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“Change” for 529 Accounts—Rethinking Your Gifting in 2023

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For many clients, incorporating regular gifting strategies into their estate plan includes contributions to 529 plans. Since funds inside a 529 plan grow income tax free, this is a viable option for many clients looking to both save on taxes and contribute to their children’s/grandchildren’s education. There are, however, many clients concerned about the restrictions that such accounts place on their money, especially if a child or grandchild decides not to go to college. But a recent change in law may persuade clients otherwise.

With the recent passage of SECURE 2.0 Act in 2022, any unused money from a 529 Account may be rolled over into a tax-free Roth IRA by the beneficiary. This means that any funds that are not used for Qualified Education Expenses may continue to grow income tax free.

There are limitations on transferring funds from a 529 to a Roth IRA. A few are listed below:

- The 529 account must have existed for a minimum of 15 years prior to the rollover.
- The maximum amount of 529 Account funds that an individual may rollover into a Roth IRA is limited to \$35,000.



The passage of this change to 529 plans may allow many clients to reconsider incorporating contributions to 529 plans as part of their estate plan. If you have further questions, please feel free to reach out to your estate planning attorney at Flynn, Py & Kruse Co., L.P.A.

About the Author

Ryan J. Garman, Esq. is an estate planning attorney in the Sandusky office of Flynn, Py & Kruse Co., L.P.A. and focuses his practice on Estate Planning for Retirement Plan Benefits, Wealth Transfer Taxation, Charitable Planning, Asset Protection, Succession Planning for Closely held Businesses, and post-mortem tax planning and administrations. Mr. Garman is a member of the Ohio State Bar Association's Estate Planning, Trust and Probate Law section and has completed 9 credit hours of advanced LL.M. tax coursework in the field of estate and tax planning. Outside his practice, he enjoys long hikes with his wife and kids, running, and playing/teaching drums. Contact him at (419) 625-8324 or RGarman@FlynnPyKruse.com.

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