



What You Need To Know About 529 Plans

A recent study by the College Board found the average annual cost of tuition and fees at four-year private institutions totaled \$35,830 for the 2018 - 2019 academic year.¹ With education expenses steadily increasing over the past 30 years² and total U.S. student loan debt soaring to \$1.4 trillion,³ saving for college is as sensible as it is critical.

What is a 529 plan?

A 529 plan is a tax-advantaged, education savings plan designed to help families set aside funds for future school costs.

What are the benefits of a 529 plan?

529 plans offer significant tax and investment advantages.

TAX-DEFERRED GROWTH

Earnings grow tax-deferred from federal and state taxes.

TAX-FREE WITHDRAWALS

Withdrawals for qualified education expenses are exempt from federal and state taxes.

STATE TAX BENEFITS

Many states offer a deduction or credit for contributions.

GIFT-TAX BENEFITS

Contributions qualify for the annual federal gift tax exclusion - \$15,000 for individuals and \$30,000 for married taxpayers.

ESTATE BENEFITS

Under special rules for 529 plans, a lump sum contribution can be spread over five years for gift tax purposes. This forward gifting allows individuals to contribute \$75,000 and married couples filing jointly to contribute \$150,000 per beneficiary to help reduce your personal estate.

INVESTMENT OPTIONS

529 plan funds are professionally managed by well-established financial companies that offer a range of investment options, thus allowing you to tailor your portfolio to meet your needs and risk tolerance.

FLEXIBILITY

Family and friends can contribute to your child's 529 plan. Additionally, beneficiaries can be changed to other family members.

What can 529 plan funds be used for?

Higher Education

529 plan funds can be used for tuition, books, room and board, and other education-related expenses at most accredited colleges, universities, trade schools, and post-secondary educational institutions.⁴

Primary and Secondary Education

529 plan funds can be used for kindergarten through high school tuition up to \$10,000 per year for each student and be tax-free at the federal level.⁵

¹ "Trends in College Pricing 2018," Trends in Higher Education Series, The College Board. 2018. Page 3. <https://trends.collegeboard.org/sites/default/files/2018-trends-in-college-pricing.pdf>

² "Trends in College Pricing 2018," page 12

³ <https://www.debt.org/students/>

⁴ Eligible institutions can be found at <https://ifap.ed.gov/ifap/fedSchoolCodeList.jsp>

We recommend you consult with your tax advisor prior to making withdrawals or distributions from a 529 plan for K-12 expenses. State income tax benefits may be subject to recapture.

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