

Tax-Advantaged College Savings Programs



Education is one of the most valuable resources you can give to enhance the lives of your children and grandchildren in a truly meaningful way. As you look to support your family in their educational endeavors you should consider funding a [Qualified State Tuition Program \(QSTP\)](#).

The QSTP is a flexible, tax-advantaged college savings program that should be seriously considered by anyone who expects to support another's higher education costs. This program, authorized by Congress, is available in most States and allows both donors and beneficiaries to receive special tax treatment. Sometimes referred to as a "Section 529 Plan," Congress first introduced this program several years ago to ease the burden of the increasing costs of college education. QSTPs now offer *unsurpassed income tax breaks*.

QSTPs currently provide:

✓ **TAX-FREE GROWTH AND DISTRIBUTIONS**

Investments in QSTPs grow tax-free and distributions for qualified educational expenses, made after Dec. 31, 2001, are tax-free. Qualified expenses include tuition, fees, books and supplies, as well as some room and board expenses.

✓ **FLEXIBILITY**

You can invest in ANY state's program and the funds can be used at ANY qualified institution, even in a state other than your residency and other than the investment site.

✓ **ESTATE AND GIFT TAX ADVANTAGES**

Contributions are considered gifts for federal gift and estate tax purposes and qualify for the \$10,000 annual gift tax exclusion. In addition, an initial contribution of \$50,000 per beneficiary (\$100,000 for married couples) is treated as a tax-free gift made over a five-year period. The removal of these funds (and their anticipated growth) from your estate will result in lower estate taxes as well.

✓ **THE DONOR CONTROLS THE ACCOUNT**

As owner of the account, the donor retains significant control. The donor chooses initial investment based on a program's qualified options. The owner determines when distributions may be made, can change the beneficiary and the selected State program and can even revoke the funds (although penalties may apply).

✓ **HIGH CONTRIBUTION LIMITS**

Each State sets a limit on contributions, some as high as \$240,000 per beneficiary. Generally limits are based on a forecast of qualified higher education expenses.

City National Securities, in conjunction with a major capital management firm, can help you implement this great tax-favored technique. For further information, please contact us at (800) 280-1464.

Important Notice: City National Securities, as a matter of policy, does not give tax, accounting, regulatory or legal advice. The effectiveness of the strategies presented in this document will depend on the unique characteristics of your situation and on a number of complex factors. Rules in the areas of law, tax, and accounting are subject to change and open to varying interpretations. You should consult with your other advisors on the tax, accounting and legal implications of the proposed strategies before implementation.

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