

Accelerating Gifts to the Next Generation

Superfunding 529 Plans in 2026

OVERVIEW

WHAT IS SUPERFUNDING?

A gifting strategy that allows a donor to contribute up to five years of annual exclusion gifts to a 529 college savings plan in a single year, front-loading education savings without using lifetime gift tax exemption.

How It Works

- 2026 annual gift tax exclusion: **\$19,000** per donor, per recipient 529 rules allow a five-year election on a single contribution
- Up to **\$95,000** per donor, per beneficiary; up to **\$190,000** for married couples who split gifts
- Elected on **IRS Form 709**; gift is treated as made evenly over five years

Key Features

- Donor retains control of the account, and its investments
- Beneficiary can be changed to another eligible family member
- Growth is tax-deferred; withdrawals are tax-free when used for qualified education expenses
- Non-qualified withdrawals are subject to tax and penalty
- Applies per beneficiary, such as children or grandchildren

WHY IT MATTERS

Assets contributed to a 529 are generally removed from the donor's taxable estate, and so is all future growth on those assets. Front-loading also puts more dollars to work for longer than annual contributions would. For high net worth families, it can fund education for multiple beneficiaries while preserving the lifetime gift and estate exemption (\$15 million per person in 2026).

WEIGHING THE IDEA

Potential Benefits

- Moves assets and future growth out of the taxable estate
- Can be done without using any lifetime exemption
- Longer compounding period than annual contributions
- Donor keeps control and flexibility over beneficiary and timing
- Supports college, certain K-12 tuition, and other qualified expenses

Potential Considerations

- If the donor dies within five years, a prorated portion may return to the estate
- Additional gifts to the same beneficiary during the five years will require the use of lifetime exemption
- Overfunding is possible – you may wish to consider other funding options for education
- Investment options are limited and carry market risk

KEY TAKEAWAY

Superfunding compresses five years of annual gifts into one contribution, moving assets and their future growth out of an estate while the donor keeps control. The value isn't just the size of the gift, it's the added years of tax-advantaged growth and how the strategy fits into a broader education and estate plan.

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