



# From delivery to degree

A 529 plan can help you get there.



## Ten fast facts about 529 plans

### 1. What is a 529 plan?

A 529 plan is a tax-advantaged vehicle designed to encourage individuals or entities to invest after-tax funds for future qualified education expenses. 529 funds can also be used to pay up to \$10,000 per year of K-12 expenses (subject to certain limitations).<sup>\*</sup> These plans are authorized by Section 529 of the Internal Revenue Code. Most states have a 529 plan.

### 2. What are the tax benefits?

Earnings in your 529 account grow tax-deferred from federal and state taxes. Withdrawals are tax-free when used for qualified education expenses. Some states offer a tax benefit with an employer match.

### 3. Who can own an account?

An account owner can be an individual, a corporation, or even a trust. An individual can be an account owner regardless of the relationship to the beneficiary (parent/grandparent/friend/beneficiary), but must be at least 18 years old and have a valid Social Security or Taxpayer Identification Number.

The individual account owner also must have a physical address in the United States. You can invest in any state's 529 plan.

### 4. Who can be a beneficiary?

Anyone can be a beneficiary of an account regardless of his or her relationship to the account owner. The beneficiary must have a valid U.S. Social Security or Taxpayer Identification Number.

### 5. How can 529 plan funds be used?

Funds saved through a 529 may be used for a beneficiary's qualified education expenses, including tuition and fees; required books, supplies, and equipment; computers, software, and internet access; and certain room and board costs. 529 funds can also be used to pay up to \$10,000 per year of K-12 expenses (subject to certain limitations).<sup>\*</sup> Qualified education expenses also include payments on qualified education loans (up to a lifetime total of \$10,000 from all 529 accounts); costs associated with qualified postsecondary credentialing programs; rollovers to a Roth IRA can be made under certain conditions.

## 6. Where can 529 plan funds be used for higher education?

Funds may be used at any eligible educational institution that is qualified to participate in federal financial aid programs for students in the United States and abroad.

## 7. How can you make contributions to a 529 account?

- Online.\*
- Check.
- One-time or recurring electronic contributions from a checking or savings account.
- Rolling in funds from another 529 plan.
- Special occasion contributions on birthdays, holidays, or other special events.\*
- Payroll direct deposit if authorized by employer.\*

## 8. What if you make a nonqualified withdrawal?

The earnings portion of funds withdrawn from a 529 account that is not used for qualified education expenses will be subject to federal and state income taxes and a 10% federal tax penalty. In addition, individual states may have unique tax penalties (such as an addback of state tax benefits previously received).

## 9. How will a change in circumstances impact a 529 account?

Unforeseen circumstances occur, and the law accommodates certain situations. You may request a nonqualified withdrawal without penalty in the following circumstances:

- If the beneficiary dies or becomes disabled.
- If the beneficiary receives a scholarship (up to the amount of the scholarship).
- If the beneficiary attends a U.S. service academy.
- If 529 funds are used to claim certain federal education benefits.

In those circumstances, the earnings portion of a nonqualified withdrawal will be subject to federal

and state income taxes but will be exempt from the additional 10% federal tax penalty.

## 10. What happens if you end up with more in the account than the beneficiary needs for higher education?

- Keep the funds in the account to pay for graduate school or future qualified education expenses.
- Transfer the funds to a member of the beneficiary's family.
- Roll over to a Roth IRA under certain conditions.
- Make a nonqualified withdrawal.

### Important Legal Notice

*Investing is an important decision. The investments in your account may vary with market conditions and could lose value. Carefully read the Program Description in its entirety for more information and consider all investment objectives, risks, charges and expenses before investing. For a copy of the Program Description, call 800.418.2551 or visit my529.org.*

*Investments in my529 are not insured or guaranteed by my529, the Utah Board of Higher Education, the Utah Education Savings Board of Trustees, any other state or federal agency, or any third party. However, Federal Deposit Insurance Corporation (FDIC) insurance is provided for the FDIC-Insured investment option. In addition, my529 offers investment options that are partially insured for the portion of the respective investment option that includes FDIC-insured accounts as an underlying investment.*

*The state in which you or your beneficiary pay taxes or live may offer a 529 plan that provides state tax or other benefits, such as financial aid, scholarship funds and protection from creditors, not otherwise available to you by investing in my529. You should consider such benefits, if any, before investing in my529.*

*my529 does not provide legal, financial, investment or tax advice. You should consult your own tax or legal advisor to determine the effect of federal and state tax laws on your particular situation.*

*\*This will be dependent on the specific state and specific 529 plan.*



my529 has been helping families save for education for more than 25 years.

Check out my529's free College Savings Estimator tool.

Discover your state's specific 529 tax advantages.

See a complete list of eligible educational institutions at the U.S. Department of Education's federal aid website.