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Uncover the truth about 529 plans

Don't let common misconceptions about 529 plans cause you to miss out on their benefits when saving and investing for education. The below sets the record straight.

Misconceptions	Reality
1 **You can only invest and use your state's plan.**	You **can invest in ANY 529** savings plan from any state. However, some states may offer 529 plans that provide taxpayers with state tax and other benefits that are only available through the home state's 529 plan. You **can use the plan assets at ANY eligible school** around the country and abroad.[1]
2 **You can only use 529 plans to pay for college tuition.**	529 plans are flexible. **You can use your account assets to pay for many qualified education expenses**, including tuition expenses up to $10,000 annually for K-12 public, private or parochial schools,[2] student loan repayments,[3] room and board,[4] mandatory fees, books and supplies, and more!
3 **If the plan beneficiary doesn't go to college or receives a scholarship, you'll lose the money.**	Unlike other education savings and investment options, a 529 account owner controls the account. That means **the account owner can change the beneficiary** to another eligible "member of the family" (as per IRS rules). **There are generally no distribution time or age limitations**.[5] Hold onto the plan as long as you'd like or pass down the plan assets to future generations. **529 assets can also be returned to the account owner as a non-qualified withdrawal**, but earnings will be subject to a 10% federal penalty as well as federal, state and local income tax. Starting in 2024, **SECURE 2.0 allows for a 529 plan account to be rolled over to a Roth IRA** for the 529 account's designated beneficiary. Transfers are subject to an aggregate limit of $35,000 with respect to the designated beneficiary.[6]
4 **Investing in a 529 plan lowers qualification for financial aid.**	**A 529 plan has a relatively small impact on federal financial aid eligibility** because 529 assets are considered assets of the account owner, rather than the beneficiary. When the parent is the account owner, 529 assets are factored into the expected family contribution rate (5.64%), the same rate as any other parental asset.[7]
5 **You will be subject to the gift tax on contributions.**	**529 plan contributions are free of gift taxes and can help reduce potential estate taxes**. Per beneficiary, individuals can contribute a maximum of $17,000 annually ($34,000 for married couples) or choose one-time accelerated gifting of five years ($85,000/$170,000).[8] For gift tax purposes, the assets are considered completed gifts but the owner of the account controls the assets and withdrawals.

Misconceptions		Reality
6	**A 529 plan is only for children.**	**There is no maximum age for a 529 plan owner or beneficiary**. Assets in a 529 account may be withdrawn tax-free for a beneficiary of any age to pay for any qualified education expense including college, graduate schools, and vocational/technical schools. In fact, **you can be your own account's beneficiary**. If your school is eligible, you can use 529 plan assets – even if you are not attending full-time.
7	**You make too much money to contribute to a 529 plan.**	Unlike other education savings vehicles, **529 plans do not have income limitations.**
8	**Only a parent can be a 529 account owner.**	**With few exceptions, there are no limitations on who can be account owners or beneficiaries**.[9] Trusts, corporations and custodial accounts with valid tax ID numbers may also be account owners.
9	**Only the account owner can contribute to a 529 plan.**	For most 529 plans, **anyone can contribute to an account** that has been set up. Most 529 plans will allow only one account owner for each beneficiary, but other family members and friends can contribute. Rather than giving gift cards, have family and friends contribute to a 529!
10	**There is a limit on the number of 529 accounts than can be opened.**	Account owners can **set-up as many accounts** as they'd like – one per beneficiary – and can fund up to the maximum contribution level, which is often over $500,000.[10]

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1 Distribution must be used to pay for qualified higher education expenses at an eligible educational institution. Eligible educational institutions include colleges and universities that are eligible for Title IV federal student aid. 2 Considered a qualified expense for U.S. tax purposes. For state tax treatment, check your individual state guidelines. Not all states consider this a qualified expense. 3 Amounts paid as principal or interest on a qualified education loan. Amount that may be treated as qualified expense shall not exceed $10,000 as a lifetime cap per beneficiary. 4 Expenses for room and board are subject to certain eligibility requirements. 5 Virginia's 529 plan has a 30-year limitation on use of assets. 6 The 529 account must have been maintained for at least 15 years, and the distribution cannot exceed the aggregate amount contributed to the program (and earnings) before the five-year period ending on the date of the distribution. Although the amount that may be transferred may not exceed either the Roth IRA dollar limit or the amount of compensation the designated beneficiary earned that year, the income limits applicable to Roth IRA contributions are not applicable. 7 Consult with a financial professional to learn more about the expected impact of your 529 plan on financial aid. 8 Inclusive of all gifts to the beneficiary, not just contributions to a 529 plan. An accelerated gifting tax provision, unique to 529 plan contributions, allows you to apply up to 5 years of gifts in a single year ($85,000/$170,000 maximum limits). Considered a completed gift, assets are thereby removed from your taxable estate. Consult your tax advisor for any limitations. 9 You must be a U.S. citizen or resident alien, have a Social Security number or Tax Identification number and have a permanent U.S. address. 10 Contribution limits may vary by 529 plan.

Investing involves risk, including possible loss of principal. Account Owners assume all investment risks as well as responsibility for any federal and state tax consequences.

Please note that any discussion of U.S. tax matters contained in this communication cannot be used by you for the purpose of avoiding tax penalties; this communication was written to support the promotion or marketing of the matters addressed herein; and you should seek advice based on your particular circumstances from an independent tax advisor.

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