

Flourish Wealth Management

Quarterly Newsletter

JULY 2024

Welcome to the July edition of our newsletter! This quarter, we're excited to bring you insights from the Flourish Team, including our feature article on navigating college savings and understanding 529 plans. As always, we also have the latest market commentary to keep you informed about the financial landscape.

We hope you find this edition helpful and inspiring as you plan for your financial future. Enjoy the read and have a wonderful summer!

QUARTERLY ARTICLE

Navigating College Savings: Understanding 529 Plans

Explore Your College Savings Options



By: Kathy Longo, CFP®, CAP®, CDFP®
President and Founder

For many families, preparing for the financial impact of higher education is as crucial as a student's academic readiness. As tuition costs climb, the challenge of funding a college education becomes more daunting. Fortunately, several savings options, including 529 plans – which we strongly support here at Flourish – exist to aid families in managing these expenses. These savings options not only offer financial advantages, but they can also serve as critical tools in a broader strategy to support educational goals. Understanding 529 plans and other options, as well as how each might align with your financial goals, is essential in making an informed decision that could shape your child's future opportunities.

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Understanding 529 Plans: The Basics

Let's start with an exploration of this well-regarded option. A [529 plan](#) is a tax-advantaged savings plan designed specifically for education expenses. Sponsored by states, state agencies, or educational institutions, these plans are a popular choice for many parents and grandparents.

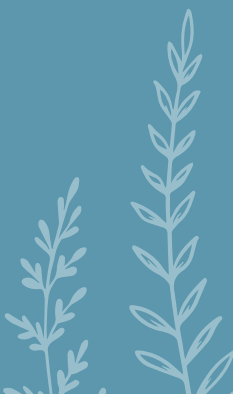
Understanding 529 plans requires learning about the two main types: savings plans and prepaid tuition plans. Savings plans are similar to retirement accounts, where your contributions are invested in mutual funds or similar investment vehicles, with the plan value fluctuating based on the investment performance. Prepaid tuition plans, conversely, allow you to pay for future tuition at today's rates at specific colleges, most likely saving on tuition increases.

529 Plan Advantages

The major draw of a 529 plan is that the earnings grow free from federal tax and are generally not taxed at the state level when used for qualified education expenses like tuition, mandatory fees, books, and even room and board. Additionally, many states offer further incentives such as tax deductions or credits to encourage saving for college through these plans.

An advantage we're always sure to share with our clients here at Flourish Wealth Management is that 529 plan expenditures are NOT limited to college. Recent changes in the law have expanded the range of qualifying expenses, allowing families to use 529 plan funds for a variety of educational costs before college. For instance, up to \$10,000 per year per beneficiary can be used for tuition at private, public, or religious elementary and secondary schools. Additionally, 529 plans can now cover expenses for apprenticeships, including fees, books, supplies, and equipment required for the program.

This flexibility makes 529 plans a versatile tool for managing educational expenses at different stages of a child's academic journey, providing significant financial planning advantages for families.



Considerations for 529 Plans

While the benefits of 529 plans are significant, it's important to consider some limitations. The investment options within these plans are often restricted to a selection determined by the plan's administrators, which might not always match your investment preferences. Furthermore, any non-qualified withdrawals—those not used for education expenses—are typically subject to income tax on the portion attributable to investment earnings, as well as being subject to a 10% federal tax penalty.

Alternative College Savings Options

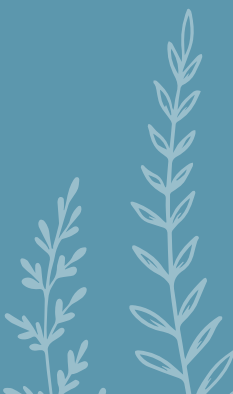
If a 529 plan doesn't feel like the right fit, or if you want to boost a 529 plan even more, there are other strategies to save for college:

Custodial Accounts (UGMA/UTMA)

[These accounts](#) facilitate savings that grow under the child's name and can be used for their benefit, offering a bit more flexibility than education-specific accounts. It's important to note that the funds become the property of the child once they reach the age of majority, which could have implications for their financial management and eligibility for financial aid.

High-Yield Savings Accounts

Offering the highest level of accessibility, “regular” savings accounts – preferably high-yield accounts – allow you to set aside money with no restrictions on withdrawals (although most accounts have a limit of six withdrawals per month). This liquidity might make them a good option for short-term college savings, but the lack of tax benefits means that the savings potential is not as high as with other accounts specifically designed for education savings. For this reason, high-yield savings accounts are best utilized in conjunction with other savings strategies to manage immediate liquidity needs while pursuing long-term educational funding goals.



Developing a Comprehensive College Savings Strategy

A robust college savings strategy takes into account your current financial situation, risk tolerance, the projected costs of higher education, and the timeline you have before these funds are needed. While understanding 529 plans is a good place to start, diversifying your approach may help balance the need for flexibility with tax efficiency. As financial landscapes and educational costs evolve, regularly reviewing and adjusting your plan is vital to stay aligned with your educational funding goals.

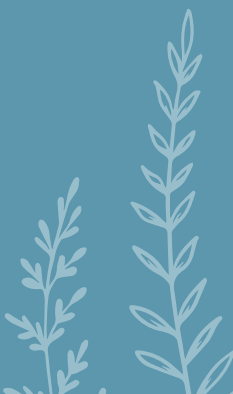
Flourish Wealth Management: Your Partner in Understanding 529 Plans

With various savings options at your disposal, making the right choice for your family's needs involves careful analysis and strategic planning. While we are strong proponents of 529 plans, our team approaches each client as an individual. Our goal is to learn about your unique needs and goals and help you develop a college savings strategy – and comprehensive financial plan – that meets you where you are.

For personalized advice and to explore which college savings plan best suits your family's needs, [consider reaching out to Flourish Wealth Management](#). Our team is dedicated to helping you navigate your options for an optimal approach to saving for college. Let us help you lay a solid foundation for your child's educational journey.

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MARKET COMMENTARY



MARKET COMMENTARY

Second Quarter 2024



By: Jay E. Pluimer, AIF®, CIMA®
Director of Investments

Market returns during the second quarter reflected mixed economic messages and a cloudy short-term outlook. Although the S&P 500 Index has set over 30 new all-time highs during the first six months of the year, various parts of the stock market lost ground during the quarter. US Large Cap stocks in the S&P 500 Index gained almost 4% during the quarter while the smaller Dow Jones Industrial Index lost almost 2%. US Small Cap stocks were down almost 4% and international stocks lost over 1% as economic uncertainty generally has a significant impact on returns for these investments. Although US inflation decreased to 3% in July, concerns about stubborn inflation and questions about when the Federal Reserve will begin to cut interest rates cast a long shadow over market returns with expectations for higher volatility over the next few months.

We expect to find more clarity about a slowing economy to support Fed rate cuts over the next few months with the first cut expected in August or September. Although the Fed has changed guidance for 2024 from 3 rate cuts to just 1, the market is projecting 4 rate cuts in 2025 with inflation trending toward the target rate of 2%. Uncertainty related to the US Presidential Election will continue into the fourth quarter with expectations that the additional clarity about leadership for the next few years in Washington DC will provide a positive boost to stocks before year-end. Bonds are positioned for strong returns with high current yields around 5% which creates a real return (adjusted for inflation) of 2%, which attracts investment dollars and supports reduced consumer spending. Our outlook for the next 12- to 18-months remains optimistic with the understanding that periods of short-term volatility support our approach of rebalancing client portfolios to target allocations to minimize dramatic market swings.

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For more information on investments and the markets you can reference our [Quarterly Market Report](#).

Conclusion

We trust that you've found this quarter's insights helpful and that they serve as a practical guide in your financial journey. At Flourish Wealth Management, we're always here to support you and your family in achieving your financial goals.



Sincerely,

Kathy Longo, CFP®, CAP®, CDFA®
and the Flourish Team

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