



Saving for College: Muddy 529 Plan Waters

Alan Werba, CPA, CFP®
Managing Member

Aaron Rubin, JD, CPA, CFP®
Sr. Wealth Manager

Werba Rubin Wealth
Management, LLC

10 Almaden Blvd.
15th Floor
San Jose, CA 95113

werbarubin.com

408.260.3138

There is a reason why the 529 Plan is considered the gold standard in saving for college: it represents the ability to put in after tax money into an account that grows tax free so long as the beneficiary uses the proceeds for qualified tuition expenses. All the earnings and capital gains are tax free, which, if started early can add up. States get to set the caps on their 529 plans. These caps range from \$235,000 all the way to over \$400,000. Once the beneficiaries account has reached these numbers, no additional contributions are allowed in that plan, although it can still grow with the market.

There are two important people in a 529 Account: 1. An owner, 2. A beneficiary. The owner has the power to pull money, make distributions, and change the beneficiaries (subject to some limitations). The beneficiary really has no rights. What is important to know is that if you want to change beneficiaries, the successor beneficiary must be a qualifying relative of the first. There is an IRS publication that details who counts as a qualifying relative, which is a rather long list.

Since 529 plans are run by the individual states, there are costs attached to each individual plan, as well as varying investment options. It is important that you understand these costs, and talk to an advisor about what plan is right for you. Lastly, should the money not be used for education, the earnings are taxed at ordinary rates, and are subject to a 10% penalty.

In a custodial account the child is the technical owner of the account. Their name and social security number are on the tax records that get reported to the IRS. The guardian, typically also the custodian, is supposed to act in the



child's best interest. Since the account legally belongs to the child, the guardian cannot use those assets to pay for things that they themselves are legally obligated to pay for (e.g., food, water, etc.).

Taxes can also be more complicated with a custodial account. Dividends and interest are taxed at ordinary rates, except where the dividends are considered qualified. When securities are sold there is either capital gain or loss associated with that sale. All of the income is placed on to the child's tax return. The issue is that often times the child gets taxed at their parent's rate for some of that income, which is commonly referred to as the Kiddie Tax.

The major benefit of a custodial account is that the money can be used for virtually anything. If the child does not go to college, they can use the money as a down payment on a house, or car. But that is also a downside. Once a child turns a certain age (at most 25), the custodian has to turn over the control of the account to the child. At that point the child can choose to do with the money as they please.

A Brief History of Sick People Tampering With Halloween Candy

MENTAL FLOSS - ETHAN TREX – 10/23/2014 – MENTALFLOSS.COM

Has anyone ever really handed out poisoned Halloween candy?

To random children? Not that we know of. In 1974, an eight-year-old Houston boy named Timothy O'Bryan died after eating cyanide-laced Pixy Stix while trick-or-treating. Although the poisoning initially looked like it might have been the work of a deranged homeowner, the investigation into O'Bryan's murder soon centered on his father, Ronald Clark O'Bryan.

A bit of digging revealed that Ronald O'Bryan had recently taken out hefty life insurance policies on both of his children, and police quickly built a case, albeit a circumstantial one, that O'Bryan had given both Timothy and his daughter, Elizabeth, the poison candy to try to collect on the policies. To help cover his tracks, O'Bryan also gave two other children cyanide Pixy Stix. Luckily, his daughter and the other two children had passed up the poisoned powders in favor of other treats.

O'Bryan was eventually convicted and executed for murdering his son. While his crime was certainly a horrific one, it was hardly the sort of random poisoning that parents fear.

Okay, so there's probably no poison in my kids' Halloween candy. What about razor blades and needles?

Now here's what you should really be worried about. Actually, "really be worried about" is too strong of a wording; let's say this is what should mildly concern you. Unlike randomly poisoned candy, there are verified reports of sharp objects being placed in random trick-or-treaters' candy. Fortunately, though, these incidents hardly qualify as an epidemic. In fact, they're really, really rare.

According to Snopes, since 1959 there have been around 80 reports of sharp objects adulterating food. The great bulk of those reports turned out to be hoaxes, and even when the stories turned out to be true, the needles or blades were usually placed in the food by a relative or friend who had a really boneheaded idea of what constitutes a good prank. Hardly the sort of crazed loners who should be keeping us awake at night.

Moreover, compared to cyanide poisonings, the potential downside of biting into a sharp object is fairly low. The worst of these verified reports resulted in someone needing to get a few stitches to close a cut in the mouth. While that would certainly be enough to ruin your day, and you should obviously still inspect your child's bag of Halloween loot, it's not quite as terrifying as keeling over with a Jolly Rancher in your mouth.

Has anyone been caught for one of these needle attacks?

Despite decades of parental worry, the first organized attempt to spoil Halloween with sharp objects didn't happen until 2000. That year James Joseph Smith of Minneapolis allegedly stuck needles in the Snickers bars he handed out to trick-or-treaters. While several of the children bit into Smith's nefarious bars, he could hardly claim a huge victim toll. The only injury was to a teenager who was pricked by one of the needles, and even he didn't need to go see a doctor for his relatively small wound. Police charged Smith with one count of adulterating a substance with intent to cause death, harm or illness.

This article originally appeared in 2010.