

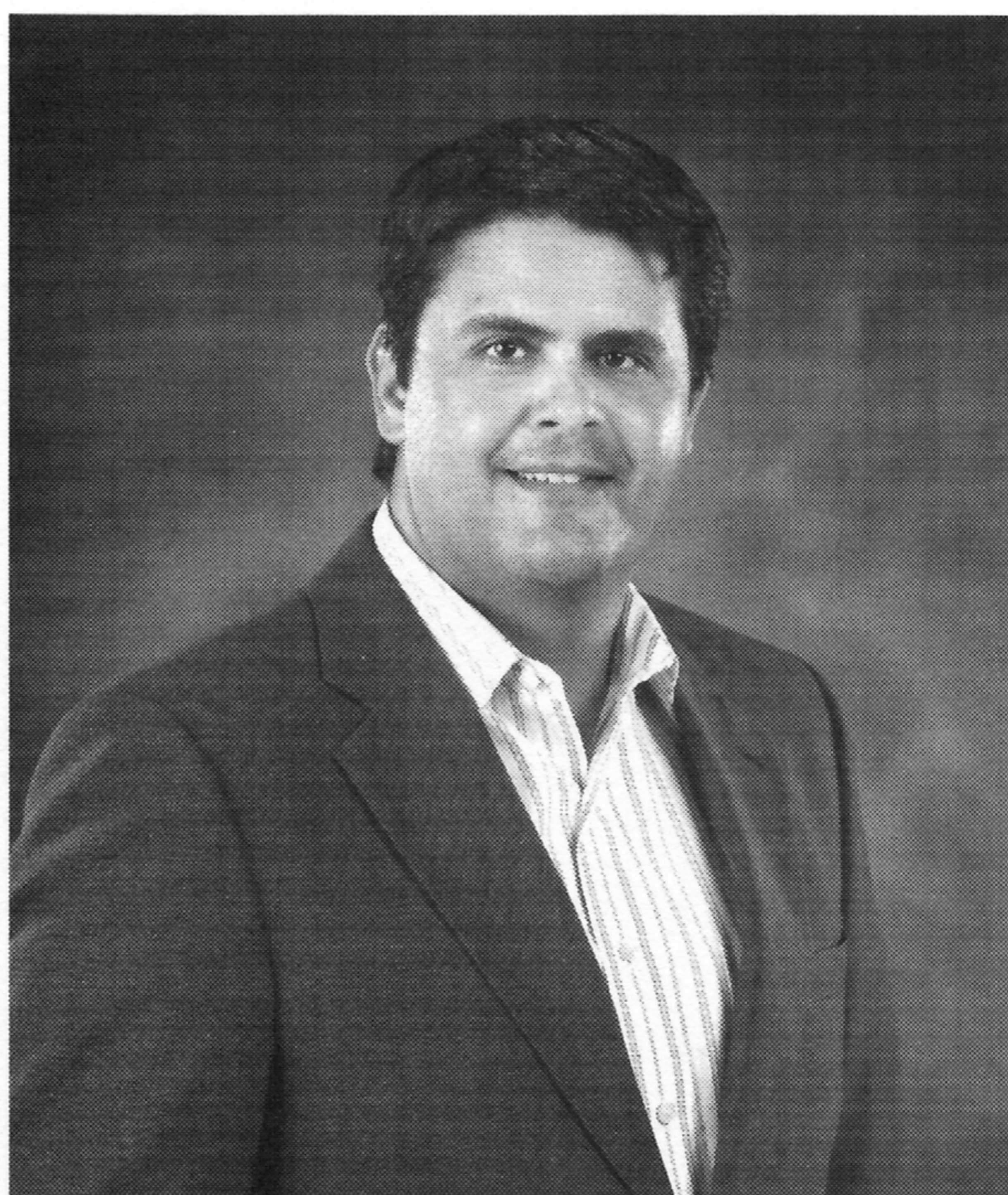
THE WALL STREET JOURNAL.

TUESDAY, AUGUST 9, 2016

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Corporate 529 College Plans Are an Easy Benefit to Implement Employers should consider adding the education-savings vehicles as a simple, low-cost way to attract workers

Photo: Penton Wealth Management



Demian Penton of Penton Wealth Management... helping clients develop a corporate 529 plan can be a great way to add value as an adviser.

Demian Penton is founder of Penton Wealth Management PA in Tampa, Fla. Voices is an occasional feature of edited excerpts in which wealth managers address issues of interest to the advisory community. As told to Alex Coppola.

The cost of higher education has skyrocketed over the past few decades. According to the College Board, the average annual cost of a private, four-year college is now close to \$44,000—more than double what it was 30 years ago. Scholarships and grants are

certainly helpful for defraying costs, but many parents still need to cover the majority of their children's college expenses.

Increasingly, businesses are recognizing that need. In addition to sponsoring health-care and retirement plans, a growing number of employers are now also sponsoring college-savings plans—known as corporate 529 plans—as part of their benefits packages.

As an adviser who works primarily with corporate clients, I have seen the advantages that these plans have for both clients and their employees. And whether you're an adviser who works with business owners who have 15 employees or 150, helping them offer this kind of benefit can be a powerful tool for growth.

For employees, the primary advantage of a corporate 529 plan is that more of their contributions go directly toward their education-savings goals. Someone seeking out an individual savings plan in the retail market could face annual management fees of close to 1% or a sales charge upward of 5% on every contribution they make to their account. Because of the benefits of scale as part of a corporate plan, both of those expenses are greatly reduced. Employees also can have contributions to the accounts withheld from their paycheck, just as they would for their retirement plan, which helps automate savings.

For employers, the corporate 529 plan offers a simple and inexpensive way to help attract and retain employees. Unlike a 401(k) retirement-savings plan, there are no ongoing record-keeping expenses or fees beyond enrollment charges that are typical of any benefit. And because employees make contributions to the plans with their own after-tax dollars, there's no need for employers to adjust their W-2 reporting. They can also offer to match a percentage of employee contributions, and some states now offer tax incentives to employers who do so.

Ultimately, the plans can be a way for business-owning clients to differentiate themselves. Given many employees' need for college savings and the fact that there are still few companies offering these plans, having one in place can be an effective way to strengthen company culture. A sponsored 529 plan helps communicate that employees are part of a family, not simply a cog in a wheel, and can increase productivity and even engender more loyalty.

To help with implementation, advisers can reach out to the administrators of different 529 plans to gather information about specific offerings. Helping clients develop this kind of cost-effective strategy is a great way to contribute meaningfully to their business and add value as an adviser.

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