

## Paying for Heir's College Costs

<b>Strategy</b>	<b>How the Strategy Works</b>
Direct Payment	<ul style="list-style-type: none"><li>• You can directly pay for someone else's tuition and not have to report these payments for gift tax purposes.</li><li>• You can pay these tuition costs as they occur.</li><li>• You can pay these tuition costs in advance, e.g. pre-pay all at once, in order to move a chunk of money out of your estate.</li></ul>
529 Savings Plans	<ul style="list-style-type: none"><li>• These plans allow you to save for a student's college or grad school costs.</li><li>• Contributions are made after tax and accounts grow tax deferred.</li><li>• Distributions are not taxed if they are used for education costs.</li><li>• Most states have plans that, if you use them, provide for state tax deductions.</li><li>• The federal tax provision that covers these plans is currently scheduled to expire in 2011.</li></ul>
Health and Education Exclusion Trust	<ul style="list-style-type: none"><li>• Distributions from these trusts pay for the tuition and health expenses of heirs.</li><li>• These trusts can grow without 'generation skipping' taxes, which normally apply when money moves from generation A to generation B.</li><li>• One drawback of these trusts, called HEETs for short, is that they are complicated and you should plan on several thousand dollars in fees to set one up.</li></ul>