WEALTH MANAGEMENT **ADVISOR**

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529 COLLEGE SAVINGS PLANS ARE CHANGING — FOR THE BETTER

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If you have children, you likely know how important it is to save for the enormous cost of college. One of the most powerful college savings tools is the Section 529 plan. But though 529 plans offer significant financial and tax benefits, they also involve some risk.

Historically, one of the biggest risks was the potential loss of tax benefits and imposition of tax penalties if funds weren't spent on "qualified higher education expenses." That could happen, for example, if a plan beneficiary chooses not to attend college or receives a full scholarship, and there's no eligible family member who could be named a replacement beneficiary. Fortunately, Congress has taken steps to mitigate this risk — most recently with the One Big Beautiful Bill Act (OBBBA).

Plan basics

Section 529 plans are tax-advantaged investment accounts, sponsored by states or state agencies, and designed to help families save for tuition and other educational expenses. Contribution limits are usually generous: Lifetime contribution limits can reach as high as $500,000 or more per beneficiary, though limits vary by state.

Cash contributions to 529 plans are nondeductible for federal tax purposes, but the funds invested in these plans grow on a tax-deferred or tax-free basis. Withdrawals are tax-free so long as they're used for qualified higher education expenses. In addition, many states offer tax deductions or credits for contributions to the plans they sponsor. If you use 529 plan funds for nonqualified expenses, the earnings portion of the withdrawal is subject to income tax, plus a 10% penalty.

Legislative provisions

In 2017, the Tax Cuts and Jobs Act (TCJA) expanded qualified education expenses to include up to $10,000 per year in K–12 tuition. Then, the SECURE 2.0 Act of 2022 made it possible to roll over some unused 529 plan funds tax-free into a Roth IRA for the beneficiary. (See "Try a tax-free rollover" on page 3.) The original SECURE Act enabled accounts to be used to pay up to a lifetime maximum of $10,000 in student loan principal and interest per beneficiary.

More recently, the OBBBA doubled the amount that can be spent on qualified K–12 expenses and extended those expenses beyond tuition. It also expanded the types of post-high-school education expenses that qualify to include certain credentialing programs. (Previously, some short-term credentialing programs were eligible, provided they were offered by a community college.)

More rewards, less risk

By significantly expanding the options for spending 529 plan funds, the OBBBA makes the plans more attractive and less risky.

Qualified expenses now include up to $20,000 per year in K–12 expenses. In addition to tuition, eligible expenses include:

- Books, instructional and curriculum materials,
- Online educational materials,
- Tutoring services that meet certain requirements,
- Fees for certain standardized tests,
- Fees for college-level courses taken during high school, and
- Educational therapies provided by licensed providers for students with disabilities (for example, behavioral or speech therapy).

Expenses for recognized post-secondary credentials include:

- Tuition, fees, books, supplies and equipment,
- Fees for testing, if required to obtain or maintain a credential, and
- Expenses for continuing education, if required to maintain a credential.

Credentials should be offered by recognized vocational or technical school programs, such as those that provide training to become an auto mechanic, plumber, electrician, HVAC technician or welder. For credentials or credential programs to be recognized, they must meet certain requirements spelled out in the OBBBA. For example, a program is usually recognized if it's in the U.S. Department of Veterans Affairs' Web Enabled Approval Management System database or it's approved by a federal or state government agency.

Credentialing expenses may also include those associated with professional licenses and certifications. This could be, for instance, fees for the bar exam or CPA exam review and registration costs, or continuing education expenses required to maintain a professional license.

TRY A TAX-FREE ROLLOVER

Unused Section 529 college savings plan funds don't necessarily need to trigger taxes and penalties. Instead, you can now roll yours over tax-free into a Roth IRA for the benefit of the beneficiary. Be aware, however, that rollovers are subject to several strict requirements:

- Total rollovers can't exceed $35,000 per beneficiary,
- Your 529 plan must have been opened at least 15 years before the rollover is executed,
- Rollovers can't include contributions made within the preceding five years or earnings on those contributions, and
- Rollovers must be executed through a direct trustee-to-trustee transfer.

Even if you follow all the requirements, your 529-to-Roth IRA is subject to the usual annual limits on Roth IRA contributions. In 2026, that's the lesser of either 1) $7,500 ($8,600 if you're age 50 or older), or 2) the beneficiary's earned income.

Flexible tool

As enhanced by the OBBBA, 529 plans can be highly flexible tools that help finance college, elementary, secondary and vocational education expenses in a tax-advantaged manner. Combined with student loan repayment and Roth IRA rollover options, these plans are more attractive than ever as long-term financial planning vehicles. Contact us to discuss your options for paying for college. ■

Do you *really* need more insurance?

Umbrella policies can provide critical peace of mind

You likely have homeowners and auto insurance policies. Why then might you need an umbrella — or excess liability — insurance policy? It's no secret that insurance costs are rising faster than inflation, and you may be wary of spending more on something you really don't need. However, if you have significant assets or higher risk factors, an umbrella policy can provide critical peace of mind.

Extra security

An umbrella policy provides an extra layer of insurance that comes into play once your homeowners or auto insurance policy limits have been reached. Say a guest is injured tripping on your front steps, a driver in your household is found to be at fault in a car accident or your dog bites a neighbor. In addition to medical and repair expenses, these events could lead to a lawsuit that quickly exhausts and exceeds your regular homeowners or auto coverage.

Even if you prevail in a legal proceeding, you'd likely run up a costly bill. Lose, and a settlement has the potential to wipe out your home and other assets — even a portion of your future earnings.

Of course, you could simply boost the coverage limits on your auto or homeowners insurance policies, but that would likely cost you more money. Most umbrella policies cover incidents involving either your home or automobile. In addition, many cover claims that would fall outside the coverage provided by other policies. An umbrella policy could cover, for example, a lawsuit for slander resulting from an offhand comment made at a community gathering.

Learn the details

When a loss occurs, the first insurance policy against which claims will be made is typically your primary auto or homeowners policy. Once that coverage is exhausted, the umbrella policy generally kicks in.

Although every policy is different, most umbrella insurance covers injuries to other parties, including guests in your home or other motorists on the road. Many also cover damage to property, including your vehicle, home and other items. Finally, umbrella policies usually cover the cost of defending yourself in a lawsuit and any settlements or payouts that result.

Just keep in mind that umbrella insurance isn't a blank check. Many policies don't cover business incidents. If you operate a home-based business, you'll want to consider obtaining separate coverage. Similarly, few umbrella policies automatically cover employees on your property, such as housekeepers, cleaners or child care providers.

Calculating coverage

When determining the amount of coverage you may need, consider:

Your net worth. The higher this is, the more coverage you'll want.

The number and ages of drivers in your household. If you have several drivers, particularly if they're teenagers, go for more coverage.

Items that might attract lawsuits. If you have a backyard swimming pool or a large dog, for instance, consider boosting your coverage.

Most umbrella insurance covers injuries to other parties, including guests in your home or other motorists on the road.

Many umbrella policies offer coverage starting at $1 million and go up from there. Before assuming $1 million is an adequate amount, tally the value of your assets, including your home, personal possessions and investments. You may find your total is considerably over $1 million. After you've determined an appropriate level of coverage, review it every year or two. As the value of your assets changes, your coverage should follow accordingly.

Less costly than you might think

Many umbrella policies are relatively inexpensive. In some cases, a $1 million policy may cost only several hundred dollars annually. Premiums can vary, based on the amount of primary insurance coverage you have, where you live, and your driving record and credit history.

It typically makes sense to purchase a policy from the company that issued your homeowners and auto insurance policies. Most insurers offer discounts for buying multiple policies. In addition, buying policies together will make it easier for you to coordinate coverage.

Discuss pros and cons

Given the relatively low price tag for umbrella coverage, it's worth considering. But you may want to discuss the pros and cons of buying it with your insurance agent or financial advisor. ■

Why you still might want to consider making lifetime gifts

Tax legislation signed in 2025 made the historically high federal gift and estate tax exemption permanent (lifetime limits of $15 million for individuals and $30 million for married couples for 2026). This means most people don't have to worry about their assets being subject to estate tax when they die. But there may be good reasons to make lifetime gifts to family members.

Taxable and nontaxable

In general, a program of regular tax-free gifts reduces the size of your estate and shields your wealth against potential estate tax liability should it exceed the exemption amount. In 2026, you can make annual gifts of $19,000 ($38,000 for married couples) per recipient — as well as an unlimited additional amount of direct payments of tuition or medical expenses on another person's behalf. Taxable gifts — or gifts over the annual exclusion amount — can also potentially reduce your estate tax liability by removing future appreciation from your estate.

However, when contemplating lifetime gifts, you should also consider the income tax implications. Currently, assets transferred at death receive a "stepped-up basis," meaning that their tax basis increases or decreases to their fair market value amounts on the date of death. This allows heirs to sell inherited assets without triggering capital gains taxes. Assets transferred as a gift during life, on the other hand, retain *your* tax basis, so recipients could end up with a large income tax bill should they sell them.

When it makes sense

Fortunately, if you want to make gifts to family members while you're still alive, there's a tax-smart way to do it. For the most part, you'll want to hold on to highly appreciated assets that will benefit from the step-up in basis later — especially if your heirs are in one of the upper income tax brackets.

But if you own some highly appreciated assets you want to divest yourself of now and your heirs are in lower tax brackets, gifting those assets to them might save income tax. That's because your heirs can sell them at a lower tax cost — possibly even $0 in the case of young adult children with no or minimal income.

Beyond taxes

Even if gift-giving offers no tax advantages, there are nontax benefits to making lifetime gifts. For example, you can witness your children or grandchildren enjoying the fruits of your labor, help loved ones pay for education or medical expenses, or transfer business interests to the next generation.

By spreading out distributions over time from a controlled vehicle, trusts can help prevent your children or other heirs from squandering assets. Also, they can provide incentives for desired behaviors. For example, a beneficiary may be required to graduate from college or remain gainfully employed to fully benefit from the trust. Trusts can also serve as a safety net by making assets available to your loved ones in times of true financial need.

Plenty of reasons

Whether you expect your estate to weigh in above the estate tax exemption amount or just want to be around to see family members enjoy the bounty, there are plenty of reasons to make lifetime gifts. Contact your financial or estate planning advisor to discuss possible options. ■

How to find lost 401(k) plan accounts

People who frequently change jobs may accumulate multiple 401(k) plan accounts. However, it's possible to lose track of at least some retirement savings over time. According to Capitalize (which helps people find lost accounts), approximately 29 million 401(k) accounts have been forgotten. These accounts collectively hold around $1.65 trillion in assets. Here's how to hunt down retirement plan money that belongs to you.

Look here first

The U.S. Department of Labor's (DOL's) Retirement Savings Lost and Found Database (lostandfound.dol.gov) can assist you in your search. This database enables individuals to search for retirement plans linked to their Social Security number using a Login.gov account. It's important to note that the database may not be comprehensive. Therefore, you'll want to supplement this search with other methods. For example:

Review your personal records: Examine past income tax returns, W-2 forms and any job termination documents for details about your 401(k) contributions, withdrawals or transfers, and plan providers.

Contact former employers. Reach out to the HR or benefits department. Employees there should be able to provide information about the business's 401(k) plan administrator and the status of your account.

Check an online database: Visit the National Registry of Unclaimed Retirement Benefits (unclaimedretirementbenefits.com) to identify any accounts associated with your name.

Consult Form 5500 filings: These filings provide information about retirement plans and can be accessed through the DOL's website (dol.gov).

Ask your financial advisor: If locating accounts proves too challenging, financial professionals may be able to assist in tracing and consolidating your retirement accounts.

Manage found funds

If you discover one or more 401(k) plan accounts containing funds, you have a couple of choices. For example, you might leave an account that's still part of a former employer's plan where it is for now. Another option is to roll over any account into your current employer's plan. This can help simplify account management. Or you can roll it over into an IRA account. It's generally a good idea to compare rollover options and choose the one that will provide you with the best investment choices, lowest fees and easiest management tools.

Finally, you can cash out found 401(k) plan accounts. But unless you're age 59½ **or older**, you'll probably incur early withdrawal penalties. And whenever you withdraw 401(k) plan funds, you'll owe income tax on the amount.

You'll need it

If you've saved money for retirement, don't lose track of it! You'll probably need it. Contact your financial advisor for help in tracking down lost 401(k) plan accounts. ■