



What is a 529 plan?

529s are state-sponsored plans in which you can save and invest money to withdraw tax-free for future qualified education expenses.

You do not have to invest in your own state's plan, and the beneficiary can go to school anywhere federal financial aid is accepted.

Who owns the funds?

The account holder, not the beneficiary, maintains ownership of the money. The beneficiary can be anyone, of any age, with a Social Security or Tax ID number—even the account holder can be beneficiary. Account holders are free to change the beneficiary at any time, so if, for example, your first child decides to take a different path, you can change the beneficiary so that the funds will go toward paying for another child's education instead.

How much can I contribute?

There are no set contribution limits and no income restrictions for account holders. However, contributions may trigger gift tax consequences if you earmark more than the gift tax exclusion (\$15,000 for 2020) for any one beneficiary in a tax year.

What are the distribution rules?

529s are specifically for qualified higher education expenses, but that doesn't just mean tuition. Fees, room and board, textbooks, computers and “peripheral equipment” (like a printer) would also qualify. Withdrawals for non-qualified expenses are subject to ordinary federal income taxes—a 10% federal penalty tax and possibly state or local tax can also be added. There is no penalty on the principal.

Will it impact financial aid?

Funds invested in a 529 are an asset of the account holder—if that's a parent, only a maximum of 5.64% of the value of the account is considered to determine the student's Expected Family Contribution.

Where can I get more help?

Join one of our informational webinars:

Or, contact Hays Financial Group at info@hayscompanies.com, 612-XXX-XXXX