



## **Case Study | Do you have a heart for children?**

### **James and Grace**

#### ***Problem***

James and Grace have a heart for children. They have three biological children and when they went to adopt a son from Haiti, they discovered he had a sister. So they adopted her too! Now they are trying to save money to give each child a start on their college expenses. They've read and heard so much about 529 accounts; however, they've also read that money in 529 accounts can hinder children from receiving scholarships and grants. They are very confused.

#### ***Consequences***

529 plans are authorized by Section 529 of the Internal Revenue Code. Special tax benefits vary by state; however, most plans have pre-set investment options and come with many restrictions. The biggest problem is the lost opportunity cost when the money is sent off to the college. James and Grace lose the miracle of uninterrupted compound growth on their money.

#### ***Solution***

I met James at a church event and when he learned about our strategies, he asked me how he and Grace could save for their kids for college. I helped James discover the miracle of uninterrupted compound interest and how they could use it to their advantage as they start saving. He had never heard of compounding accounts and wondered why everyone wasn't using them. I told him that those who understand them use them.

## **Tax Diversification Strategies**