

best practices

529 PLANS

Opening a 529 plan to save for your child or grandchild's educational expenses can be a great way to build savings while reaping tax benefits. Some of the benefits of a 529 plan include tax-free growth and tax-free withdrawals if the money is used for "qualified education expenses."



What is a qualified expense?

- ✓ Full Tuition for full and part-time students at accredited secondary and post-secondary institutions
- ✓ \$10,000 towards tuition at private elementary and high school - once per calendar year
- ✓ Room and Board if the student is attending college half-time or more
- ✓ Technology Items including computers, printers, laptops and software required for school
- ✓ Books and Supplies - only those that are required

What is NOT a qualified expense?

- ✗ Transportation and Travel
- ✗ Student Loan Repayment
- ✗ General Electronics and Cell Phones
- ✗ Sports and Fitness Club Memberships
- ✗ School Sponsored Health Insurance
- ✗ Lifestyle Expenses
- ✗ Late Payment Interest

Scholarships

If your child receives a scholarship, you can withdraw the like amount of the tax-free scholarship from the 529 plan penalty free and pay income tax on any earnings.

529 Withdrawals

Reimbursement for college expenses (books, computers, etc.) must be made in the year the expenses are incurred. You cannot submit expenses for previous years.

Off Campus Rent and Food

Off campus housing and meal costs are eligible up to the college's published allowances in their "cost of attendance" figures.

Avoid Tax Surprises

The burden of proof is on the 529 owner so it's best to keep copies of tuition payment statements and expense receipts in case you get audited.

For Timely Processing & Accurate Record Keeping

- Segregate qualified expense purchases from those that are non-qualified so that receipts only show eligible expenses.
- Submit tuition and room & board distribution requests at least two weeks prior to their due date.
- Provide a copy of your detailed tuition invoice so we can verify that ineligible expenses are not included (or paid by 529 plan).



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