

529 College Savings Plan

529 College Savings Plans are state-sponsored plans that allow families to save for college expenses. Every state now offers at least one plan. In addition, some educational institutions offer 529 pre-paid tuition plans.

These plans lock in tuition costs at eligible public and private colleges.

Benefits

As long as the money is used to pay for college expenses, the withdrawals are free of federal taxes. Depending on the plan you choose, the withdrawals may be free of state and local taxes as well. Some states offer a tax deduction for contributions. The funds are owned and controlled by the donor, not the student. The donor decides when and if the beneficiary gets the money. If the beneficiary decides not to go to college, the money may be used for another child or withdrawn, which will subject it to tax and penalties. The minimum investment can be very small, but you can contribute substantial amounts if you choose. Since the contributions are owned by the donor, they will not affect the student's ability to qualify for student aid.



529 Plan

Covered Expenses

529 plans usually cover tuition, room and board, mandatory fees, books and required computers.

Choosing a Plan

If you live in a state with a high income tax, you will want to investigate whether withdrawals are free of state tax for the plan you are considering.

As with any investment, you want to make sure it is safe with a good return on investment and low fees.

Resources to Help You Decide

Morningstar analyzes and rates 529 plans. It also lists the tax benefits and maximum balance permitted by state.

www.morningstar.com

The **College Savings Plans Network** is a non-profit group that represents state 529 plans. This site has links to the state plans and can be used to compare plans.

www.collegesavings.org

Saving for College also rates plans. It has a free calculator designed to calculate how much you will need to save based on your situation. It offers simple answers to basic questions, but additional information requires a subscription with a monthly fee.

www.savingforcollege.com

The **Securities and Exchange Commission** compares college savings plans with prepaid tuition plans.

www.sec.gov/investor/pubs/intro529.htm



An Educational Message from



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