ISB

TRUST & WEALTH MANAGEMENT

PROFIT PULSE: STAY INFORMED, INVEST INGELLIGENTLY

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SAVING FOR COLLEGE WITH 529 PLANS

There are several tax savings benefits that can be received by opening a 529 college savings account. Any earnings grow tax-free and qualified withdrawals may be free from federal and state income tax.

A 529 college savings plan is a type of investment account that can be used for education savings and is usually sponsored by a state. The name “529” comes from Section 529 of the IRS tax code, which gives these plans special tax breaks to encourage saving for education.

Accounts can be opened by almost anyone, there are no income limits, and anyone can contribute. You can use a 529 account to pay for qualified higher education expenses at most colleges and universities, and also at many technical, trade, vocational, and career schools.

Who can open an account?
A 529 account can be established by an individual, certain legal entities, a custodian under a state’s UGMA or UTMA statute, or a trustee of a trust. There are no income or residency requirements.

Who can be a beneficiary?
A beneficiary can be a future student and may be an individual, including the account owner, of any age. The beneficiary must have a valid Social Security number or taxpayer identification number. Each account can have one designated beneficiary.

Who can make contributions?
Parents, grandparents, or other relatives—anyone, really—can contribute to a 529 account on behalf of the beneficiary. All funds contributed to the account are controlled by the account owner.

Tax Advantages
When you invest with the Illinois 529 Bright Directions College Savings Program, you have the potential to benefit from multiple tax advantages that could help you accumulate more dollars for college. For additional information, consult with your tax professional.
Each year, Illinois taxpayers can deduct contributions made to Illinois 529 plans up to:

- $10,000 per individual taxpayer
- $20,000 for a married couple filing jointly

> *“If a man empties his purse into his head, no man can take it away from him. An investment in knowledge always pays the best interest.”*
> *Benjamin Franklin*

TIP OF THE MONTH:

SCHOLARSHIP TIPS AND TRICKS!

As the cost of higher education continues to rise, finding ways to fund college expenses has become more important than ever. Scholarships offer a fantastic opportunity for students to reduce their financial burden and invest in their future without the weight of student loans. However, the process of finding and applying for scholarships can be overwhelming. To help you navigate this journey, we've compiled a list of essential tips to increase your chances of securing scholarships. Whether you're a high school student just starting the search or a college student looking for additional funding, these strategies will guide you toward scholarship success.

- **Start Early:**
  - Begin the scholarship search as early as possible, ideally during the student's junior year of high school. Many scholarships have early deadlines, so early preparation can ensure no opportunities are missed.
- **Use Scholarship Search Engines:**
  - Utilize reputable scholarship search engines like Fastweb, Scholarship.com, and the College Board’s Scholarship Search. These platforms can help identify scholarships that match the student’s profile.
- **Local Scholarships:**
  - Look for local scholarships offered by community organizations, businesses, and foundations. These often have fewer applicants, increasing the chances of winning.
- **Tailor Applications:**
  - Customize each scholarship application to align with the specific requirements and goals of the scholarship provider. Highlight relevant achievements, experiences, and goals that match the scholarship criteria.
- **Stay Organized:**
  - Keep a calendar of scholarship deadlines and requirements. Create a checklist for each application to ensure all components are completed and submitted on time.
- **Write Strong Essays:**
  - Focus on crafting compelling, personal essays that tell a unique story. Proofread and edit essays multiple times, and seek feedback from teachers or mentors.
- **Get Letters of Recommendation:**
  - Request letters of recommendation from teachers, coaches, or community leaders who know the student well. Provide recommenders with sufficient notice and information about the scholarship to write a strong letter.
- **Apply for Many Scholarships:**
  - **Apply to as many scholarships as possible to increase the chances of receiving financial aid. Even smaller scholarships can add up to significant savings.**

FINANCE 101: SIMPLIFYING THE COMPLEX

UNDERSTANDING UTMA AND UGMA ACCOUNTS

What are UTMA and UGMA Accounts?

UTMA and UGMA accounts are types of custodial accounts where the assets are held in a child’s name but managed by an adult (the custodian) until the child reaches a certain age. These accounts are ideal for parents, grandparents, or other family members who want to set aside money for a child’s future expenses, such as education, a first car, or even a down payment on a house.

Purpose of UTMA and UGMA Accounts

The primary purpose of these accounts is to save and invest money on behalf of a minor. The funds in these accounts can be used for various expenses that benefit the child, making them versatile tools for future planning.

Key Differences Between UTMA and UGMA

While both UTMA and UGMA accounts serve similar purposes, they differ in the types of assets they can hold:

- UTMA Accounts: These accounts can include a broader range of assets, such as real estate, patents, and works of art, in addition to financial assets like cash, stocks, bonds, and mutual funds.
- UGMA Accounts: These accounts are more limited in scope, holding primarily financial assets like cash, stocks, bonds, and mutual funds.

Control and Access to the Accounts

A key feature of both UTMA and UGMA accounts is the transfer of control to the child at a specified age, known as the age of majority. This age is typically 18 or 21, depending on the state in which the account is held. Until the child reaches this age, the custodian is responsible for managing the account and making decisions on behalf of the child. Once the child comes of age, they gain full control of the account and can use the funds as they see fit.

Tax Benefits of UTMA and UGMA Accounts

One of the attractive aspects of UTMA and UGMA accounts is the tax benefit they offer. The earnings on the assets in these accounts are taxed at the child’s tax rate, which is usually lower than the custodian’s tax rate. This can result in significant tax savings over time, making these accounts an efficient way to grow savings for a child’s future.