

## THE PERFECT GIFT

By Courtney E. Boniface, Attorney at Law

Emily and her mom were sitting in the kitchen wrapping gifts for the holidays. With just a few weeks left to shop before Christmas, they wanted to make sure they had something for everyone. Emily and her husband Sean had done their shopping early – hit the toy store at 6 am the day after Thanksgiving to get some presents from Santa for their two children, Elizabeth, 3, and Ethan, 1, and some toys donate to their local charity toy drive. Then it was on to the mall, which was already packed by 9am for siblings and parents gifts. Just a few more gifts for some friends and co-workers and they were nearly done.

Emily's mom, Sarah, asked what she and Poppie could give the grandkids this year. "Annie, our new neighbor, tells me her grandkids loved those videos with all the colors and shapes and classical music. They also love those dolls that sing and dance – especially that one that does the chicken dance! I saw that one on TV the other day – it looks so cute!" All Emily could think of was hearing that chicken dance over, and over and over – she had already taken the batteries out of some of Nahni and Poppie's more famous singing and dancing gifts.

"Mom, I think you already gave them those videos and the kids have so many toys already – the house is overflowing! I still have a bunch of toys in the basement that are still wrapped from their birthdays in September. You could just give them those."

"Well, then I'll get them some new clothes. I saw some really cute outfits in the store last week. What size are they in now?"

Emily was thinking that both of her children had enough clothes to get them through the winter. It would be a miracle if they actually wore all the clothes in their closet. She had already donated a bag of clothes at her church's clothing drive last week. Then the perfect gift came to mind.

"Mom, you know what would be a great gift? Why don't you and Dad open up 529 plans for the kids."

"A 529 plan? What's that? I've never heard of that." Sarah wasn't quite sure how this was going to solve her Christmas gift dilemma.

"Yes you have, Mom. Don't you remember Sean and I opened them when Elizabeth and Ethan were each born? They are those college savings accounts, the ones where we put money in the account to be

used for college. It is sort of like an IRA – the money grows, but the income taxes are deferred. The money can ONLY be used for education – college, culinary school, law school, etc. – NOT little red sports cars. If it turns out that Elizabeth is the genius we think she is and she gets a full ride to Harvard, her account can be used for Ethan's education. Another great benefit is that if you use the New York State plan, you and Daddy can get a tax deduction on your New York income taxes." The more Emily spoke, the more she was convinced that this was a brilliant idea.

"Oh, but Emily, what will the kids think? They have to open something from their Nahnii and Poppie! How would it look if they didn't open an actual gift from us?"

"Mom, do you really think a 1 and a 3 year old know who gave them what gifts? You could wrap an empty box and as long as they got to rip off the paper they would be happy! Why don't you just give them some coloring books so they have something to open. But the real gift would be the college accounts. If you open accounts with the New York State plan, you should open them before the end of the year so you can take advantage of the tax deduction. Everyone can deduct up to \$5,000 (or \$10,000 in your case since you and dad are married and file jointly) from your 2004 New York State taxable income by contributing to New York's 529 College Savings Program *Direct Plan* before December 31. But don't forget, contribution checks must be postmarked by December 31 to meet the tax deadline for this year. You can add to them whenever you want – birthdays, holidays, or when you just get the urge to buy them another singing toy – put the \$30 in their college account instead. Through [www.upromise.org](http://www.upromise.org) you can even link your credit cards and grocery store cards to the accounts. You can get money back for college at thousands of participating companies. You can get up to 10% when you buy gas, dine out, shop and more. You might as well earn something for all that shopping you do!"

"But it doesn't seem like Christmas without lots of toys."

"Mom, didn't you and Daddy always tell us that an education is one of the most important things to get in life? Well, the cost of education just went up in the few minutes we have been sitting there. Honestly, Sean and I don't know how we are going to be able to afford it. Even though it is 15 years away, it will be here before we know it. And think about it: do you really think I remember what Grandma and Grandpa gave me for Christmas 30 years ago? A stuffed animal

maybe, possibly a board game – I would trade those in now for a smaller student loan. Down the road when Elizabeth’s and Ethan’s friends are swimming in debt, they will be VERY thankful that you thought of them at Christmas 20 years earlier. Trust me, I wish these had been around when I was growing up. I don’t think there is a single childhood toy that I wouldn’t give up to have already paid off my student loans from college and law school!”

“Okay, okay! You are right! It is a good idea. You know your father and I only want what is best for our grandkids and we do want them to be able to go to school wherever they want. Your father will be very happy about this – he hates to go shopping and hates to see the bills after I have been! Do you think your sisters would want us to do the same for their children too?”

“Of course! Every penny helps, Mom!”

“So, how do we get these accounts opened?”

“Well, you can ask your financial advisor. If you open one with her company, you won’t get the income tax deduction, but you will get wider investment choices. To get the accounts that give you a tax break, you can call 1-877-NYSAVES or even do it online. Just go to [www.nysaves.org](http://www.nysaves.org). Thanks, Mom, this is one of the best gifts you can give to the kids and us too – it is the gift that will keep on giving for a lifetime! And remember you can keep adding to the accounts for birthdays, holidays, anytime you want.”

“Your father and I will open them tonight. But can I still get the chicken dance doll?”

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