of the designated beneficiaries. Some Plans allow investment in the 529 Plans by assets held in account under the Uniform Transfer to Minors Act.

Restrictions

Contributions to a 529 Plan are made with after-tax dollars and qualify for the gift tax annual exclusion. A donor may con-

tribute up to \$55,000 per designated beneficiary in one year and elect to spread the contribution over five years for annual exclusion purposes. A gift tax return needs to be filed if this is done. Contributions are prohibited in excess of what is necessary to pay for qualified higher educational expenses.

The funds grow income tax-free while in the accounts. When one pays educational expenses from the account, the distributions are made from the account to pay for things other than education expenses, they are subject to income tax by the beneficiary and a 10 percent penalty.

The Benefits

529 Plans provide a great opportunity to fund college educational expenses for children or grandchildren, with no income tax consequences to anyone. The gifts - to the extent of \$11,000 per year (or \$55,000 if made in one payment for one beneficiary) - are excluded from any gift tax considerations. These plans offer an outstanding opportunity to provide for college education, with tremendous tax savings. **BC**

This article is only a brief summary of the 529 Plans. Anyone considering creating such a Plan should consult his or her tax advisor or Michael Dribin, Partner of Broad and Cassel at (305) 373-9400.

Broad and Cassel, founded in January 1, 1946, has more than 140 lawyers and 200 support personnel located in seven offices throughout the state of Florida. Broad and Cassel has a national and international client base with offices located in Boca Raton, Fort Lauderdale, Miami, Orlando, Tallahassee, Tampa, and West Palm Beach. The Firm has extensive experience in a wide variety of practice areas including: Corporate and Securities; Real Estate; Estate Planning and Trusts; Commercial Litigation; Health Law; Taxation; Bankruptcy and Creditors' Rights; Labor and Employment; Intellectual Property Law; Computer and Technology Law; Appellate Law; White Collar Criminal and Civil Fraud Defense; and Special Assets.

PHONE: (305) 373-9400 **FAX:** (305) 373-9443

EMAIL: mdribin@BROADANDCASSEL.COM **WEBSITE:** [HTTP://WWW.BROADANDCASSEL.COM](http://WWW.BROADANDCASSEL.COM)

BOCA RATON · FORT LAUDERDALE · MIAMI · ORLANDO · TALLAHASSEE · TAMPA · WEST PALM BEACH