

Education Planning & Gifting

William E. Hawes, CFA, CFP®

May 2026



CANDOR ASSET ADVISORS

Agenda

- Education planning considerations
- Gifting rules
- Taxable versus tax advantaged accounts
- 529s
- Trump Accounts
- Prepaid Tuition Plans
- Parent IRAs and Roth IRAs
- Grandparent IRAs and Roth IRAs
- UTMAs & UGMAs
- Coverdell Education Accounts
- Trusts

See disclosures at the end of the document

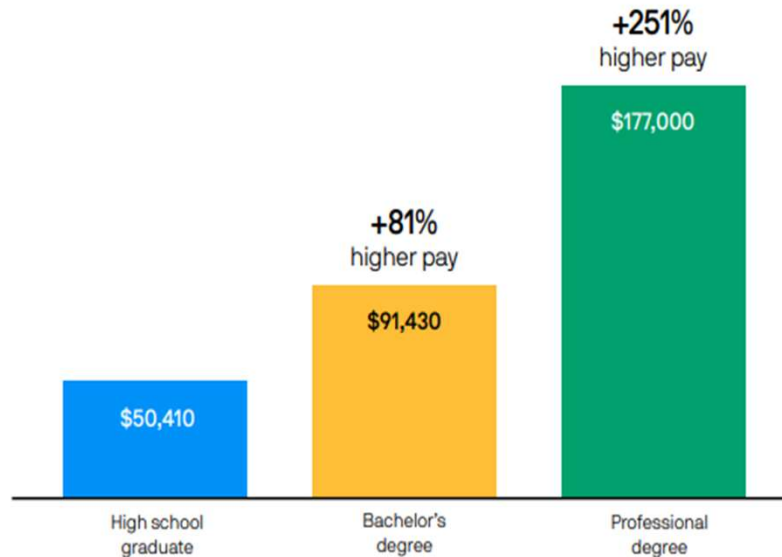


Education Planning Considerations



Higher education usually correlates with higher earnings

Average annual earnings
by highest educational degree¹



College pays for itself

\$41,020

Extra income for an average bachelor's degree holder in just one year, enough to pay for three semesters of current in-state public college costs²



1. U.S. Census Bureau, Current Population Survey. Data for 2024 based on mean earnings for workers ages 18 and older.

2. College Board, *Trends in College Pricing and Student Aid 2025*. Based on average tuition, fees, and room and board at an in-state, four-year public university.

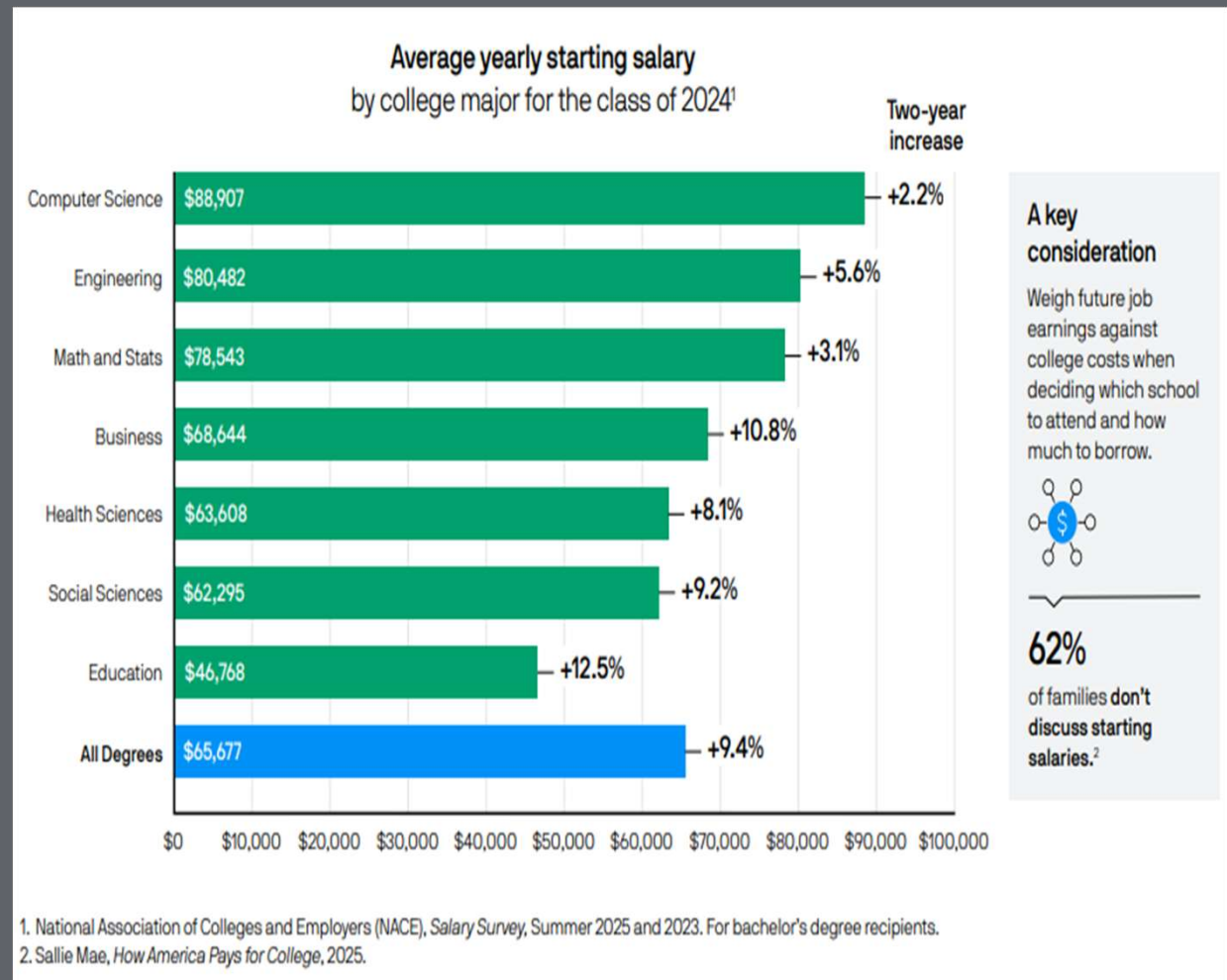
J.P.Morgan
ASSET MANAGEMENT



CANDOR ASSET ADVISORS

The college major you pick can have a significant impact on your first year starting salary

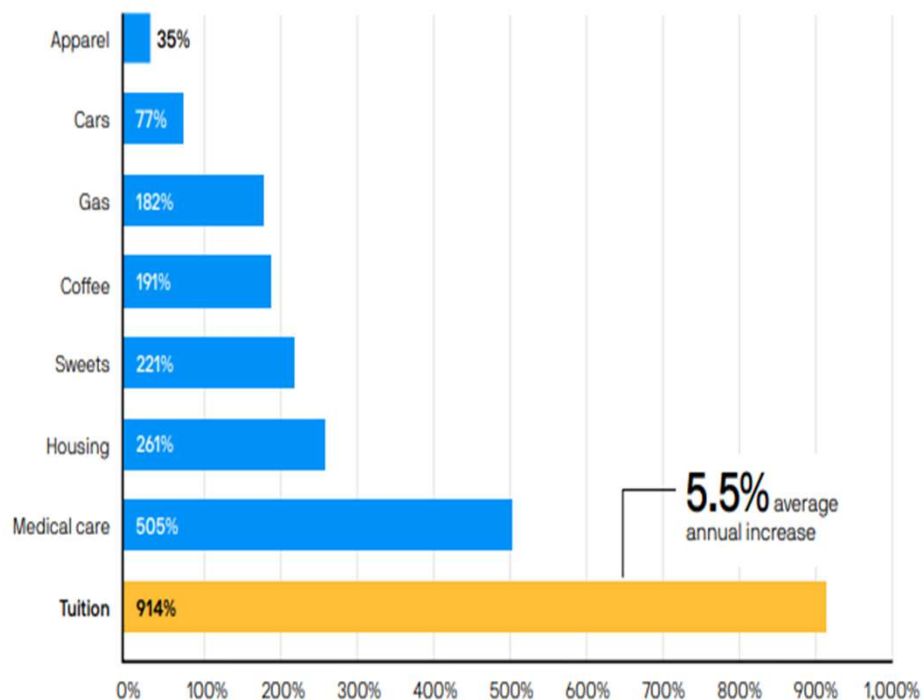
Source:
JP Morgan Asset Management



College tuition costs have grown significantly faster than overall inflation since 1983

Source:
JP Morgan
Asset
Management

College tuition vs. other expenses
Cumulative percentage price change since 1983



Why costs typically rise

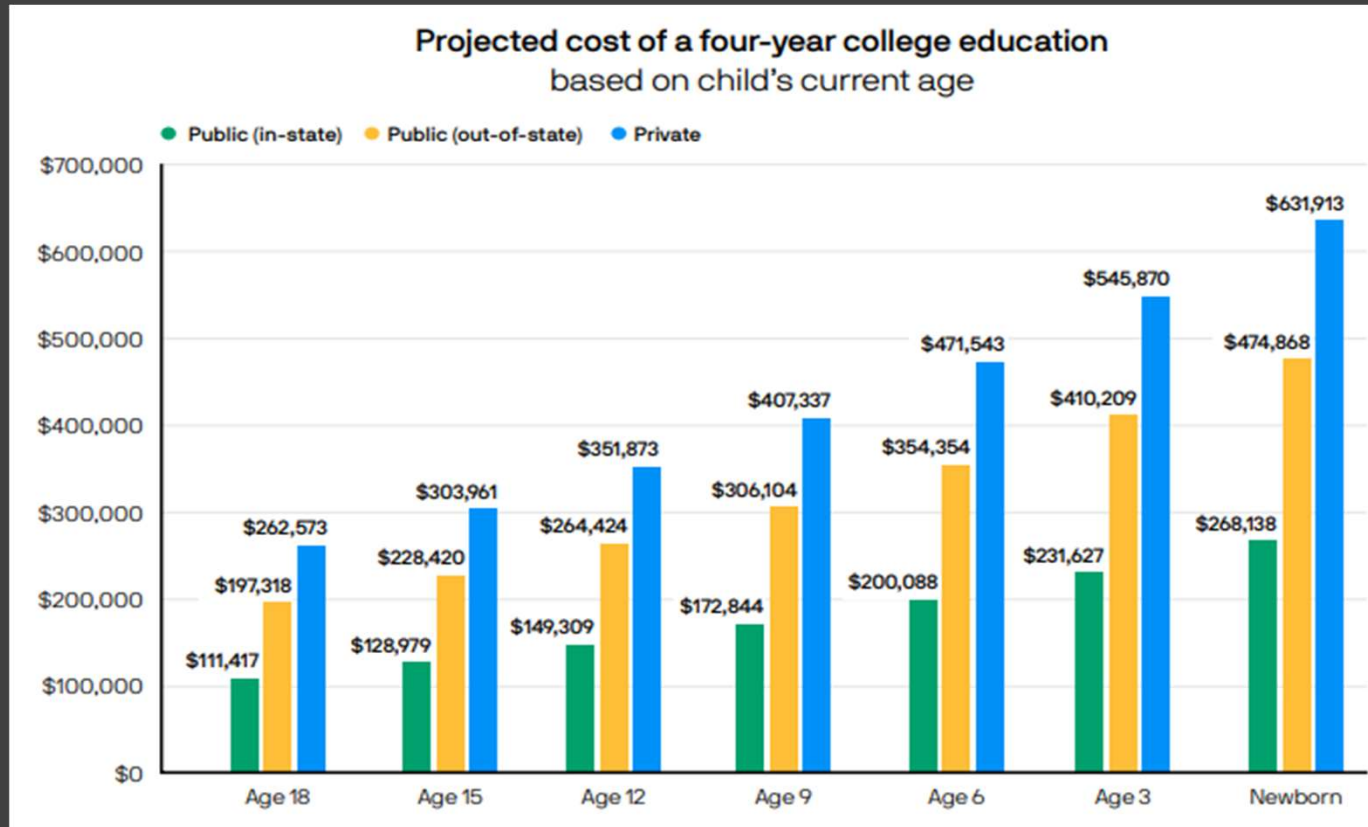
- Colleges **spend more** to attract the best students.
- Colleges **hire more** faculty and administrative staff.
- Colleges **receive less financial support** from states.






Source: BLS, Consumer Price Index, J.P. Morgan Asset Management. Data represent cumulative percentage price change from 12/31/82 to 12/31/25.



The younger the child the more college is expected to cost



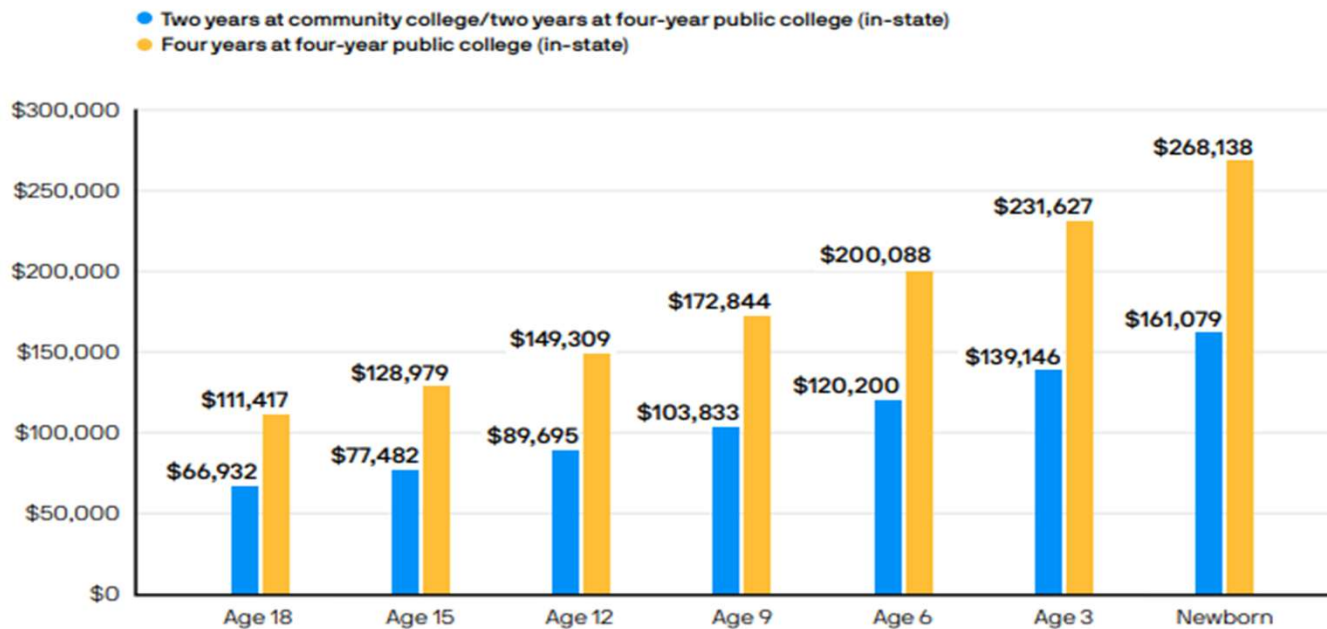
One-year costs for 2025-26

-  **\$25,850**
Public (in-state)
-  **\$45,780**
Public (out-of-state)
-  **\$60,920**
Private

Source:
JP Morgan Asset
Management

Attending community college for two years and then transferring to a four-year public college can be a cost-effective solution

**Projected four-year costs with and without community college
based on child's current age**



Save 40%
by attending two years of community college

\$4,150
Average annual tuition and fees at community college

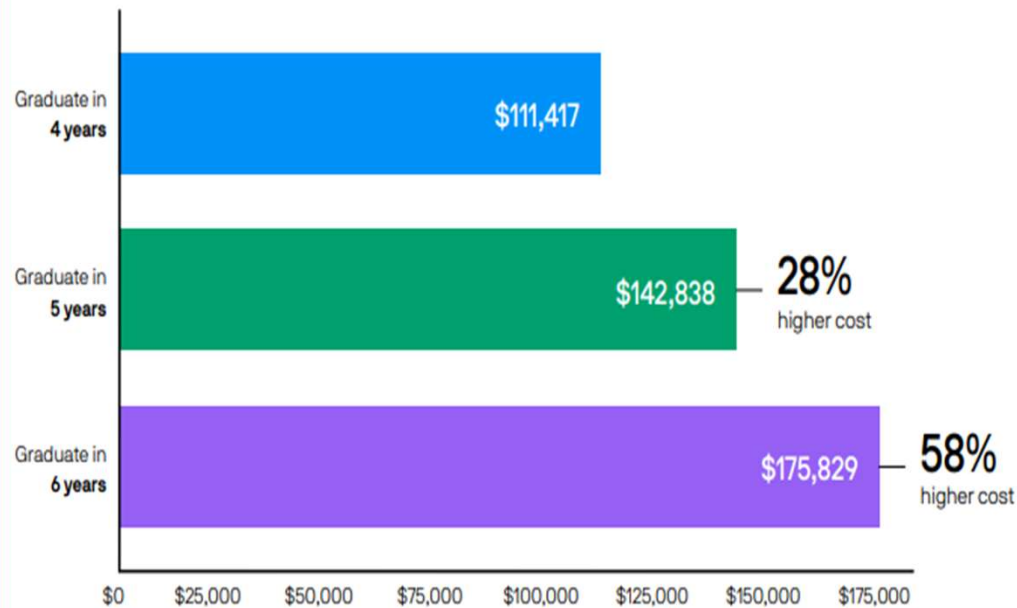


Source: J.P. Morgan Asset Management, using College Board's *Trends in College Pricing and Student Aid 2025*. Future college costs estimated to inflate 5% per year. Average tuition, fees, and room and board for public college reflect four-year, in-state charges. Community college costs are based on average tuition and fees for an in-district student.



Taking more time to graduate significantly increases the total education costs

The high price of not graduating on time
Total projected in-state public college costs for first-year student¹



49%
graduate within
4 years.²

**How to
graduate faster**

32%
high schoolers take
AP exams to earn
college credits.³

29%
take college
courses while still
in high school.³



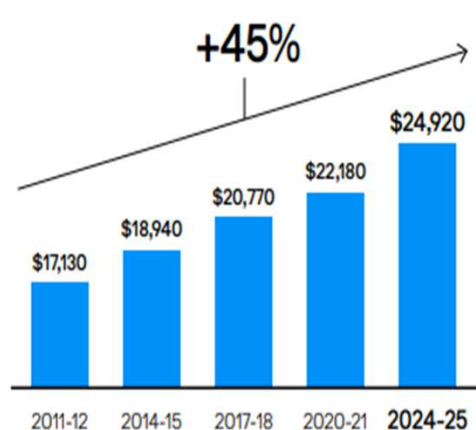
1. J.P. Morgan Asset Management, using College Board's *Trends in College Pricing and Student Aid 2025*. Future college costs estimated to inflate 5% per year. Average tuition, fees, and room and board for public college reflect four-year, in-state charges.
2. U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), as of December 2024. Data reflect graduation rates from first institution attended for first-time, full-time bachelor's degree-seeking students at four-year colleges.
3. AP tests – College Board, for high school class of 2024. Dual enrollment – National Student Clearinghouse Research Center, as measured by enrolled college students under age 18 for Spring 2024. Percentage of high school seniors based on estimates from National Center for Education Statistics.



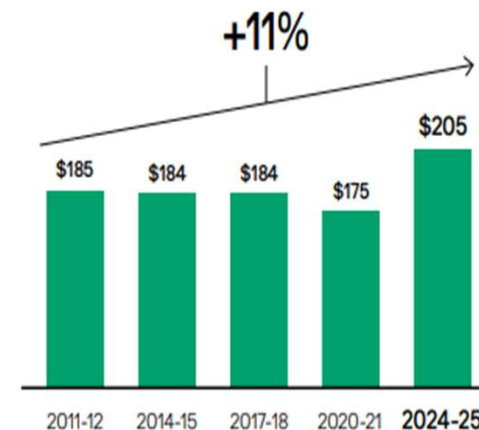
Families are increasingly having to foot more of the college bill

Source:
JP Morgan
Asset
Management

College costs¹
(four-year in-state public university)



Total financial aid²
(in billions, for undergraduate students)



Result: Families are paying more.

Families now pay 48% of college costs from their income and investments, up from 38% 12 years ago.³

1. College Board, *Trends in College Pricing*, 2011, 2014, 2017, 2020 and 2024. Based on average tuition, fees, and room and board at an in-state, four-year university.

2. College Board, *Trends in Student Aid*, 2012, 2015, 2018, 2021 and 2025. Includes federal, state, institutional and private grants as well as federal work-study, tax benefits, veterans' benefits and loans.

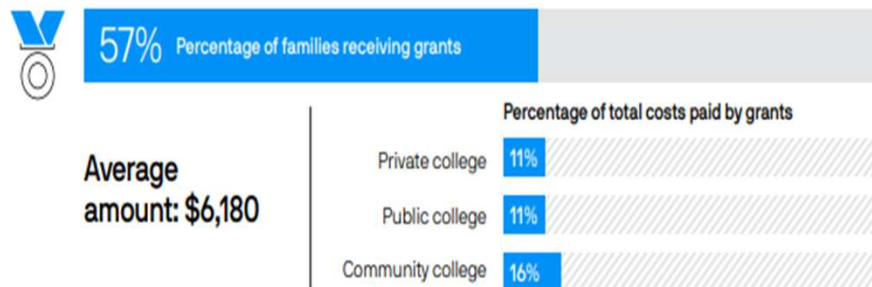
3. Sallie Mae, *How America Pays for College*, 2014 and 2025. Remaining college costs paid with loans, grants, scholarships and family gifts.



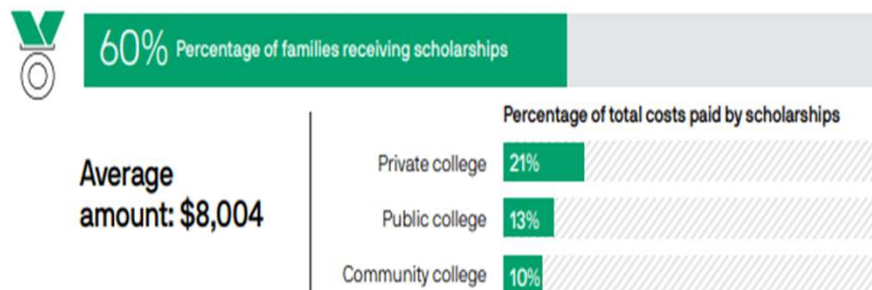
Grants and scholarships only pay for a small % of most college student costs

Source:
JP Morgan
Asset
Management

Grant reality 2024-25 (need-based)¹



Scholarship reality 2024-25 (merit-based)¹



Will we get a Federal Pell Grant?

It depends on your income, marital status and family size. Example: Two-parent households with two kids qualify for a full Pell Grant only if their income is \$54,600 or lower.²

Sports scholarships are rare

Only about **2%** of high school athletes receive scholarships to play college sports.³



1. Sallie Mae, *How America Pays for College*, 2025.

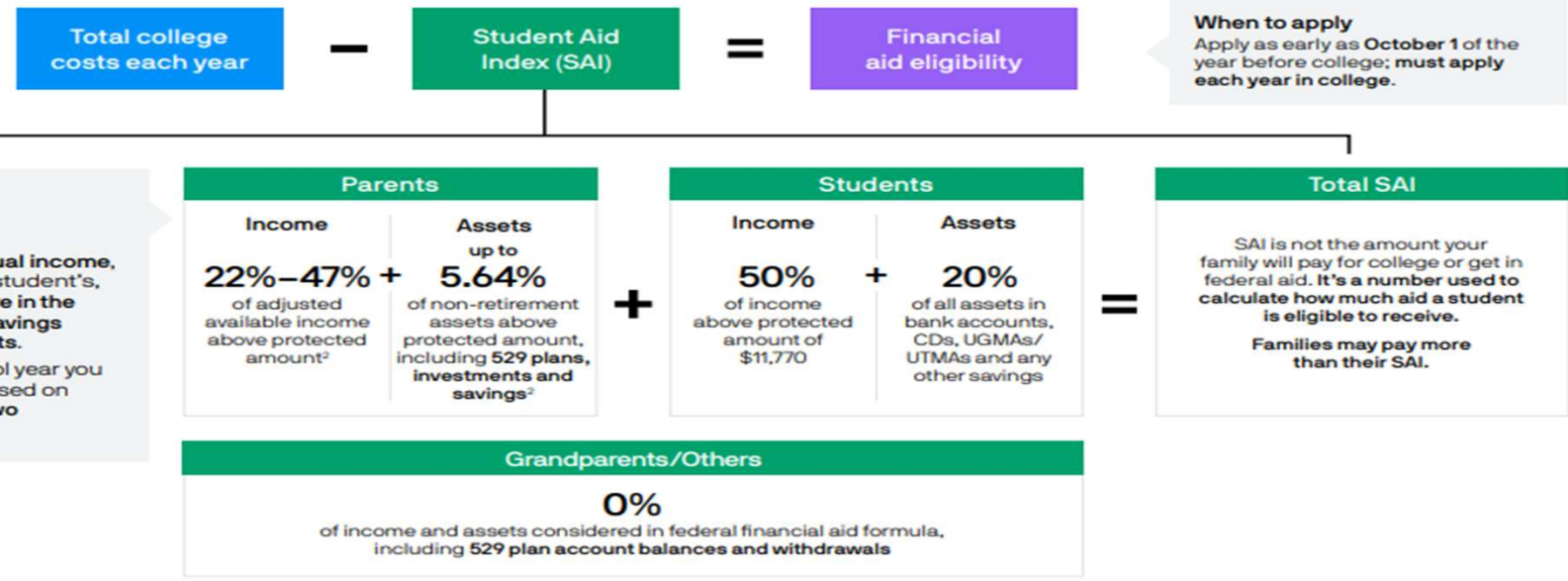
2. U.S. Department of Education, *2026-27 Student Aid Index (SAI) and Pell Grant Eligibility Guide*. For dependent, full-time students, based on 2024 federal poverty guidelines for the 48 contiguous states. Families may also qualify for maximum Federal Pell Grants based on other criteria.

3. National Collegiate Athletic Association, *Guide for the College-Bound Student-Athlete 2025-26*.



Federal financial aid eligibility

The Department of Education calculates the Student Aid Index (SAI) used to determine your financial aid eligibility.



1. Based on federal methodology for 2026-27 school year. Federal financial aid rules are subject to change. Please consult your financial professional for more information. To learn more about how SAI is calculated, click [here](#).
 2. Protected amount for parental income is based on household size. Protected amount for parental assets is based on age and marital status and excludes primary residence and retirement accounts.

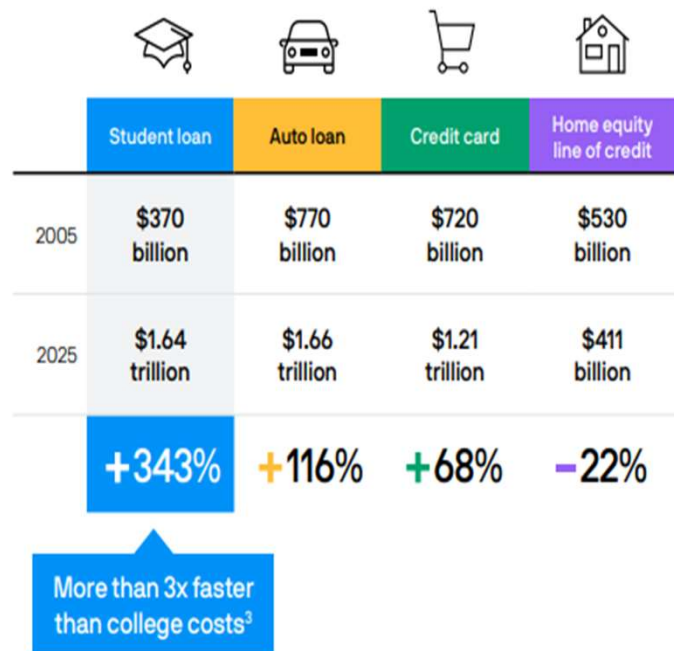
Student loans have grown as a college funding source

Source:
JP Morgan
Asset
Management

Average outstanding college loan balances¹



Debt balances, 2005 vs. 2025 by type of consumer loan, excluding mortgages²



A heavy burden

97%

of recent graduates with college debt have delayed or abandoned life milestones like buying homes or having children.⁴



1. U.S. Department of Education, National Student Loan Data System. Data as of Q3 2025 for federal Stafford and parent PLUS loans.

2. Federal Reserve Bank of New York, *Household Debt and Credit Report*, Q2 2025.

3. College Board, *Trends in College Pricing*, 2005 and 2025. Based on average tuition, fees, and room and board at an in-state, four-year public university.

4. MarketWatch Guides, May 2024 survey of Americans who graduated college between 2015 and 2024.



Here is a good college preparation timeline from JP Morgan that may help with financial aid access and getting into your child's preferred college.

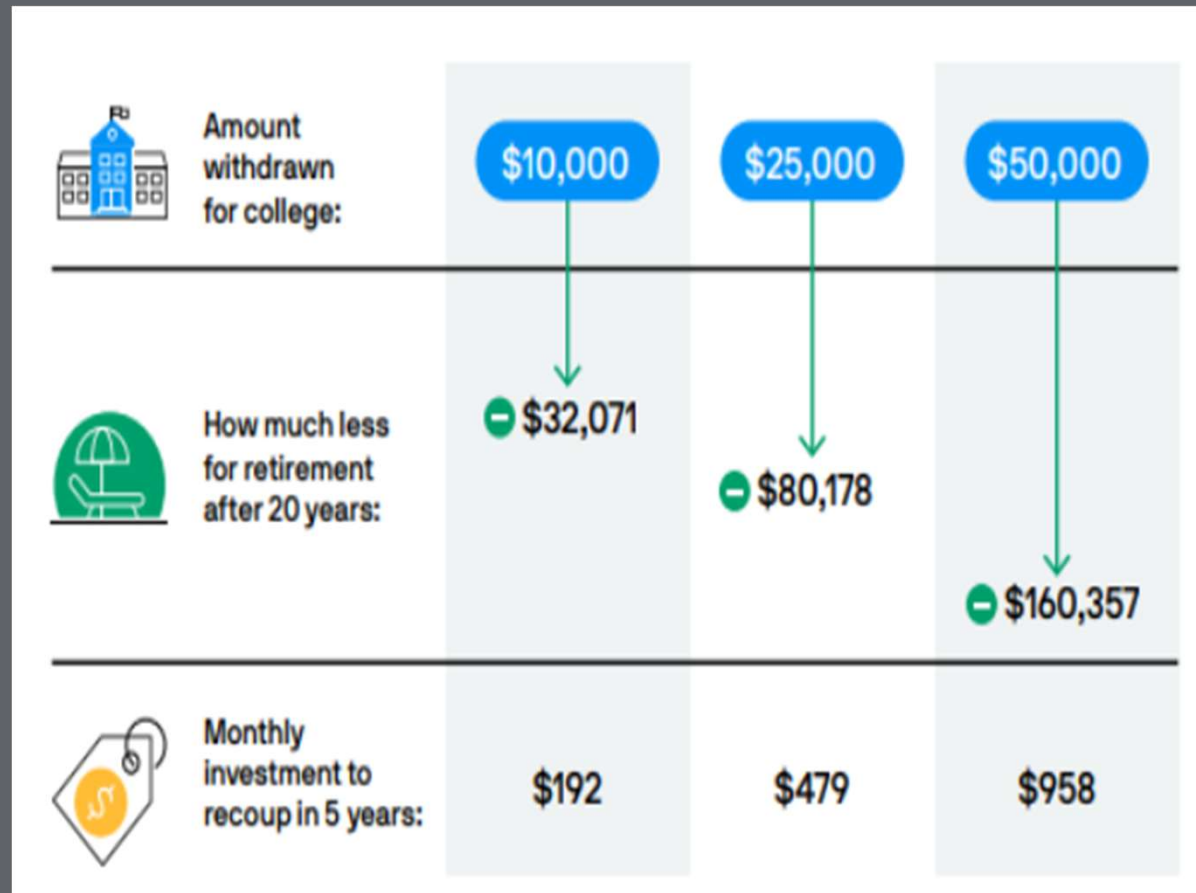
	September–November	December–February	March–May	June–August
High school junior	<ul style="list-style-type: none"> • Begin researching colleges • Take PSAT/SAT/ACT 	<ul style="list-style-type: none"> • Begin to formulate college list • Retake SAT/ACT or continue test preparation • Schedule college visits 	<ul style="list-style-type: none"> • Retake SAT/ACT (if needed) • Take AP exams • Write college essay • Get recommendations from guidance counselor, teachers and others 	<ul style="list-style-type: none"> • Finalize college list • Visit colleges 📍 Aug. 1: Common App released online • Begin applying for scholarships
High school senior	<ul style="list-style-type: none"> 📍 Oct. 1: File FAFSA • Register for CSS Profile (if required) 📍 Nov. 1: Apply early decision (binding)/early action (non-binding)¹ • Retake SAT/ACT (if needed) 	<ul style="list-style-type: none"> • Consider early action acceptances • Submit regular decision applications 	<ul style="list-style-type: none"> • Consider regular decision acceptances 📍 May 1: Make final decision/pay deposit • Take AP exams • Finalize loan applications (if needed) 	<ul style="list-style-type: none"> • Pay for fall semester 🎓 College begins

📍 Key dates



Balancing your own retirement versus college funding can be tricky

Source:
JP Morgan Asset Management



Federal student aid: Loan programs

Loan	Eligibility	Interest rate ¹	Annual loan limit (per student)	
			2025-26 school year ²	2026-27 school year ²
Direct Subsidized Loan	Undergraduate students enrolled at least half-time and demonstrating financial need	6.39% Student not charged interest while in school and during deferment periods	\$3,500-\$5,500 based on year in school ³	\$3,500-\$5,500 based on year in school ³
Direct Unsubsidized Loan	Undergraduate and graduate students enrolled at least half-time, regardless of financial need	6.39% (undergraduates) 7.94% (graduate students) Student responsible for interest during all periods	\$5,500-\$7,500 dependent undergraduates, based on year in school ³ \$20,500 graduate and professional students	\$5,500-\$7,500 dependent undergraduates, based on year in school ³ \$20,500 graduate students \$50,000 professional students
Direct PLUS Loan for parents	Parents of dependent undergraduate students enrolled at least half-time Parents must not have negative credit history	8.94% Parents responsible for interest during all periods	Cost of attendance minus any other financial aid received	\$20,000⁴
Direct PLUS Loan for graduate or professional students	Graduate or professional degree students enrolled at least half-time Student must not have negative credit history	8.94% Student responsible for interest during all periods	Cost of attendance minus any other financial aid received	Not available (phased out starting July 1, 2026 ⁴)

Source: U.S. Department of Education, the issuer of federal loans. For more information, visit <https://studentaid.gov/understand-aid/types/loans>.

1. Interest rates and annual limits apply to loans first disbursed between July 1, 2025, and June 30, 2026.

2. Annual limits apply to loans first disbursed between July 1, 2026, and June 30, 2027.

3. Dependent students whose parents are not eligible for a Direct PLUS Loan may be able to borrow more.

4. Borrowers with existing Direct PLUS Loans may continue borrowing under the old rules and limits for up to three years.



College-related tax breaks¹

	Details	Income limits	Tax benefits
Tax-advantaged education savings plans	529 plans for four-year universities, graduate school, vocational/trade schools and community college	None	Contributions not typically deductible from federal taxes; investments grow tax-deferred, and withdrawals are generally tax-free for qualified expenses ²
	Coverdell Education Savings Accounts for any level of education, from elementary school through graduate school	Single: \$110,000 Married filing jointly: \$220,000	
Federal tax credits ³	American Opportunity Tax Credit for qualified expenses in the first four years of college	Single: \$90,000 Married filing jointly: \$180,000	Reduce taxes by up to \$2,500 per student each year (100% of the first \$2,000 of qualified expenses and 25% of the next \$2,000)
	Lifetime Learning Credit for qualified expenses in an unlimited number of years of college		Reduce taxes by up to \$2,000 per tax return each year (20% of the first \$10,000 of qualified expenses)
Student loan interest deduction	For interest paid on student loans taken out for yourself, your spouse or dependents	Single: \$100,000 Married filing jointly: \$205,000	Reduce taxable income by up to \$2,500 each year
State tax deductions	Some states allow deductible contributions to a 529 education plan for state income tax purposes	Varies by state	Varies by state; see page 42 for more information

1. Must meet certain eligibility requirements. Information as of December 2025. Please consult a tax professional for additional details.

2. Tax-free withdrawals cannot be taken for the same expenses used to claim tax credits.

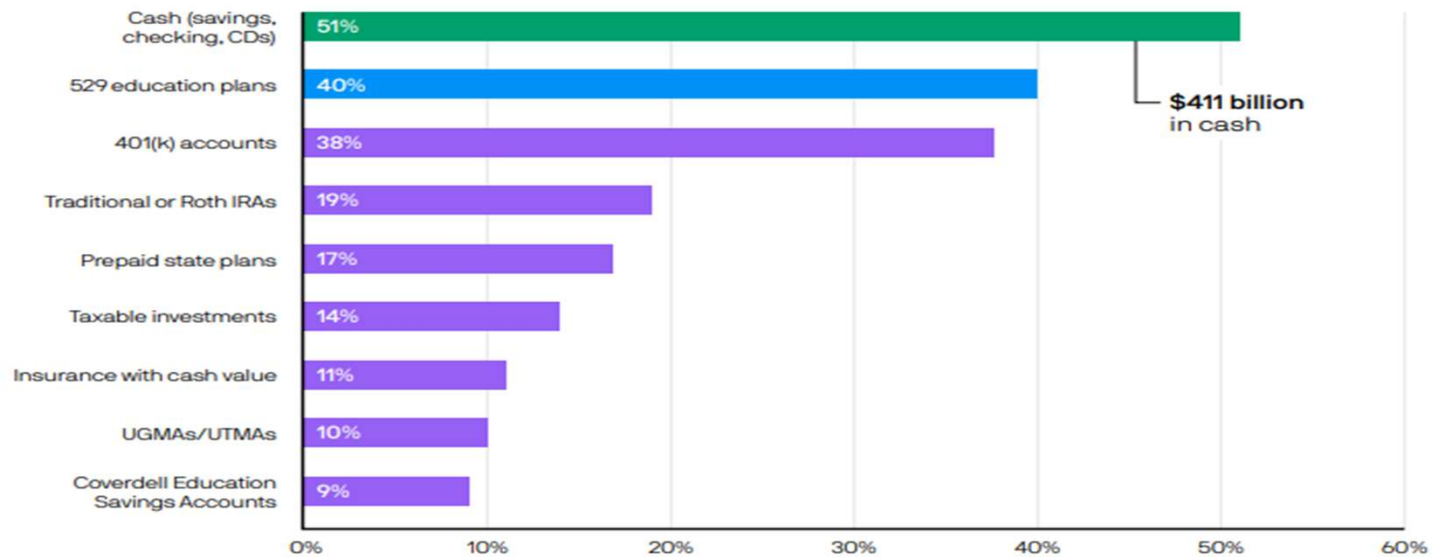
3. Taxpayers cannot claim both credits for the same student in the same year.



Choose the right investing vehicle for higher education

Many families use cash, retirement and taxable accounts instead of tax-advantaged 529 plans designed especially for education.

Percentage of families using each vehicle¹



Missed opportunities
\$1.7 trillion
 Education savings held outside tax-advantaged 529 plans¹

28%
 Families not saving for college¹

41%
 Families have used retirement funds to pay for college²

1. ISS Market Intelligence, *529 Industry Analysis 2025*.
 2. Society of Actuaries, June 2023. Based on survey respondents saving for both retirement and college.

Gifting Rules



Gifting Rules

- Each person can give \$19,000 per person per year in 2026 and this does not count against your lifetime gift limitations and cause gift and estate taxes
 - A couple can effectively give \$38,000 to one person by using split gifts
 - Annual gifts must be in present interest. Present interest is defined as the unrestricted right to the immediate use of the property.
 - The annual gift exclusion is use it or lose it
- Each person has a lifetime gift/death transfer limit of \$15,000,000 before being subject to gift and estate taxes. Married couples can effectively have a \$30,000,000 estate before being subject to gift and estate taxes.
- You can pay directly for your relative's medical, education or legal costs without being subject to gift and estate taxes provided you pay the providing institution directly



Taxable versus Tax Advantaged Accounts



Taxable versus Tax Advantaged Accounts

One contribution and the account balance at the end of period

Tax Deferred Account

	Years		
Initial Contribution	5	10	15
\$ 1,000	\$ 1,463	\$ 2,139	\$ 3,128
\$ 5,000	\$ 7,313	\$ 10,695	\$ 15,642
\$ 10,000	\$ 14,625	\$ 21,390	\$ 31,284

Taxable Account

	Years		
Initial Contribution	5	10	15
\$ 1,000	\$ 1,361	\$ 1,853	\$ 2,523
\$ 5,000	\$ 6,807	\$ 9,267	\$ 12,617
\$ 10,000	\$ 13,614	\$ 18,535	\$ 25,234

Difference

	Years		
Initial Contribution	5	10	15
\$ 1,000	\$ 101	\$ 286	\$ 605
\$ 5,000	\$ 506	\$ 1,428	\$ 3,025
\$ 10,000	\$ 1,011	\$ 2,855	\$ 6,050

Annual contributions and account balance at the end of period

Tax Deferred Account

	Years		
Annual Contribution	5	10	15
\$ 1,000	\$ 5,855	\$ 14,418	\$ 26,942
\$ 5,000	\$ 29,275	\$ 72,090	\$ 134,709
\$ 10,000	\$ 58,549	\$144,179	\$ 269,417

Taxable Account

	Years		
Annual Contribution	5	10	15
\$ 1,000	\$ 5,678	\$ 13,409	\$ 23,934
\$ 5,000	\$ 28,392	\$ 67,045	\$ 119,668
\$ 10,000	\$ 56,783	\$134,089	\$ 239,336

Difference

	Years		
Annual Contribution	5	10	15
\$ 1,000	\$ 177	\$ 1,009	\$ 3,008
\$ 5,000	\$ 883	\$ 5,045	\$ 15,041
\$ 10,000	\$ 1,766	\$ 10,090	\$ 30,082

Assumptions: Investments grow 6.23% in a taxable account and 7.6% in a tax advantaged account based on a 20% blended capital gains tax rate and a 30% ordinary income tax rate. See disclosures at end of document.



Account Type	Contributions	Investment Growth	Withdrawals	Count toward student aid eligibility
Pre tax 401k/Traditional IRAs	+	+	-taxed as ordinary income + no penalty for qualified education expense	+ C)
Roth 401k/Roth IRA	-	+	+ not taxed on withdraws + no penalty for qualified education expense	+ C)
After Tax 401k/Non Deductible Traditional IRA	-	+	- earnings taxed as ordinary income + no penalty for qualified education expense	+ C)
Health Savings Account (HSA)	+	+	+ no tax for qualified health care expenses	+ C)
529 Accounts	-	+	+ no tax for qualified education expense	- B) for parents + C) for non parents
Coverdell Accounts	-	+	+ no tax for qualified education expense	-B)
UTMAs/UTGAs	-	- split tax rates apply^	+*	-- A)
Prepaid Tuition Plans	-	+	no tax for use of pre purchased education credi	-B)
Trump Accounts	+ Govt & Employer Contributions - Parent contributions	+	- earnings & pre tax contribution taxed as ordinary income	-- A)
Key:				
+ Preferential tax treatment				
- Subject to taxes				
^ The taxes due are 0% up to the first \$1,350, child's tax rate (likely 0% or 15%) on next \$1,350 in earnings and, \$2700+ is taxed at the parent's marginal rate				
+* The withdrawal itself isn't subject to a specific tax but converting the investments to cash for withdrawal can trigger short and long term capital gains.				
-- A) Most negative for student loan eligibility purposes as assets considered student assets.				
- B) Mild negative for student loan eligibility purposes as assets considered parent assets.				
+ C) These account types are generally not considered assets for student loan eligibility purposes.				
CONFIRM THE ABOVE WITH YOUR TAX PROFESSIONAL!				
Source: JP Morgan Asset Management, Google AI Searches				



529s



529s

- The beneficiary must be a member of the extended family: siblings, children, stepchildren, parents, nieces, nephews, aunts, uncles, cousins, in-laws, spouses
- The account is controlled by the donor, and the beneficiary can be changed to another member of your extended family at any time
- Contributions are made with after tax dollars
- Annual contribution limits are generally \$19,000 per donor per beneficiary and \$38,000 per married couple per beneficiary.
- Via super funding a donor can contribute \$95,000 per beneficiary while a married couple can contribute \$180,000 per beneficiary. The super funding contribution represents a five year contribution. No adjusted gross income limits apply.
- State aggregate contributions per beneficiary vary from \$235,000 to \$621,000+ per beneficiary. Texas' 2026 limit is \$500,000.
- The donor lifetime 529 contribution cap equates to your lifetime gift/estate tax exemption (\$15,000,000 per individual, \$30,000,000 per couple).
- A 529 account can be invested in a diversified portfolio of stocks, bonds, and funds.
- Common investment types include age-based portfolios (that become more conservative as the beneficiary nears college age), static target-risk portfolios and individual fund portfolios
- The account is considered an asset of the donor in determining financial aid eligibility
 - If the donor is the parent, the 529 accounts will be considered parental assets. The assets will be considered sources of contribution toward the student's education funding and thus potentially limit the student's ability to obtain financial aid
 - If the donor is a nonparent, the person's 529 accounts are not included in the determining the student's financial aid eligibility



529s

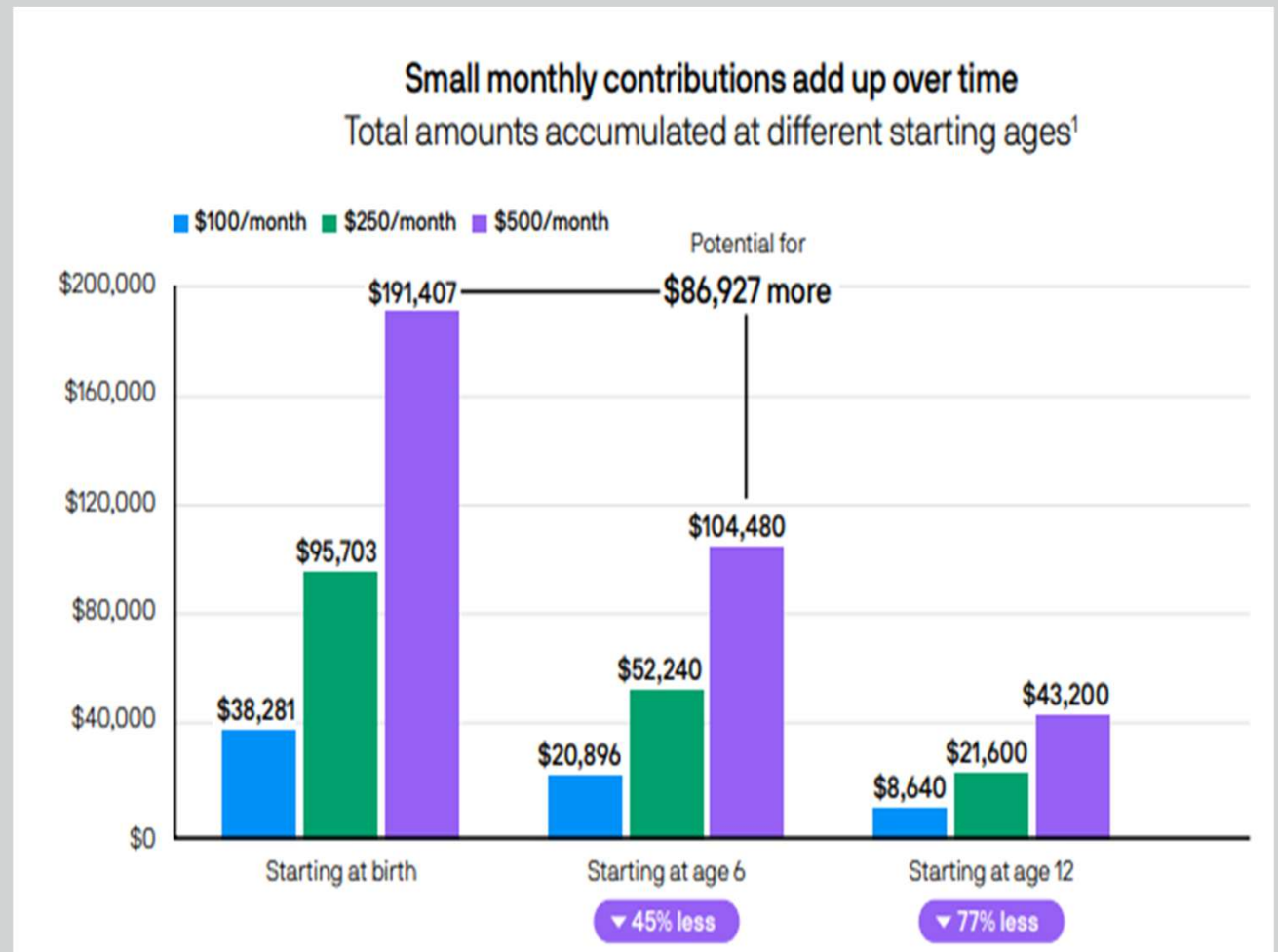
- Distributions are tax free provided the proceeds are used for qualified education expenses
 - Up to \$20,000 in annual distributions may be taken from a 529 account to pay for K-12 tuition, books & supplies, technology at public, private or religious schools
 - Qualified college expenses including tuition, books, supplies, computers and technology, room and board (if enrolled at least half time: on campus costs are actual billed amounts, off campus costs are covered up to the institution's official cost of attendance), special needs services
 - Qualified expenses for apprenticeship programs include fees, books, supplies and equipment for programs registered with the Department of Labor
 - Qualified expenses for professional credentials include tests and continuing education required to earn or maintain recognized postsecondary credentials (e.g., nursing license, CPA, bar exams)
 - Up to \$10,000 can be used for lifetime student loan repayments
- Nonqualified expenses include
 - Transportation to and from school
 - Student health insurance premiums
 - Lifestyle & social fees not required for enrollment – examples include: club dues, sports fees, gym memberships, Greek life membership dues
 - General tech for smartphones or gaming equipment
 - College application fees
- Nonqualified withdrawals are taxable and subject to a 10% withdrawal penalty
- Roth IRA rollover – Up to \$35,000 lifetime limit of unused funds can be rolled into the beneficiary's Roth IRA, subject to
 - annual contribution limits (2026: \$7,500 for individuals under age 50, \$8,600 for those over age 50)
 - 15-year account age requirement



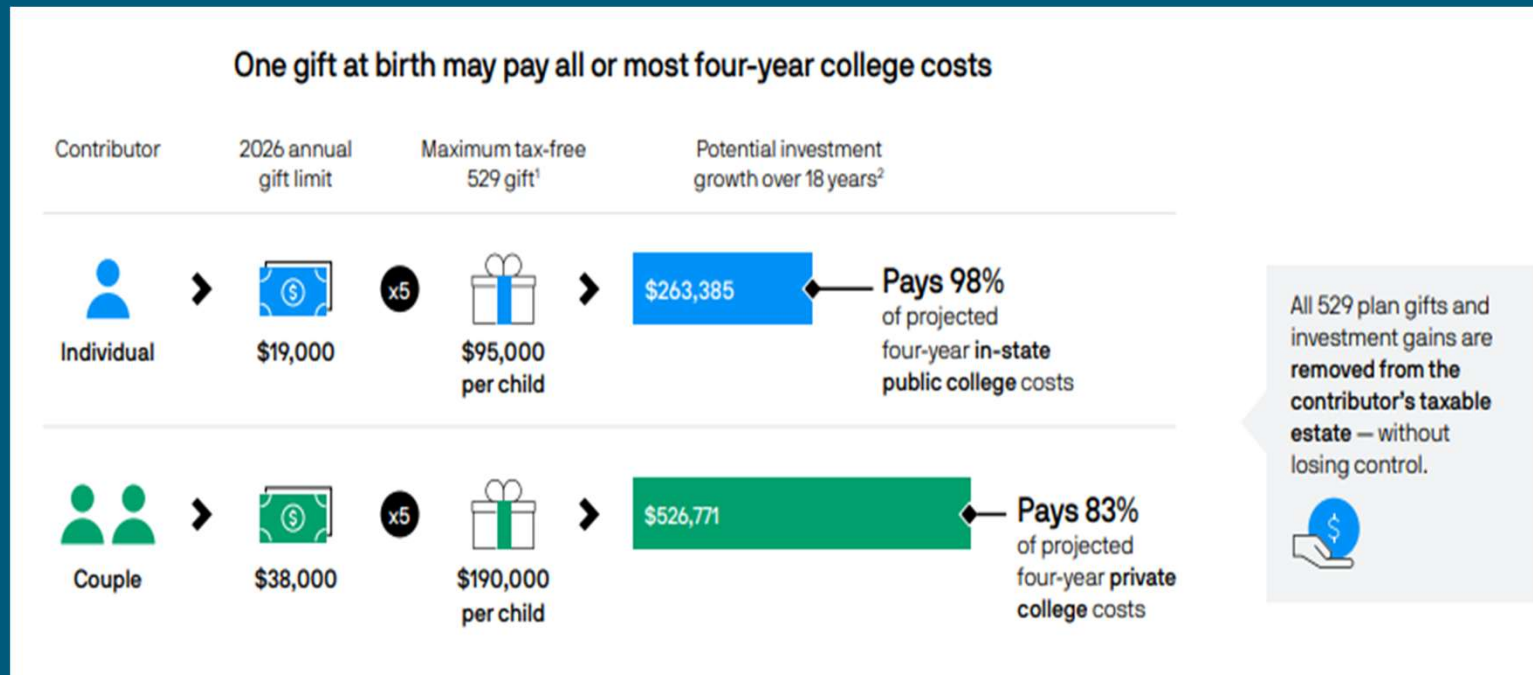
The sooner you start saving the more the balance can be over time

Source: JP Morgan Asset Management

See disclosures at the end of the document.



Super funding 529s can make a big dent in anticipated student college expenses



Source: JP Morgan Asset Management
 See disclosures at the end of the document

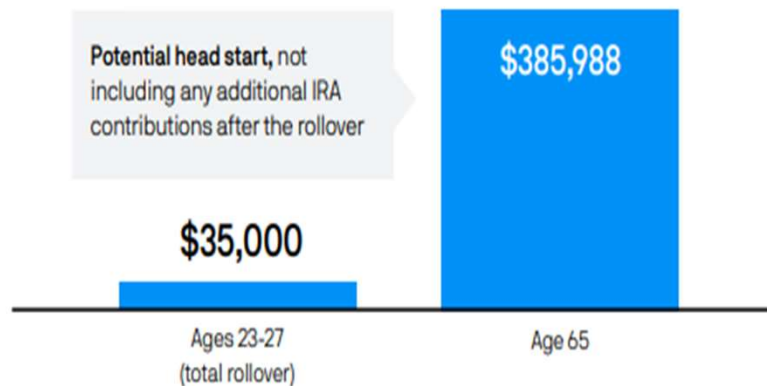
529 rollovers to Roth IRAs can be a tax efficient wealth transfer strategy

Source:
JP Morgan
Asset
Management

Moving extra money to Roth IRAs extends tax benefits beyond college while easing concerns about overfunding 529 accounts.

Giving college graduates a head start on retirement savings

Growth of \$35,000 rollover from 529 plan to Roth IRA



Consult your financial or tax professional

Qualified rollovers are free from federal taxes and penalties, but each state sets its own 529 plan rules.



Questions about 529-to-Roth rollovers

Who is eligible?

- No income limits
- Roth IRA must be in same name as 529 beneficiary
- Beneficiary's annual job earnings must equal or exceed rollover amount

How much can be rolled over?

- \$7,500 annual maximum per beneficiary (\$8,600 if age 50 or older)
- \$35,000 lifetime maximum per beneficiary

When can rollovers occur?

- 15+ years after 529 account opened
- Can't include 529 contributions or investment earnings within five years of rollover



Other sources of college funding

Compared to these options, a 529 education plan is usually the better choice.

	How it works	Pros	Cons
Roth IRA	Withdraw retirement funds to pay for college	<ul style="list-style-type: none"> No taxes or penalties when contributions withdrawn¹ No penalty if investment earnings withdrawn for qualified higher education expenses Assets not considered for federal financial aid 	<ul style="list-style-type: none"> Withdrawals for college reduce retirement savings (see page 26) Potential taxes on investment earnings withdrawn² Annual contributions limited to \$7,500 (\$8,600 if age 50 or older) Contributors subject to income limits; no gifts allowed from others No state tax benefits
Life insurance with cash value	Withdraw or borrow against the cash value of a policy to pay for college	<ul style="list-style-type: none"> Cash value grows tax-deferred; withdrawals generally tax-free³ Cash value not considered an asset for federal financial aid 	<ul style="list-style-type: none"> Subject to fees, commissions and surrender charges Loan interest not generally tax deductible Withdrawals and unpaid loans reduce policy's death benefit No state tax benefits
Home equity loan	Borrow against home equity value to pay for college	<ul style="list-style-type: none"> Have fixed interest rates often lower than college loans Not subject to borrowing limits of federal loans 	<ul style="list-style-type: none"> Interest not tax deductible when used for college Less repayment flexibility than federal loans Risk of foreclosure if loan not repaid
Private loan	Borrow from bank, credit union or other lenders outside the U.S. government	<ul style="list-style-type: none"> Interest may be tax deductible, subject to income limits Higher borrowing limits than federal loans 	<ul style="list-style-type: none"> Interest rates often variable and higher than federal loans Interest may be due while student is in college Less repayment flexibility than federal loans Often require cosigners

1. Subject to certain requirements. Penalties may be due if contributions from a converted account are withdrawn within five years of the conversion. Please consult a tax professional for additional details.
2. Withdrawals of investment earnings are tax free if the account owner is over age 59½ and the Roth IRA has been open at least five years. Please consult a tax professional for additional details.
3. If withdrawal amounts exceed the premiums paid, taxes may be due on the difference.



Trump Accounts

Trump Accounts

- Government seeded \$1,000 accounts for children born between 1/1/25 and 12/31/28
- Parents can make up to \$5,000 in contributions annually after tax
- The accounts act like traditional IRAs once a beneficiary turns age 18
- Distributions are allowed after age 18
 - Avoid a 10% withdrawal penalty for
 - Qualified higher education expenses – tuition, fees, books and supplies
 - First time homebuyer – up to \$10,000 lifetime limit
 - Health insurance premiums while unemployed
 - Disaster recovery for qualified personal emergency expenses
 - Death or disability
 - You pay taxes on earnings and pre-tax contributions



Trump Accounts vs 529 Accounts

- Tax treatment
 - Contributions – parent contributions are made after tax
 - Trump Accounts – Parent contributions can be made up to \$5,000 annually. Government and employer contributions are pretax.
 - 529 Accounts – Allow for much higher funding. Annual gifts are typically up to \$19k per parent per student and \$38k per married couple per student. Super funding allows up to \$95k per student per spouse and \$180k per married couple per student as a five year contribution.
 - Investment growth period – both are not subject to taxes during this period
 - Withdrawals
 - Trump accounts withdrawals are subject to ordinary income taxes, can't be made prior to age 18, and withdrawals can be used for education, first home purchases or general life expenses
 - 529 account withdrawals are not subject to taxes provided they are used for qualified education expense, can be used for K-12, undergraduate and graduate school
- Investment choice
 - Trump account investments are restricted to US stock index funds
 - 529 account investments are restricted to money market, stock and fixed income ETFs, mutual funds



Prepaid Tuition Plans



Prepaid Tuition Plans

- Types of plans: contract plans (you agree to pay for a set number of years) or unit plans (buying individual units/credits)
- +S
 - You lock in current tuition costs at public or private universities at a fixed cost
 - Earnings grow tax free when used for qualified higher education expenses
 - Withdrawals are tax free when used for qualified higher education expenses
- -S
 - You lose the ability to earn a higher investment rate than education cost inflation
 - Students may receive scholarships whereby you just get your principal contribution back
 - Prepaid plans typically cover only tuition and fees while 529s can cover more items. See 529 plans for details
- Plan flexibility: if the child does not attend college, options often include switching beneficiaries, rolling funds into a 529 plan, or requesting a refund



Parent IRAs and Roth IRAs



Parent Individual Retirement Accounts

- **Tactic: contribute to parent IRAs and then use a portion of the funds for children's education expenses**
 - + It gives parents the flexibility to use the funds for the parent's retirement or child's education
 - - May require more legwork and planning
 - - Requires proper withdrawals to avoid penalties and/or taxes
- Consider contributing directly to Roth IRAs if your adjusted income is below IRS thresholds (MFJ: 2026 \$242,000).
- If you must make traditional IRA contributions, consider backdoor Roth conversions. You would be subject to ordinary income tax on part to all of the conversion however.
- Parent IRAs are not reported as assets on student loan applications and do not directly reduce student loan eligibility.
- IRA withdrawals prior to age 59.5 are
 - Not subject to the 10% penalty if used for the actual annual qualified education expenses
 - Qualified expenses: tuition, fees, books, supplies, equipment and room & board (if the student is enrolled at least half time)
 - Earnings growth above your contribution basis may be taxed at the parent's ordinary income tax rate and reduce financial aid eligibility two years later however
 - Traditional IRA account withdrawal usually taxed as ordinary income on pre-tax contributions and earnings
 - Roth IRA account withdrawal earnings are not subject to tax if the account is more than 5 years old and you are over age 59.5. Conversions and after tax contributions are often not subject to taxes.



Grandparent IRAs and Roth IRAs



Grandparent Individual Retirement Accounts

- This tactic is focused on enabling grandparents to enjoy tax deferred growth and maintain control of the assets
- You or your spouse must still be working (salary, wages, or self employment income) to contribute to IRAs and it makes more sense to consider this approach for funding education for
 - Younger grandparents (takes advantage of spousal IRA/Roth IRA inheritance),
 - Lower income grandparents (can make Roth IRA contributions and don't have to consider Roth conversions)
 - Chronically ill/disabled children or grandchildren beneficiaries (these beneficiaries can enjoy lifetime withdrawals)
 - Younger grandchildren (delays the 10 year non spouse non-minor beneficiary withdrawal window)
- Contribute to new individual retirement accounts on an after-tax or pre-tax basis while at least one of you is enjoying earned income (salary, wages, or self employment income)
 - For 2026 the maximum contribution per person is \$7,500 for individuals under age 50 and \$8,600 for individuals over age 50 and earned income has to be equal to or exceed the contribution.
 - Make a Roth IRA contribution if your 2026 married filing jointly adjusted income is under \$242,000
 - If your married filing jointly annual adjusted income is over \$252,000, you can only make contributions to a traditional individual retirement account on an after-tax basis.
 - If you make after tax contributions to a traditional IRA, consider immediate Roth conversions to avoid your own RMDs. You will pay ordinary income taxes on part to all of the conversion, however.
 - Consider naming your living spouse as the primary beneficiary and your grandchildren as a contingent beneficiary. You can change your beneficiaries at any time.
- Invest the account with a long-term horizon in mind given your grandchildren's ages.
- IRA's generally don't count as assets for student financial aid purposes
- Give to grandchildren using the annual gifting rules (up to \$19,000 annually per spouse) and qualified transfer rules (pay directly for medical, legal and education expenses) while you are alive as appropriate.



Grandparent Individual Retirement Accounts

- Take RMDs as required while you are alive.
 - Take required minimum distributions related to these new traditional IRA accounts from your other IRAs while you are alive.
 - If you have Roth IRAs, you do not have to take required minimum distributions while you would be subject to a 5 year holding period rule before taking qualified withdrawals
- Upon your death the proceeds will go to
 - Your surviving spouse if still he/she is still alive
 - Your grandchildren as contingent beneficiaries if your spouse has died.
- Your beneficiaries will take required minimum distributions
 - Spouse and chronically disabled/ill individuals will take RMDs as required over the rest of his/her life
 - Traditional IRA yes
 - Roth IRA no if considered spousal rollover, tax free lifetime distributions for chronically disabled/ill individuals
 - Non disabled/special needs children can take annual RMDs based on their own life expectancy until age of majority (usually age 21) and then must fully deplete the account within 10 years
- You may be subject to a generation skipping tax if your estate is larger than the estate tax exemption (2026 \$15,000,000 per person, \$30,000,000 for a couple if you maximize estate planning) at the time the grandchildren receive the accounts at your death
- If you like want to pursue this education funding approach, consult a CPA to ensure our interpretation of tax laws is correct.



UTMAs and UGMAs



UTMAs and UGMAs

- Uniform Gift to Minors Act
 - The donor is required to make an irrevocable contribution to a UTMA or UGMA account
 - The donor can not change the donee thereafter
 - Uniform Gift to Minors Act Account
 - UGMAs can invest in bank deposits, stocks, bonds, ETFs and mutual funds
 - Uniform Transfer to Minors Act Account
 - UTMAs can invest in a wider variety of asset classes including real estate and physical collectibles
- A custodian is appointed and the donee minor is the beneficiary
- Taxation of unearned income (interest, dividends and capital gains) may be subject to kiddie tax
 - Generally speaking for 2026 the first \$1,350 is not subject to taxes, the next \$1,350 is taxed at the child's tax rate (2026 likely 0%, 15% or 20% for qualified dividends and long-term capital gains) and the remaining would be taxed at the parent's tax rate
- Withdrawals for the benefit of the minor are permitted prior to ages 18-21
- Withdrawals after the child reaches 18 to 21 can be made for any reason
- The value of the UTMA/UGMA account is considered an asset of the student for financial aid eligibility purposes. This accounting can thus reduce a student's ability to obtain financial aid.
- At age 18 to 25 depending on the state the donee assumes ownership of the account



Coverdell Education Accounts



Coverdell Education Accounts

- Contributions are after tax
- Earnings grow tax free
- Withdrawals are tax free if used for qualified education expenses
 - Tuition, fees, books, supplies, equipment, room and board, uniforms, and tutoring
- Investment options include stocks, bonds or mutual funds
- Coverdell funds are generally owned by the beneficiary while the parent or guardian is named the “responsible individual” to manage the account
- These accounts are generally inferior to 529s due to
 - Contribution limits
 - \$2,000 per year,
 - Contributions must stop by age 18,
 - In 2026 donors must have adjusted gross income below \$110,000 single and \$220,000 married filing jointly,
 - Use limits – the Coverdell accounts must be used by age 30
- These accounts are generally superior to 529s for K-12 students because more expense categories are considered qualified expenses: uniforms, room & board and transportation

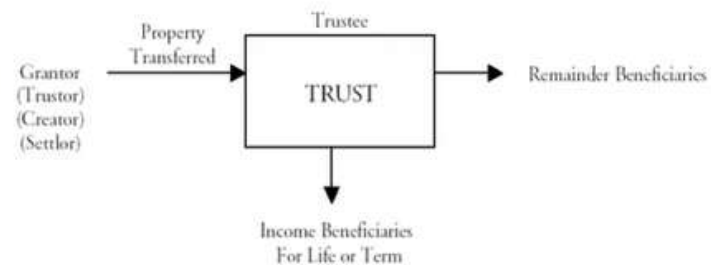


Trusts



Trusts

- +/-s of trusts
 - + management of assets
 - + avoids probate
 - + credit protection
 - + potential estate tax savings
 - - can be expensive
 - - can be cumbersome
- Implementation items
 - Identify the type of trust you are using
 - Appoint trustee
 - Make an irrevocable or revocable election
 - Identify income and remainder beneficiaries
 - Income and remainder beneficiaries would have to be identified
 - Identify how you will account for income tax liabilities and who will handle them
- Trusts for Minors
 - Section 2503b
 - May hold assets for the beneficiary's lifetime but must distribute income annually
 - Section 2503c
 - Allows income to accumulate but assets must be available to child when they turn age 21
- Please contact an estate attorney if you would like to pursue this option



Resources to Consider

- Financial aid
 - Fafsa.gov
 - Ccssprofile.collegeboard.org
 - Studentaid.gov
 - Irs.gov
- 529 college savings plans
 - Collegesavings.org
 - Savingforcollege.com
- College preparation
 - Collegeboard.org
 - Collegeconfidential.com
 - Act.org
 - Petersons.com
- Grants and scholarships
 - Goingmerry.com
 - Fastweb.com
 - Appily.com
 - Bigfuture.com
 - Scholarships.com
 - Finaid.org
 - Bold.org
 - Sallie/com/scholarships
 - Scholarshippowl.com
 - Niche.com



For more information

- Check out our website at:

www.candorassetadvisors.com



Candor Asset Advisors, LLC is an investment management and financial advisory firm located in Austin, Texas. We help our clients identify, refine and achieve their financial goals by providing sound investment advice, focused planning, prudent asset allocation and effective portfolio management.

Achieving these financial goals helps you realize what's important to you -- whether that's purchasing a home, funding a child's education, taking the vacation of your dreams, starting a business, providing care for loved ones, making charitable donations, or retiring on your terms.

Honesty, integrity and customer service are at the heart of everything we do. We believe open communication is essential. We employ a collaborative process to understand your goals, constraints, life events, risk tolerance and time horizon so that we can tailor our recommendations to you.

Thank you for your interest in our firm. Please [reach out](#) if you would like to know more.

- We discuss where we see opportunities in stocks, fixed income and other asset classes in our investment strategy commentaries
- Sign up to receive our insights by emailing us at:
 - info@candorassetadvisors.com
- To schedule a conversation, use the following link:
 - https://calendly.com/bhawes-1/brief_conversation

William E. Hawes, CFA, CFP® President and Chief Investment Officer

With over 27 years of industry experience, Bill brings a wealth of knowledge in investment management and financial planning. Prior to earning his MBA, Bill worked in mortgage banking and insurance, and the insights gained provided him with a broader perspective of the financial issues facing clients.

Bill has been a Chartered Financial Analyst since 2000 and is a Certified Financial Planner. Bill also enjoys golf, travel, studying history, watching his favorite sports teams, and spending time with family.

Before founding Candor Asset Advisors®, Bill co-created and managed Century Management's Large Cap Absolute Value and Large Cap Value strategies. Bill also analyzed companies in a variety of industries for the firm's all-cap value strategy.

Prior to moving back to Texas, Bill served as an equity analyst for Engemann Asset Management in Southern California. He co-managed a mid-cap growth fund and served as a multi-sector analyst for the mid-cap and large-cap growth teams.

After graduate school, Bill served as co-portfolio manager and equity analyst at Franklin Templeton. While there he served as portfolio manager on All Cap, Large Cap Core, and Consumer Sector portfolios. Notable institutional clients included CalPers, Mitsui Trust, Norges Bank, and Penn Mutual. He also spent considerable time analyzing auto, transportation, and consumer stocks.

Bill earned his Master in Business Administration from the University of Southern California. While there he also served on USC's MBA student investment fund.

Between his graduate and undergraduate studies, Bill worked at North American Mortgage Company in California as a management trainee and later as a financial analyst and marketing coordinator. The experience gave him a better understanding of the mortgage and real estate markets which he leverages to this day.

Bill earned his Bachelor of Business Administration from the University of Texas at Austin. While a student, he also served as a special agent for Northwestern Mutual. The experience gave him an understanding of life and disability insurance and the work ethic, tools, and temperament needed to grow a financial services practice.





CANDOR ASSET ADVISORS

William E. Hawes, CFA, CFP®

512 522-8501

bhawes@candorassetadvisors.com

1250 Capital of Texas Highway South

Building 3, Suite 400

Austin, Texas 78746

www.candorassetadvisors.com

Investment advisory and financial planning services offered through Candor Asset Advisors, LLC, a registered investment advisor.



Disclosures

- Investment advisory and financial planning services offered through Candor Asset Advisors, LLC, a registered investment advisor.
- For tax related advice please consult tax professional. This disclosure includes tax savings strategies, confirming account type contribution and withdrawal limits and rules, tax unit income limits, tax credits and deductions, etc..
- For estate planning advice please consult an attorney. This disclosure includes gifting strategies, creating and maintaining trusts, annual gifting caps, exceptions, etc..
- A 529 plan is a college savings plan that allows individuals to save for college on a tax-advantaged basis. Every state offers at least one 529 plan. Before buying a 529 plan, you should inquire about the particular plan and its fees and expenses. You should also consider that certain states offer tax benefits and fee savings to in-state residents. Whether a state tax deduction and/or application fee savings are available depends on your state of residence. For tax advice, consult your tax professional. Non-qualifying distribution earnings prior to 2024 are taxable and subject to a 10% tax penalty. Beginning in 2024, unused 529 plan funds may be rolled into a Roth IRA assuming the following conditions are met: 1) must have owned the 529 plan for 15 years, 2) can only convert funds that have been in the 529 plan for at least 5 years, 3) rollover amount cannot exceed \$35,000 and 4) rollovers must be made to a beneficiaries Roth IRA.
- Indices are unmanaged and investors cannot invest directly in an index. Unless otherwise noted, performance of indices does not account for any fees, commissions or other expenses that would be incurred. Returns do not include reinvested dividends.



Disclosures Continued

- The S&P 500 Index is a market capitalization–weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent US equities.
- The Consumer Price Index (CPI) is a measure of inflation compiled by the US Bureau of Labor Studies.
- Diversification does not eliminate the risk of experiencing investment losses.
- Financial plans are hypothetical in nature and intended to help you in making decisions on your financial future based on information that you have provided and reviewed. Assumptions need to be reviewed regularly.
- Candor Asset Advisors does not endorse or support the contents or opinions of third-party providers.
- Candor Asset Advisors is not responsible for the content, privacy and security of a third-party website.

