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Lesson Plan: How to Revive Your 529 Investments

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The investments inside your 529 account should be consistent with your risk level. Your risk level should be based on the duration of your goal and volatility tolerance. For example, you may be able to accept a low risk level if your beneficiary is 15 years old and the duration of your goal is three years. As another example, you may be able to accept a high risk level if your beneficiary is 15 years old and the duration of your goal is 10 years.

Wile many 529 investors know investment income is tax-free if the money is used for qualified college expenses, they do not know 529s are one of the most powerful, lowest cost estate planning vehicles. Contributions made to a 529 are removed from your estate. Unlike most estate planning solutions that remove assets from estate and leave little control over investments and beneficiaries, the 529 allows owners to change investments and beneficiaries every year. Because 529 owners can name a successor to the account when they pass away, a 529 can be used for multiple generations – without taxation.

In addition, you can contribute up to $65,000 to an unlimited number of beneficiaries. If you are a married couple you can contribute $130,000 to each of your 4 children, 16 grandchildren and 64 great grandchildren. This will reduce your estate by almost $11 million. You can repeat this process every five years.

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