

## Saving for College While Also Saving for...Retirement?

**By Stacey A. Dettwiller**

Thanks to changes in the SECURE 2.0 Act, saving for education can now also help save for retirement. Beginning in 2024, the beneficiary of a 529 education savings plan account may roll certain excess account assets directly into a Roth IRA for his or her own benefit.

A 529 education savings plan account is an attractive means of paying for qualified education costs, including college, apprenticeship programs, and even K-12 education. In addition to helping offset the cost of education, however, gifts to 529 accounts also help with estate planning. In 2023, for example, individuals can contribute up to \$17,000 to a 529 account, per person, with no gift tax consequences. Contributions can also be “frontloaded” whereby an individual gives up to \$85,000 to a 529 account without incurring a gift tax. In doing so, the individual uses his or her available annual \$17,000 gift tax exclusion for 2023 and for the next four years as well. Further, some states provide individuals with additional state tax credits for their contributions to a qualified 529 account.

But what if a beneficiary does not use the balance of his or her 529 account?

Considering the stiff penalty for withdrawing 529 account funds for non-educational expenses, the options for excess funds under the existing rules are limited. Currently, a 529 account beneficiary could designate certain other family members as a new beneficiary of the account. That new beneficiary could then use the remaining assets for his or her own education-related expenses. Now, however, with SECURE 2.0, a 529 beneficiary also has the option of rolling over excess account funds into a Roth IRA for his or her own benefit. To take advantage of the new rollover option, the 529 account must have been in existence for at least 15 years. Further, the total rollover amount may not exceed the lifetime maximum of \$35,000. Finally, the rollover is subject to existing Roth IRA contribution limits, and to the requirement that the Roth owner have includable compensation at least equal to the amount of the rollover.

If you have any questions or would like additional information on establishing or contributing to a 529 education savings plan account, please contact one of our attorneys.

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