



How High-Net-Worth Families Use College Funding as a Wealth Planning Tool

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For many affluent families, the question is not whether they can afford college, but how to fund it most effectively in a way that complements long term wealth planning, tax strategy and legacy goals. From tax advantaged education accounts to intergenerational gifting strategies, education funding offers powerful opportunities to enhance financial efficiency and transfer wealth intentionally. Whether you are supporting a child's undergraduate degree or planning for multiple generations of learners, a thoughtful approach can amplify your impact and help secure your family's financial legacy.

More Than Tuition: Why College Planning Matters for Wealth Strategy

College costs continue to rise, reaching over \$43,000 per year on average at private institutions¹. The real opportunity for high-net-worth families lies not simply in covering expenses, but in aligning education funding with estate, tax and legacy objectives.

With the right approach, education funding can help:

- Reduce future estate tax exposure
- Shift assets to younger generations in a tax-efficient manner
- Reinforce family values around education and opportunity
- Preserve control while promoting stewardship

Education is more than a cost center; it can be a cornerstone of long-term family governance and financial architecture.

¹*Trends in College Pricing and Student Aid 2024*, research.collegeboard.org/media/pdf/Trends-in-College-Pricing-and-Student-Aid-2024-ADA.pdf. May 2025.

529 Plans: A Multi-Generational Wealth Vehicle

529 plans are often underutilized by wealthy families who could benefit significantly from their unique features not only for education funding, but for estate and legacy planning.

Key Strategic Benefits:

- **Tax-Free Growth:** Investments grow tax-deferred, and withdrawals are tax-free when used for qualified education expenses.
- **Estate Reduction via Gifting:** Contribute up to \$18,000 annually per beneficiary (\$36,000 for married couples) or front load five years' worth of gifts to \$180,000 per beneficiary without incurring gift tax or using your lifetime exemption.
- **Roth IRA Rollover Option:** As of 2024, families can roll over up to \$35,000 of unused 529 funds into a Roth IRA in the beneficiary's name, subject to conditions. This can serve as a tax-advantaged head start on retirement for your children or grandchildren.
- **Flexible Control:** You can change the beneficiary to another relative at any time, giving you flexibility across siblings, cousins or future generations.
- **Strategic Retention of Control:** Though assets are removed from your estate, the account owner retains full control over how and when funds are distributed.

A 529 plan, when coordinated with broader gifting strategies, can provide a high leverage way to reduce estate size while investing in your family's future.

Direct Gifting to Educational Institutions: Unlimited and Exempt

In addition to 529 plans, affluent families can reduce their taxable estates by making unlimited tuition payments directly to educational institutions without impacting annual exclusion limits or lifetime exemptions.

This approach:

- Offers 100% estate and gift tax exemption
- Can be used alongside 529 contributions for maximum flexibility
- Allows grandparents and other relatives to support education without relinquishing additional gifting capacity

It is a clean and effective tactic for families seeking to preserve wealth and meet IRS gifting criteria while funding education in real time.

Custodial Accounts (UTMA/UGMA): Use with Caution and Planning

While **Uniform Transfers to Minors Act (UTMA)** and **Uniform Gifts to Minors Act (UGMA)** accounts allow for broader use including for tutoring, travel and enrichment, they are **less favorable** for families seeking long-term control.



Considerations include:

- Assets belong to the child and become fully accessible at age of majority (typically 18 or 21)
- May impact financial aid eligibility
- Offer minimal protection from imprudent spending or outside influences

As a result of these limitations, many high-net-worth families limit the use of custodial accounts or incorporate them into broader trust or governance structures that provide clearer direction and oversight.

Coverdell ESAs: A Targeted Option for Early Education

Though contribution limits are low (\$2,000/year) and eligibility is restricted by income, Coverdell Education Savings Accounts (ESAs) can still play a role when:

- You want self-directed investment flexibility
- You are funding private K–12 education
- You want a tax-free growth supplement to a 529 plan

For affluent families seeking a highly customized investment approach for early education phases, ESAs can serve as a targeted planning layer.

Education Planning as a Platform for Family Governance

Education funding often becomes a natural on ramp for wealth transfer discussions, teaching monetary responsibility and reinforcing family values.

We encourage clients to use education funding as a platform for:

- **Introducing financial education** to children and grandchildren
- **Structuring family conversations** around values and opportunity

- **Establishing education trusts or endowments** to provide support across multiple generations
- **Setting expectations and guidelines** for responsible access and use of funds

This not only supports learners but cultivates responsible future stewards of wealth.

Coordinating Education with Broader Wealth Goals

Even for affluent households, strategic coordination matters.

- **Retirement Planning:** Help ensure that your generosity today does not compromise your independence later. Funding 529s or direct tuition should align with a well-funded retirement plan.
- **Philanthropy:** Use education support to extend impact. Consider setting up scholarships through family foundations or donor-advised funds, aligning with broader charitable goals.
- **Trust Planning:** Education clauses can be written into irrevocable trusts to define how wealth may be used and under what conditions, blending structure with opportunity.

Our Perspective: Plan Beyond the Tuition Check

We help high-net-worth families reframe college funding from a short-term expense into a strategic opportunity. Education is one of the most value-driven components of a legacy and one of the most impactful when approached with structure, flexibility and foresight.

We work closely with families to:

- Align education funding with **tax, estate and investment plans**
- Design gifting strategies that **help preserve wealth and promote stewardship**
- Facilitate intergenerational discussions that **empower the next generation**

We Can Help Build a Smarter Education Plan

Whether you are planning for your child, grandchild or a future generation, your approach to education funding can strengthen your overall wealth strategy. We can provide ideas about how to integrate college planning into a holistic plan that supports your values, legacy and long-term goals.

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