

# Legal Connections



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*"529 plans come with a host of tax benefits. Find a qualified attorney at [directory.cbalaw.org](http://directory.cbalaw.org) to help maximize your investment."*

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## SAVING FOR THE FUTURE: THE BASICS OF 529 ACCOUNTS

**G**rowing up, my Dad always told me to "use the right tool for the right job."

Sage advice. When it comes to education savings, there are several tools in the toolbelt, but the 529 account is still the most popular choice.

Tax-free growth and tax-free distributions when used for qualified education expenses – that's the primary benefit of 529 plans. Qualified expenses include:

- Tuition and fees
- Books, supplies and equipment required for enrollment
- Room and board if enrolled in an eligible college program on at least a half-time basis

529 accounts have traditionally been used for college, graduate and trade schools, but starting in 2018, 529s can be used to pay for up to \$10,000 per year of tuition at elementary or secondary schools. Any 529 distributions not used for qualified expenses are subject to ordinary income tax and a 10 percent



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penalty on the earnings portion (principal distributions are tax free). Unused 529 dollars are not required to be distributed and can be transferred to related beneficiaries and/or used for future generations.

Almost every state has a 529 plan. In Ohio, we are blessed to have one of the best 529 plans in the country, as Ohio's College Advantage consistently receives high overall and performance ratings. Contributions to the Ohio's 529 plan by Ohio income tax payers receive an Ohio income tax deduction of up to \$4,000 per beneficiary per year. When setting up a 529 for a beneficiary in another state, consider that state's income tax benefits.

Much of college tax planning is focused on the Federal tax credits: the Lifetime Learning Credit and the American Opportunity Tax Credit. 529 dollars cannot be the same dollars used to claim those tax credits. With the American Opportunity Tax Credit (AOTC), eligible expenses include the first \$4,000 of expenses paid each year for the first

four years of higher education. So, for example, if actual college costs are \$20,000, and \$4,000 is to be used for the AOTC, 529 distributions cannot be more than \$16,000 for that year.

Investment choices within a 529 will vary from state to state, with the owner selecting the appropriate choice, but a unique option in most 529 plans is the "age-based" investment option. Age-based investments are more aggressive when the child is very young and slowly get more conservative as the child gets closer to college. This intentional glidepath helps mitigate the risk of losing value when resources are finally needed for expenses.

We often see grandparents establishing 529 accounts for their grandchildren. This is an excellent planning opportunity as 529 accounts owned by someone other than the parent or the child are excluded as assets from the financial aid equation. 529 accounts can leave a great legacy for future generations.

So, Dad, if this is the right tool, would you like to contribute to your grandchildren's 529 accounts? ■

### EDUCATION & EVENTS

**Attorney Fees & Client Fund Management Session #1**  
Tuesday, Sept. 17 • 12 – 1:30 p.m.  
1.5 CLE/NLT Hours (Prof. Conduct)

**Court Interpreter Info Session**  
Tuesday, Sept. 17 • 5 – 7 p.m.  
Learn more about being an interpreter; free to attend

**Telecommunications 101**  
Wednesday, Sept. 18 • 3 – 5 p.m.  
2.0 CLE Hours

**D&I Series - Bias Interrupters: Assignments**  
Wednesday, Sept. 25 • 12 – 1:30 p.m.  
Free to attend; this session will focus on systemic bias in assignments

All classes listed are offered at the Columbus Bar Associations offices, 175 S. Third St. Ste. 1100. To register, call 614-221-4112 or enroll online at [www.cbalaw.org](http://www.cbalaw.org).

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## FIVE TIPS FOR NAVIGATING SOCIAL SECURITY

**N**avigating the social security system can be daunting for advocates and claimants alike. Here are a few points to remember:

**1.** Make sure you know if applications for SSDI and SSI can both be submitted. Get them done at the same time instead of filing for one or the other at a later date; that could cost in backpay.



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**2.** Complete the forms in full. Don't leave anything out. Especially on the Disability Report form, which asks for a list of impairments, symptoms, doctors names and addresses, dates of treatment and medications, including dates prescribed and by which doctor. Review and list all work history for the past 15 years, even if it only lasted a short time.

**3.** Medical records obtained from treating sources should be submitted with the application. Follow up with Social Security to make sure they have all the materials and are keeping you informed. Monitor the progress of the claim, set another follow-up calendar date and don't wait for Social Security to contact you.

**4.** Have the treating doctor fill out a form or give their opinion in a letter or office note as to what the disabled individual can or cannot do from a

mental or physical standpoint. This is the gold standard; it is sometimes valued as the best of the best.

**5.** Have patience; most of these claims take an inordinately long time. If denied at any stage of the process, don't give up and don't wait to appeal. File the appeal or request for hearing immediately. ■



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