"The gift that keeps on giving"

By Tommy Williams, CFP®

Thanksgiving has come and gone, and the evening streets are slowly starting to twinkle with Christmas lights. The smell of a warm fire, and fresh pine tickle your nose. You're humming *"Baby It's Cold Outside"* along with Bing Crosby and Doris Day on the record player (or rather, iPod). On a scale from one to Clark Griswold, your Christmas spirit is rising with each day.

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And then you snap out of it when you remember your niece just had triplets, and your nephew is bringing his new girlfriend home for Christmas – oh, what's her name again? Your sister just got remarried, and added five children to the family tree. Or was it six? Your daughter's in-laws will be here for Christmas – not just her mother and father-in-law – the whole gang. Are you writing all of this down?

It looks like you have quite a few gifts to buy this year and that can be very overwhelming. While the latest gadgets are exciting to open on Christmas morning, there are other gifts that might prove much more valuable in the long run.

If you have friends or relatives with young children, consider starting or contributing to a 529 College Savings Plan. It's a great way to fund a future education and, let's face it, really young children often enjoy the box and wrapping more than the gift.

The College Board reported the average cost of tuition, fees, room, and board for in-state students attending a public four-year university is expected to be about $20,000 for the 2016-17 school year. At that rate, the average cost for four years of college would be about $80,000. Since two-thirds of students received financial aid during the 2014-15 school year, the following example estimates out-of-pocket college costs at $60,000.

Consider the cost of each option for this fictional family:

- **Borrowing to pay for college:** The Smiths borrow $60,000 at 5 percent interest to pay for 18-year-old Joe Smith's college tuition. Over the next 10 years, they repay the principal, plus about $16,400 in interest. By the time Joe is 28, and the loan is repaid, his undergraduate degree will have cost about $76,400.

- **Saving to pay for college:** Alternatively, the Smiths could open a 529 Plan account for Joe Smith when he was born. If his family contributed $2,100 a year to the account and earned 5 percent each year, at age 18, Joe would have about $62,000 for college. His family would have contributed about $37,800 and earnings in the account would have contributed about $24,200.[1]

  The difference in the amount this fictional family would spend on college is about $38,600.

529 plans offer other advantages, too. Any earnings plan accounts grow federally tax-free, and distributions are tax-free as long as the money is used for qualified college expenses. Many states offer tax deductions or tax credits for 529 plan contributions, as well.

Any adult can open a 529 plan and fund it on behalf of a child. Once the account has been established, parents, grandparents, relatives, and friends can contribute. If you would like to learn more, contact your trusted financial professional. The holidays don't *have* to be a cause for anxiety this year.

However, some relatives are simply too difficult to gift. So, in your cousin Eddie's case, just get him a 12 month subscription to the Jelly of the Month Club. After all, that's the gift that keeps on giving *all year round!*

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. Prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary. Please consult with your tax advisor before investing. No strategy assures success or protects against loss. Investing involves risk including loss of principal. This material was prepared in part by Peak Advisor Alliance.

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Youree Drive, Suite 180, Shreveport, LA 71105.

[1]This is a hypothetical example and is not representative of any specific situation. Your results will vary. The hypothetical rates of return used do not reflect the deduction of fees and charges inherent to investing.