Making The Grade With 529 College Savings Plans

By Rich Calvario, Vice President, Pershing, a BNY Mellon company

If you are an advisor, you are likely familiar with the growth in popularity in 529 college savings plans. Nationally, 529 assets now exceed $235 billion.¹ You may be just as familiar with some of the reasons advisors cite for not introducing these plans, such as “they are a lot of work for the ticket amount.” We believe that advisors who take this approach are limiting their businesses and ability to provide holistic client service.

As manager of the 529 Plans Platform at Pershing, I encounter many advisors who have found a successful niche serving their clients through 529 college savings plans. These advisors are well versed in college costs, the technicalities of tuition, scholarships and financial aid, as well as college funding strategies. This gives them a unique position in the financial services industry—an area of need for many families.

On the flip side, I also see huge untapped opportunities. Many advisors are not taking advantage of the opportunities and benefits 529s can provide—not only for their clients but also for their own business.

An Advisor’s Perspective

“From a client standpoint, if you can help his or her child get ahead, then you’re golden,” explains Fred Amrein, a founding Principal at Amrein Financial and member of the National College Advocacy Group Board of Directors (NCAGonline.org). Most parents, especially those who are late to the planning game, are looking for options for college funding. Educating yourself, and knowing your client’s financial situation, commitments and choice of schools, are essential to proper planning.

Advisors should focus on helping clients understand the long-term consequences of a 529 plan. Since a financial aid professional from any given school can only answer basic questions about financial aid, Amrein suggests that advisors become well versed in college planning and financial aid, rather than just incorporate 529 plans into their practice.

To Work Successfully with 529 Plans:

1. **Know the client’s financial aid position over the four plus years the child will be in school**—e.g., level of financial commitment and if another child will be entering school during this time.
2. **Understand the school’s gifting policy**—what merit or need-based financial aid is available directly from the school?
3. **Review the client’s financial resources**—such as other 529 plans, cash savings, mutual funds and other investments.
4. **Get to know tax strategies** that could help clients take full advantage of their assets, including a 529 plan.
5. **Determine how your client will finance any shortfalls** during the four plus years of college, such as emergencies or other unforeseen needs for cash.

Before Making a Recommendation, Consider the Following:

1. **Most states have their own plans and the in-state benefits could be significant.** Be sure to review your client’s in-state plan before you make a recommendation.
2. **What flexibility do your clients need?** Clients can make two adjustments per year under each plan’s beneficiary.
3. **529s can have limited investment options.** While plans generally cover all the traditional asset classes they do not reflect all the available investment choices in the market.

¹ 529 College Savings Quarterly Data Update, Q2 2015, STRATEGIC INSIGHT, an Asset International Company.

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4. If working with grandparents living in a different state, review both the beneficiary’s and the grandparents’ state 529 plans and how each may affect financial aid before determining which plan to use.

The 529 Solution

Before discussing 529 plans with your clients, first educate yourself about the total college funding solution, as 529 plans are only a part. Amrein compares this to helping your clients plan their retirement when you are only familiar with IRAs. “Your goal is to help your clients maximize their financial resources and lower out-of-pocket costs for college—529 plans can often be an integral part of that solution.”

Specializing in college planning may not be the answer for every advisor, but getting a deeper education in this area could put you at the head of the class in addressing a primary savings objective for many of your clients.

About The Author

Rich Calvario is a Vice President for Pershing, a BNY Mellon company, where he manages the Pershing mutual fund and 529 plans platforms. He also serves as a board member for the College Savings Foundation.

Pershing does not provide tax or legal advice. This article is intended to provide general information. Clients should be advised to consult with a legal or tax advisor about their individual situation before implementing any strategies described, establishing, maintaining, changing or taking distributions from a 529 college savings plan.

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