

529 Superfunding Calculator

Personalized Report

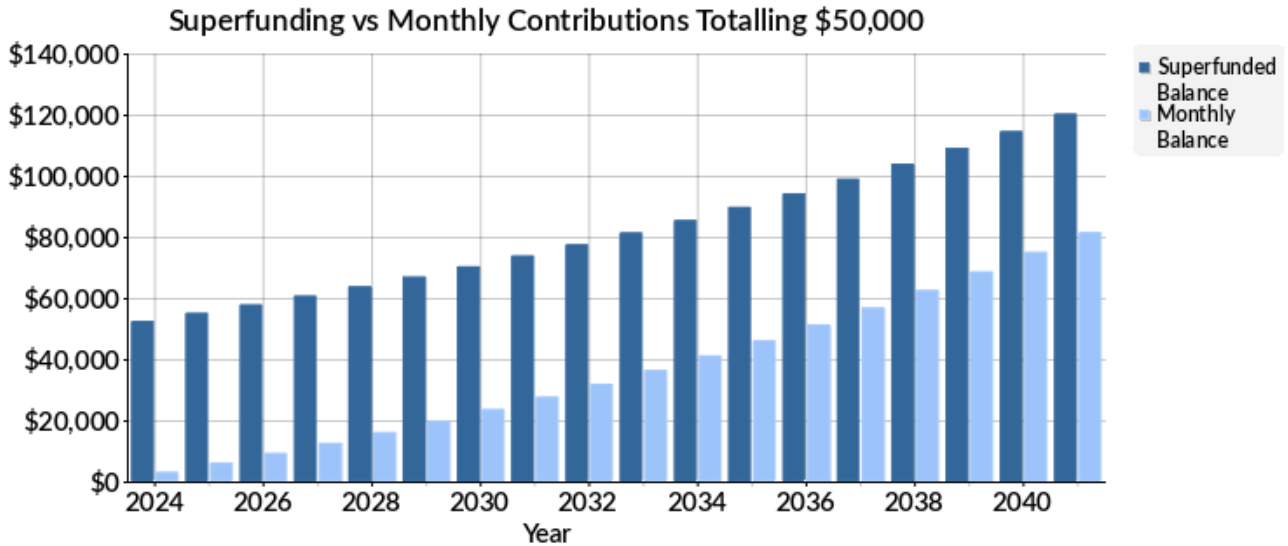


July 15, 2024



Superfunding vs Monthly Contributions

By superfunding your 529 plan with a lump-sum contribution of **\$50,000**, in **18 years** when your child is ready to enter college, your account balance will have increased to **\$120,331**. By dividing **\$50,000** into monthly contributions of **\$231** instead, your account balance will have only increased to **\$81,509**.



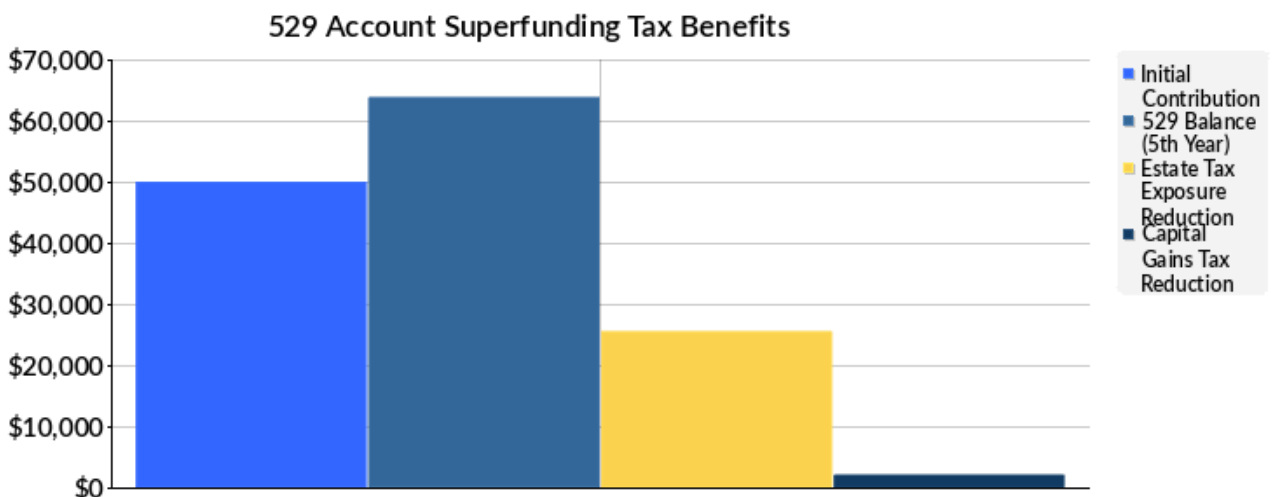
Tax Benefits

By superfunding your 529 plan with **\$50,000** today, after 5 years you and your spouse will have reduced your combined federal estate tax exposure by **\$25,526** and you will have saved as much as **\$2,072** in federal capital gains taxes.

The 5 year election will treat your 529 contributions as made ratably over five years, which means **\$5,000** per year for you and **\$5,000** per year for your spouse. You and your spouse will each have total gifts for this year of **\$6,000**. This year's total gifts includes the first-year portion of the 5 year election, any 529 contributions not eligible for the 5 year election, and any non-529 gifts made.

If your total gifts exceed the \$17,000 gift tax annual exclusion, the excess amount—i.e. your taxable gifts—are applied against your \$12.92 million (\$25.84 million per married couple) lifetime exemption. Your taxable gifts this year are **\$0**. Your spouse's taxable gifts this year are also **\$0**.

If you and your spouse wish to make contributions to your 529 plan that maximize the use of your combined annual exclusions, without exceeding them, the amount that you should contribute is **\$160,000** (combined).



What is "superfunding"?

The term superfunding refers to the act of making a large contribution to a 529 plan and electing to spread the gift over five years for gift-tax purposes. This is also known as accelerated gifting, as it allows for higher upfront contributions into a 529 plan without causing a taxable gift.

What is the 5-year election?

The 5-year election is available only in years when total contributions on behalf of a particular beneficiary exceed the gift-tax annual exclusion. In other words, contributions from a single donor totaling \$17,000 in any calendar year to a 529 plan for a grandchild would not be eligible for the 5-year election, but contributions totaling \$17,000 would be eligible. These figures are doubled for a married couple.

The 529 Superfunding Calculator assumes that married couples consent to gift-splitting, so that it does not matter which spouse actually makes the contributions.

Assumptions

Here are the assumptions you have input into the calculator. Feel free to try different assumptions.

Years to save:	18
Marriage status:	Married
Non-529 gift amount:	\$2,000
529 contribution amount:	\$50,000
Annual investment return:	5%
Estate tax rate:	40%
Capital gains tax rate:	15%