

COLLEGE SAVINGS 529 PLANS



A 529 plan is a tax-advantaged savings vehicle designed to encourage savings for future education expenses. 529 plans can be used on any qualifying expenses incurred at an undergraduate college, graduate level college, or a vocational/ trade school. Additionally, due to recent legislation, 529 plans can be used for private elementary and private high school tuition, tutoring, and education-related costs, up to \$20,000 per year, per child¹. Below are a list of qualifying expenses, a list of the benefits of 529 plans, and potential solutions if the funds are not needed for schooling.

WHAT IS A "QUALIFIED EXPENSE?"

An expense deemed by the Internal Revenue Service that will allow for tax-free distributions from a 529 Plan. Distributions from a 529 plan must be made in the same calendar year that the qualified expense is incurred to avoid penalty.

INCLUDED²:

- Tuition and Fees
- Room and Board³
- Books and Supplies
- Computers and Related Services (ex: Internet)
- Other Costs related to Enrollment

EXCLUDED:

- Transportation Costs
- Health Insurance Premiums
- Cell Phones
- Student Loan Payments⁴

WHAT ARE THE BENEFITS?	
ELEMENT	DESCRIPTION
✓ INVESTMENT GROWTH & DISTRIBUTIONS	Investment funds grow deferred and distributions may also be tax-free if used on Qualified Expenses.
✓ FLEXIBILITY	Funds are professionally managed. Participants may be able to choose from 2 to almost 30 mutual fund-type investments. Investment choice may be changed twice a year.
✓ TRANSFERABILITY	Owners may transfer to another 529 beneficiary once every 12 months.
✓ TAX DEDUCTIBILITY	Potential State Tax Deductions

WHAT IF I DON'T NEED IT? POTENTIAL SOLUTIONS:

- Change the beneficiary to another student
- Allow account to defer for a second generation student
- Withdraw money and pay ordinary and penalty tax on the gains only
- Up to \$35,000 of unused 529 funds may be rolled into the beneficiary's Roth IRA. (subject to applicable requirements.)

¹ 529 distributions for private elementary and private high school education-related expenses eligibility is not eligible in every state. Please contact a local CPA to verify.

² List below is referring to Vocational / Trade School, Undergraduate, or Graduate / Doctorate level schooling.

³ Room and Board cannot exceed the predetermined rate given at the specific university. Off campus rooming may be used with certain limits.

Meal plan and other campus options may be used within certain limits. Please contact the billing department at the University of Interest.

⁴ Student Loan Payments cannot exceed the \$10,000 lifetime limit. However, an additional \$10,000 may be used to repay the student loans of the beneficiaries siblings.