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Having 2 children, should I open one 529 account for both or one 529 account for each child?

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## I have two children. Should I open one 529 account for both children or one 529 account for each child?

### **Answer:**

From both a paperwork and account fee standpoint, opening one account makes sense. And though a 529 account can have only one beneficiary, you can change the beneficiary as needed--just be sure to check the plan for any limitations on the frequency of changes. So, for instance, after your first child finishes college, you could change the beneficiary to your second child. Keep in mind, though, that a change in the beneficiary may cause gift taxes and generation-skipping transfer taxes.

If you do decide to open just one 529 account and intend to choose an age-based portfolio (one whose asset mix grows more conservative as your child gets older), it may make sense to name your younger child as the beneficiary. This will give you the most aggressive investment allocation, which may maximize the growth in the account. Then, when you need the money for your older child's college expenses, you can change the beneficiary to your older child. Or, you could simply transfer (or roll over) the account money to an account with your older child as beneficiary.

Section 529 plans differ when it comes to rules about partial rollovers, so check the rules of any 529 plans that you're considering. In some cases, you may need to transfer money to a different state's 529 plan. Again, check on any potential withdrawal limitations before you open an account. Keep in mind, too, that although you intend to fund the college education of two children, the total amount you can contribute is limited by the contribution maximum imposed by the single 529 plan.

Yet opening just one 529 account if you have two children may have a gift tax downside. The money you contribute to a 529 account is considered a gift to the beneficiary. Generally, you are free to gift up to \$14,000 per year, per beneficiary. Otherwise, you'll be required to complete a federal gift tax return and report a taxable gift. However, a special rule unique to 529 plans allows you contribute up to \$70,000 to a 529 account (\$140,000 for joint gifts) and avoid federal gift tax by making a special election to spread the gift evenly over five years.

In any case, you'd probably be able to accumulate more funds for your kids if you opened two separate 529 accounts. That way, you'd be able to give \$14,000 to each child per year (\$28,000 maximum) instead of depositing \$14,000 into only one account. And, if you take advantage of the \$70,000 special election for each child's account (\$140,000 for joint gifts), the funds may grow even faster.

Note: Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information about 529 plans is available in each issuer's official statement, which should be read carefully before investing. Also, before investing, consider whether your state offers a 529 plan that provides residents with favorable state tax benefits.

Janney Montgomery Scott LLC Financial Advisors are available to discuss the suitability and risks involved with various products and strategies presented. We will be happy to provide a prospectus, when available, and other information upon request. Please note that the information provided includes reference to concepts that have legal, accounting and tax implications. It is not to be construed as legal, accounting or tax advice, and is provided as general information to you to assist in understanding the issues discussed. Neither Janney Montgomery Scott LLC nor its Financial Advisors (in their capacity as Financial Advisors) give tax, legal, or accounting advice. We would urge you to consult with your own attorney and/or accountant regarding the application of the information contained in this letter to the facts and circumstances of your particular situation.

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