

## NEED TO SAVE FOR COLLEGE? Here Are 3 Alternatives to Consider

### Cabanas Law Firm

In today's and tomorrow's high tech economy, education beyond high school is a must for career success. Yet college is expensive. Few families can afford to pay the full costs out-of-pocket.

Sure, financial aid is available, but needs-based financial aid is not free. It always has a significant loan component. Student loans can be a burden your children or grandchildren carry for years into adulthood delaying marriage, children, and purchase of a home. Student loans may even jeopardize your retirement security. Saving for college is a much smarter choice than relying on financial aid that may or may not materialize in the future.

Here is an overview of three different vehicles that are specifically designed to help you save for college expenses while providing you with tax benefits:

- 529 savings plans.
- 529 prepaid tuition plans.
- Coverdell accounts.

529 savings plans are the most flexible of the three. Many different plans with different investment choices are available. Every state offers at least one plan. There are no limits on the amount of annual contributions, who can be a beneficiary, the age of the beneficiary, or the income of the saver. Tax-free distributions from the plan can be used to pay most education expenses at virtually all accredited colleges and universities and vocational schools.

529 prepaid tuition plans, which allow you to lock in tuition at current prices, are more limited. They are designed to be used primarily at public colleges and



universities. Just a few states offer these plans and most restrict participation to state residents. There is, however, one 529 prepaid tuition plan sponsored by several hundred private colleges. Although these plans can be used to prepay tuition and fees at non-participating schools, you will get the best value if your student attends a participating school.

Coverdell Educational Savings Accounts are similar to 529 savings plans, but have many more restrictions.

Contributions to the account can be made only while the beneficiary is under the age of 18. The annual investment for any beneficiary may not exceed \$2000. The contribution ceiling is reduced and then phased out entirely for higher income individuals.

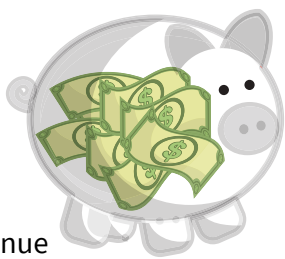
**Caveat:** Parents are often faced with the dilemma of whether to save for their own retirement or their children's education. It can be a tough choice. Many parents understandably are tempted to prioritize their children's education thinking they'll have plenty of time to build their nest egg once the kids are launched.

Most experts think this is a mistake. Generally they advise that you make sure you are saving enough for your own retirement before you start college savings plans for your children. If your employer offers a 401(k) plan, make sure you max out your contribution and take full advantage of any match the employer offers. If not, open an IRA and make the maximum contribution each year.

## 529 SAVINGS PLANS

These plans are authorized by Section 529 of the Internal Revenue Code. Every state (except Wyoming) sponsors at least one 529 saving plan. The District of Columbia also has a 529 savings plan.

You can open a 529 savings plan to save for the college expenses of the beneficiary of your choice. Although you can name anyone as the beneficiary, even yourself, most people open accounts for their children or grandchildren.



Each plan has its own menu of investment choices, schedule of fees, minimum contribution, and maximum balance that can be held in the plan. Typical investments include stock and bond funds, CDs, and money market accounts. Many plans offer age-based portfolios that begin with more aggressive investments then shift automatically to more conservative options as your beneficiary nears college age. As with all investments, it is possible to lose money.

Contributions, which must be in cash, are not tax-deductible, but earnings accumulate tax-free in the plan. No income tax is imposed on withdrawals from the plan so long as they are used to pay your beneficiary's "qualified higher education expenses." "Qualified higher education expenses" encompass tuition; fees; books; supplies; and equipment including computers, software, and peripherals. Room and board are also "qualified higher education expenses" provided your beneficiary is enrolled at least half-time.

The funds can be used at any eligible post-secondary school, which includes most U.S. colleges and universities and some foreign ones. Vocational schools also qualify. In addition to college expenses, up to \$10,000 can be withdrawn tax-free from a 529 savings plan to pay for the beneficiary's elementary or high school tuition.

Withdrawals that are used for any purpose other than qualified education expenses are subject to income tax and a penalty. Tax and the penalty are imposed only on the portion of a nonqualified withdrawal that represents earnings. The portion that is the return of your contribution has already been subject to tax.

Contributions to a 529 savings plan are potentially subject to gift tax. However, if you keep your annual contribution below the annual gift tax exclusion amount (\$15,000 in 2018), no gift tax will be due. A special rule allows you to contribute up to five times the amount of the annual gift tax exclusion in one year and treat the contribution as though it were made evenly over a five-year period.

When you die, any balance remaining in your plan is not included in your estate for estate tax purposes with one exception. If you made a contribution above the annual gift tax exclusion that you are spreading out over five years and you die within that time, the portion of your contribution allocated to the years after your death will be included in your estate.

You are not limited to opening an account with your state plan. Most plans do not have residency restrictions. However, many plans offer state income tax benefits and other financial incentives to state residents.

## 529 PREPAID TUITION PLANS

529 prepaid tuition plans, also authorized by Section 529 of the Internal Revenue Code, allow you to prepay some or all of a student's tuition and fees at participating institutions. Typically room and board are not included. You buy units or credits at today's prices for use when the student enrolls in the future. A 529 prepaid tuition plan freezes tuition costs at current levels.

A prepaid tuition plan can be an especially attractive option if your student is nearing college age and you don't have much time for a contribution to a savings plan to grow. However, there are a limited number of plans available. Only about 10 states offer them and they are subject to a number of restrictions.

These plans are designed for use at public colleges and universities within the state offering the plan. Most, but not all, state-sponsored prepaid tuition plans require you or your beneficiary to be state residents. If you invest in another state's prepaid tuition plan, your beneficiary may need to pay the difference between in-state and out-of-state tuition when he or she enrolls.

If the beneficiary goes to a college that does not participate in the plan (i.e., a private or out-of-state

college), units/credits can be converted for use at that institution. The conversion formula depends on the plan, but you could get less than you would have had you put your money in a savings plan. The same is true if you want to cash out of the plan.

Before investing in a state prepaid tuition plan, you want to know whether the state guarantees your units/credits. If not, it's possible that you could be required to pay more when your beneficiary enrolls if costs at the participating schools rise more sharply than expected.

If you find your choices of state prepaid tuition plans are too limited, you may be interested in the Private College 529 plan. This is a prepaid tuition plan offered by several hundred private colleges. See [www.privatecollege529plan.com](http://www.privatecollege529plan.com). The plan allows you to purchase tuition certificates for use at participating schools. The participating schools own the plan and guarantee the value of your certificates.

The income and gift and estate tax consequences for contributions to and distributions from a 529 prepaid tuition plan are generally the same as those for 529 savings plans. Contributions are made in after-tax dollars. No tax is imposed when your units/credits are applied to your beneficiary's tuition and fees. If you cash out and use the funds for any purpose other than your beneficiary's qualified higher education expenses, income tax and a penalty are imposed.

Contributions are a gift but are not taxable if kept under the annual exemption amount.

## COVERDELL EDUCATION SAVINGS ACCOUNTS

Like 529 savings plans, Coverdell ESAs are saving accounts set up to pay the qualified educational expense of a designated



beneficiary. These are federal, rather than state, sponsored plans so they can be opened at most banks and other IRS approved financial institutions.

However, they are subject to a number of restrictions that don't apply to 529 savings plans.

When the account is opened and when contributions are made, the designated beneficiary must be under 18 (or have special needs). No contributions can be made to a designated beneficiary's Coverdell account after she or he turns 18 unless the beneficiary is a special needs beneficiary. The balance in the account must be distributed within 30 days after the beneficiary turns 30.

Contributions must be in cash, but you can invest in any investment offered by the institution at which you open the plan, other than life insurance contracts.

The total annual contribution limit for a single designated beneficiary is \$2000. The \$2000 limit applies even if more than one individual contributes to a beneficiary's Coverdell account and even if more than one Coverdell account has been opened for the same beneficiary.

In 2018, if your annual income is \$110,000 or more (\$220,000 for joint filers) you can't contribute to a Coverdell ESA. If your annual income is between \$95,000 and \$110,000 (\$190,000 and \$220,000), the \$2000 limit is gradually reduced. The limits are adjusted periodically for inflation.

The federal income tax treatment of Coverdell accounts is the same as the federal tax treatment of 529 savings accounts. Contributions are not tax deductible, but earnings accumulate tax-free. Distributions are tax-free to the extent they are used to pay the beneficiary's qualified higher education

expenses. The portion of a distribution that represents earnings and that is used for any purpose other than qualified education expenses is subject to income tax and a penalty. Distributions from a Coverdell ESA are also tax-free if used to pay the beneficiary's qualified elementary and high school education expenses.

## IMPACT ON ELIGIBILITY FOR FINANCIAL AID



Parents and grandparents are often concerned that the balance in a college saving account will make their student ineligible for financial aid. 529 plans and Coverdell ESA's generally have less impact on financial aid eligibility than other accounts that might be used to pay for college.

Under the federal formula for computing a student's resources, only a small percentage of the value of a 529 plan or Coverdell account owned by a custodial parent or dependent student is counted. Qualified distributions from these accounts owed by the custodial parent or dependent student are not counted as income. Distributions from accounts owned by anyone else, including a grandparent, are counted as the student's income and can decrease the student's need by as much as 50 percent of the distribution. However, strategies are available to minimize the impact of distributions from grandparent-owned accounts.

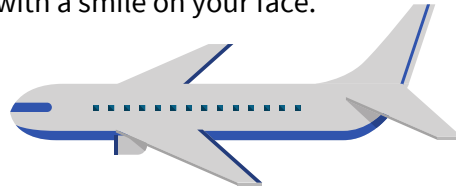
Even if a 529 or Coverdell account may reduce a student's grant money, it also will reduce the money the student or parent needs to borrow. A dollar saved today means less money that you or your student will need to borrow (and pay back with interest) in the future. Do not forgo college savings for the uncertain prospect of a larger aid package.



# 5 Time-Saving Airport Hacks

Spending any amount of time in an airport can be a frustrating experience. Seemingly endless security lines, the ever-increasing possibility of delayed flights, and outrageous airline fees can make even the most seasoned traveler long for a reprieve. With airport passenger traffic anticipated to increase further in most regions during the coming years, these problems are likely to persist.

However, there are many different ways to improve a visit to the airport, whether it's smarter packing, using technology to keep apprised of scheduling changes, or choosing flights in off-peak times. Follow the useful tips below to streamline your journey and arrive at your destination with a smile on your face.



## 1. SCHEDULE SMART

If you've ever been in an airport on a Monday morning, you already know that attempting to battle a wave of business travelers can be exhausting and end up costing you additional time...even if morning flights are overall less likely to be delayed. Similarly, weekend adventurers love to fly out on Friday to get a head start on their plans.

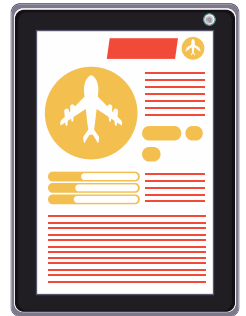
If your schedule will accommodate it, you can save a lot of time by picking flights on days like Tuesday or Wednesday when airports are

generally less crowded. Airlines usually have cheaper rates in the middle of the week, as well. If midweek days aren't an option, scheduling a Saturday evening flight can provide a more relaxing airport experience than Friday or Sunday, and of course, there is always the overnight "red-eye" option for those looking to arrive at their destination bright and early the next morning.

## 2. DOWNLOAD USEFUL APPS

Most major airlines now offer free travel apps that can help you stay organized and informed while reducing time spent on various airport tasks. Why print out your boarding pass when an app can store a digital copy for you? No need to waste extra minutes looking at massive walls of arriving and departing flights any longer; your app will tell you if your flight is on time or if the gate has been changed.

Many airports also now offer their own apps that can alert you to any traffic or parking issues, relay information about new restaurants and stores, and provide maps to get you where you need to go in the quickest, most efficient way possible. If your airport doesn't have an app, check the ubiquitous Google Maps for photos and reviews. You may stumble upon a piece of advice that could lead to a time-saving epiphany.





### 3. ENROLL IN AN EXPEDITED SECURITY PROGRAM

The Transportation Security Administration (TSA) and Department of Homeland Security offer several programs that can decrease time spent in airport security and customs lines. They are not free, but many people would gladly pay a small fee rather than brave an hour-long security checkpoint.

TSA Pre-Check is currently utilized by over 7 million travelers and a five-year membership can be obtained for \$85. The TSA website states that 94% of its Pre-Check members waited five minutes or less to clear security in July 2018. As an added bonus, enrollees in the program do not have to remove their shoes, laptops, small liquids, belts, or light jackets as they pass through the checkpoint, which both saves crucial time and eliminates what can be an awkward experience. To learn more, visit [www.tsa.gov/precheck](http://www.tsa.gov/precheck).

For international travelers, the Global Entry program may be more enticing. Participants touching down on United States soil from international destinations will be able to use a simple kiosk to clear customs. To further streamline things, no paper forms like declarations need to be filled out. Global Entry's five-year membership costs \$100 and includes TSA Pre-Check, though membership does require more initial screening. For more information, visit [www.dhs.gov/trusted-traveler-programs](http://www.dhs.gov/trusted-traveler-programs).

### 4. CHOOSE THE BEST LINES

If you don't have any interest in one of the aforementioned security programs, you'll inevitably get caught in a line at some point. However, there are ways to gauge which security lines will be the most efficient.

For example, security checkpoints in far-off corners of the airport are typically frequented far less than any in

plain view. While taking additional time to walk to one of these areas may seem counter-intuitive and inefficient, the shorter, quicker security check will save you additional minutes in the end. Use your newly acquired phone apps from Tip 2 to seek out sparsely populated access points.

Additionally, spotting a line with a single TSA agent will usually be the best option. Multiple agents at a single X-ray machine may indicate that one of them is a trainee, meaning that the supervising agent may stop the machine or reverse it in order to impart some wisdom. The lone wolf, on the other hand, will be all business and focused only on quickly analyzing luggage and getting passengers on their way.

### 5. AVOID CHECKED BAGS

While not always a possibility, particularly for longer trips, foregoing large suitcases that need to be checked will significantly speed up your airport experience and prevent unpleasant checked bag fees. You'll get to avoid the ticket counter as you depart (as long as you printed out your boarding pass ahead of time or added an electronic copy to your phone) and skip the burdensome baggage carousel upon arrival. You will also breathe easier without having to worry about airline staff losing your luggage.

To save space in your carry-on bag, try wearing large, bulky clothing like sweatshirts or jackets at the airport, thus freeing up precious cubic feet that can be used for other critical items. You can take them off and store them under your seat during the flight. Some travelers also swear by reusable vacuum-sealed bags that eliminate space you would otherwise waste on air within your carry-on. A quick Amazon search for "vacuum travel bag" or "compression travel bag" will get you started.



# 6 Easy Indoor Gardening Tips

Many of us struggle with properly caring for indoor plants, but keeping them happy and healthy doesn't have to be a mystery. With the correct application of water and light, along with selecting proper pots and soil, you can drastically strengthen any interior garden. Follow these quick and easy tips to bolster your green thumb.



## 1. POT PRIORITIES

It may seem counterintuitive, but plants can actually drown. To prevent this, select pots that have holes in the bottom. This allows for water drainage and will keep roots from becoming too hydrated. As for style, plants can grow in just about anything, but wood and unglazed clay containers will absorb more water than plastic or other non-porous materials, potentially robbing the soil of valuable moisture.

## 2. SOIL SELECTION

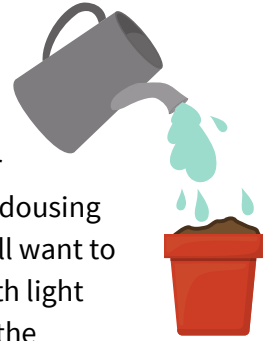
While gathering soil from your backyard may be tempting, avoid that urge and instead acquire potting soil from your local garden center. Normal ground soil can be tainted with insects, harmful fungi, and other nasty things that can damage often-delicate indoor plants. Potting soil, on the other hand, is specifically tailored for plant health and sometimes contains built-in fertilizer.

## 3. LOVELY LIGHT

Some plants love sunlight while others prefer shade. Certain versatile plants and flowers can deal with varying light sources. Before purchasing anything, think about your house. Where will the greenery live? Set your plants up for success by reading about their light preferences and selecting accordingly. Ask your garden center for assistance if need be.

## 4. WHEN TO WATER

As noted above, it is possible to easily drown many types of indoor plants via over-watering, so avoid dousing them every day. In general, you will want to keep the soil moderately moist with light watering. Once water drips out of the holes on the bottom of the pot, the soil is fully soaked and no more water is needed. Though tempting, refrain from spraying flowers and leaves, as this can cause damaging fungal diseases.



## 5. FREQUENT FEEDING



Over time, potted soil is robbed of its nutrients as plants absorb some and water washes the rest away. To rectify this, begin a feeding regimen to ensure your plant is receiving the very best sustenance. A wide variety of easy-to-use fertilizers, including those that are time-released, can be acquired online or at any garden center.

## 6. TIMELY TRIMMING

If you want your plants to keep growing, cutting off dead or faded flowers and leaves is essential. This sends a message to the plant that it should produce new foliage. In some cases, a plant with many faded portions may even need to be drastically trimmed back to a fraction of its existing size. In such cases, reduce the plant to about 1/3 of its current proportions. It will thank you by roaring back in a week or two.



# Super Easy Fish And Veggie Gratin

**Prep 30 mins | Cook 30 mins | Yield 6 Servings**

**An easy weeknight fish that is good enough for entertaining and requires only 30 minutes of prep time. This fish gratin is built with layers of vegetable and panko-coated fish, then topped with a sprinkling of cheese that binds it all together.**

## INGREDIENTS

3 T unsalted butter  
1 1/2 pounds mushrooms, sliced  
3 cloves garlic, minced  
2 pounds fish fillets, such as sole, mahimahi, tilapia or cod  
3/4 cup panko or other bread crumbs  
1 1/2 pounds tomatoes, sliced  
6 ounces gruyere or swiss cheese, grated  
2 T parmesan cheese, finely grated (optional)

## INSTRUCTIONS

Heat oven to 350 degrees. Heat the butter over medium heat until melted and it begins to bubble. Add mushrooms and garlic and saute for about 10 minutes, stirring occasionally.

While the mushrooms are cooking, dry the fish and season the fillets on both sides with kosher salt and fresh cracked pepper. Put the panko on a plate and dip the fillets in the panko, coating each side of the fillets.

Spread the sauteed mushrooms in the bottom of a glass or ceramic 13" x 9" x 2" pan. Layer the fish fillets over the mushrooms. If you are using thicker fillets such as mahi mahi, the fish will not overlap. If you are using thinner fillets such as sole, the fillets may overlap a bit. Some overlap is OK.

Layer the tomato slices on top of the fish and sprinkle the grated cheese on top of everything. Add the optional parmesan cheese last. Bake for 30 minutes. Cut into squares and serve while hot.

