THE ABCs OF

529 PLANS

Give your education savings a head start with a 529 plan. These flexible, tax-advantaged investment accounts can help families save for future education expenses. Here are the basics.

ALLOCATION

Similar to 401(k) plans, 529 plans offer a list of pre-made investment options. Each portfolio contains many different stocks and/or bonds, helping spread your money across multiple investments instead of a single company. You may change your allocation twice per year.

BENEFICIARY

While a child is the most common beneficiary of a 529 plan, there's no age limit. You can also change the beneficiary to another eligible family member – even yourself – if circumstances change. The plan owner retains control of the funds at all times.

CONTRIBUTIONS

Money you contribute to a 529 plan is considered a gift to the beneficiary and may be excluded from your taxable estate. Plus, unique to 529 plans is the option to contribute five years' worth of annual gift-tax exclusions upfront, as long as no additional gifts are made to the same beneficiary during that five-year period.

DISTRIBUTION

Withdrawals from a 529 plan are generally tax-free when used for qualified education expenses, such as tuition and fees, books and supplies and room and board. They can also help cover K-12 private school tuition, certain student loan repayments and registered apprenticeship programs.

A 529 plan can be a valuable tool for funding a college education. Talk to your trusted advisor to find one that fits your needs.

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529 plans come with fees and expenses, and there is a risk they may lose money or underperform. Most states offer their own 529 programs, which may provide benefits exclusively for their residents. Please consider whether the state plan offers any tax or other benefits. Tax implications can vary significantly from state to state.

Tax-free withdrawals may be made for qualified education expenses. Otherwise, the deferred earnings portion may be subject to taxes and a 10% penalty. Please consult a qualified tax professional to discuss tax matters.