

Grandparents Can Help with College Costs

Are you a grandparent who wants to help pay for a grandchild's college education? You'll find several ways to do this, each with its own limitations and tax consequences.

GIFTS. The simplest way is to make an outright cash gift to your grandchild each year. In 2014, you can give up to \$14,000 without any gift tax liability. If your spouse joins in the gift, you can jointly give each grandchild up to \$28,000 each year.

DIRECT PAYMENTS. You can give unlimited amounts without gift tax consequences if you make the payments directly to a qualified education institution on behalf of your grandchild. Payments can only be for tuition, not for dorm fees, meals, books, etc.

EDUCATION ACCOUNTS. You could set up a Coverdell education savings account or a Section 529 plan for your grandchild. These plans offer tax-free growth of amounts you contribute to them. Age, income, and contribution limits apply, however.

To discuss the options best suited to your circumstances, contact our office.