



529 Savings – Not just for your kids

As the Baby Boomers begin to enter (or think about) retirement, most of them won't be content to sit in the easy chair and watch the television all day. Many are choosing a more active retirement, full of travel, finding new hobbies or learning something new. For those looking to learn a new skill or become better at their favorite hobby, heading "back to school" often becomes an appealing idea. This could be a class at the local community college or university or through an online learning program.

In the past, P&A has written about 529 college savings plans as great options for children or grandchildren, but you can also take advantage of these plans for yourself while in retirement. If you take a class from an educational institution that is eligible for "Title IV federal student aid", you can often use dollars from a 529 account to pay for the course costs. One benefit of 529 plans, which can be of interest to retirees, is the potential income tax savings. Many states let you deduct 529 contributions as one way to reduce state income taxes. For example, Nebraska allows deductions for contributions to 529 plans up to \$10,000.

As retirees start to take RMDs (required minimum distributions) from their retirement accounts and collect Social Security, they generate income...and taxes. Utilizing a 529 to fund some of your retirement learning can be a great way to stretch your retirement dollars. The amounts might not be huge, but there is nothing wrong with keeping a few extra dollars away from Uncle Sam. For example, if you live in Nebraska and contribute \$10,000 to a 529 plan, you could reduce your state income taxes by almost \$700 (assuming you are in the 6.8% NE tax bracket).

So, if you are thinking about learning how to turn the pottery lathe, becoming an amateur photographer or taking up a musical instrument, give us a call. We'd love to hear about your planned adventures and talk about how you might be able to pay for these classes and save a few tax dollars while you are at it.

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