

Concepts for a better financial future that starts today. Building for generations ahead using Targeted Solutions with Life Capitalized. ©



**Helping clients take control of the banking function in their lives.**

We help families and businesses develop safe, flexible, and tax efficient savings systems using privatized banking concepts designed with life insurance and other financial services.

Contact Troy today to learn more about your options for College savings and any other financial goals you may have.

Call: (646) 580-5189  
Email: [tbarrow@aipsny.com](mailto:tbarrow@aipsny.com)

## College Saving Plans 529 Plan vs Life Insurance

Targeted Solutions with Life Capitalized ©

**Troy Barrow, LUTCF**  
President  
Financial Professional



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## College Saving Plans

### 529 Plan vs Life Insurance

Are your children planning to go to college? That's great news, but it's also a huge financial obligation. It's smart to have a savings strategy in place long before your kids step foot on campus to ensure you have the funds they'll need.

Many people consider 529 plans for this purpose. A 529 college savings plan is a specialized savings account that is used to save money for college. Named after section 529 of the IRS tax code, which was added in 1996, 529 college savings plans provide families with several tax and financial aid advantages. Please note that 529 plans owned by college students or their parents count as assets and reduce need-based aid.

Contributions to a 529 plan are made from after-tax dollars. Earnings accumulate in a 529 plan on a tax-deferred basis. Qualified distributions from a 529 plan are entirely tax-free. These plans offer tax-free withdrawals only when the funds are used to pay for qualified education expenses. It's an investment account with a specific goal.

According to the College Savings Plan Network, there is now \$258.2 billion being held in 529 plan accounts, an increase of 5.6 percent over last year<sup>1</sup>. Most of that growth has come from new plans rather than people putting more money into existing ones.

<sup>1</sup> <https://www.collegesavings.org/529-plan-data/>

## College Saving Plans

### 529 Plan vs Life Insurance

Despite all that growth, many people are questioning whether 529 college savings plans are in fact the best vehicle to use for their college savings needs. While 529 plans were designed to encourage saving for college, they're other good and valuable solutions out there.

Here enters Dividend Paying Whole Life Insurance, preferably issued by a Mutual Life Insurance Company.

A whole life policy provides a set amount of coverage for your entire life. If you pay premiums, your beneficiary will receive the benefit amount upon your death. Whole life policies also build up "cash value" from part of the premium being invested. Life insurance policies that build cash value are a viable alternative and it is possible to get the same tax benefits from certain insurance policies as offered by 529 plans when they're designed and managed well. Plus, whole life insurance can offer more flexibility to access your money if you have other financial goals and obligations, and if you have any doubt that your kids will go down the college path. Your available cash value can be used at your discretion.

If a whole life insurance policy is purchased, the built-up cash value can be used for a tax-free loan to fund college expenses later. Just as with a 529, withdrawing the cash value in the policy is taken tax-free, but now you can use those funds to finance any type of expense...like a condo.

## College Saving Plans

### 529 Plan vs Life Insurance

	529 plan	Life insurance
Typically easy to buy	✓	✓
Flexible contributions	✓	
Investment returns	✓	✓
Interest	✓	✓
Tax-free growth	✓	✓
Flexibility with funds		✓
Financial aid impact	✓	
Fees	✓	✓

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