

Introduction

The Polaris Agency is pleased to announce that Steven Rashba will be doing some work for us. Steve will be writing "The Rashba Resource Guide" which will appear in the What's Hot section of the Web Site. Please be sure to check "What's Hot" regularly for this information. Steve will also be participating in selected Polaris meetings and workshops throughout the year.

Steve worked for the Agency as Vice President of Insurance Marketing for five years and is currently on the business school faculty of a local university.

We hope that these articles provide you with some technical/sales ideas that can help you service your clients.

What's Hot?

College funding continues to be a "hot" topic in financial planning circles. Most of the talk recently has focused on Section 529 Plans. The unanswered question that many of us have is if these plans will survive or if they will fall victim to the "sunset provision."

What other options are available for college/education savings? One good answer is The Coverdell Education Savings Account, formerly known as The Education IRA. It allows for up to \$2,000 to be contributed to a child's plan (ESA) annually. Much like with a Roth IRA, contributions are made with after-tax dollars but distributions are tax free---provided they are used to pay for qualified higher education expenses.

Are contributions limited?

There are several important limits to consider. First, the child-beneficiary must be under 18 years of age. Second, there are some AGI limitations (adjusted gross income). To be specific, the \$2000 annual contribution maximum is phased out for individuals with AGIs exceeding \$95,000 and eliminated at AGIs over \$110,000. The contribution is phased out for joint filers at \$190,000 and eliminated for those with AGIs exceeding \$220,000.

What happens if the child-beneficiary decides not to attend college?

Distributions from the plan must be completed by the child's 30th birthday to avoid ordinary income taxes and a 10% excise tax. However, any balance can be "rolled over" to another Coverdell ESA for another family member.

Overall, the Coverdell ESA is a simple vehicle designed to encourage parents and students to save for higher education expenses. For more information, please call Chris and/or Mike. The Polaris Agency can help design an ESA for your clients.

Are there other college funding/planning strategies?

Yes! The next article will address some “other” college funding options and strategies.

If you have any questions please contact Chris Dwyer cdwyer@polarisagency.com or Mike Gilbert mgilbert@polarisagency.com