

529 PLANS AND COLLEGE FUNDING

What is a 529 plan?	A plan operated by a state or educational institution, with tax advantages and potentially other incentives to make it easier to save for college and other post-secondary training for a designated beneficiary, such as a child or grandchild.
What does the plan cover?	Any qualified educational expenses, including tuition, local fees, health fees, lab fees, housing, transportation, computer technology, and special needs.
Who can set up a plan?	Anyone. There are no income restrictions on the contributor or beneficiary. And you can name anyone as a beneficiary.
Where can the plan be used?	Nationwide at any eligible educational institution. You can choose to participate in any state's plan, and funds in your plan can be used for education in any state.
What are the federal income tax benefits?	Earnings are tax-free when used for qualified higher education expenses.
What are the federal gift tax benefits?	You can make a gift equal to 5 years of your annual exclusion at one time.
Who controls the funds in a 529 plan?	Whoever purchases the plan controls the funds until they are withdrawn.
What happens if my child never goes to college?	You can transfer the plan to another eligible beneficiary without tax consequences, or close the plan and withdraw the remaining balance with a penalty.