PLANNING YOUR FAMILY'S FUTURE

A PROUD WISCONSIN TRADITION

529 EDVEST

What is a 529?

A 529 plan is an account that allows you to invest specifically for future education expenses. Similar to IRAs and 401(k)/403(b) plans designed to help save for retirement, 529 plans are aimed at helping families save for higher education. The accounts are administered at the state level, and are typically managed by a financial services company that handles all the paperwork and oversees the investments.

529 PLANS OFFER MANY ADVANTAGES

TAX ADVANTAGES

Contributions and withdrawals are tax-free when used for qualified higher education expenses. Wisconsin taxpayers who contribute to an account may be eligible for a state tax deduction per beneficiary each year. Limitations apply.[1]

ACCESSIBLE

Anyone who is a U.S. citizen or resident alien and at least 18 years old who would like to contribute on behalf of a beneficiary (the person for whom you are contributing money, including a minor child, a spouse or yourself) can establish a 529 account.

FLEXIBLE

Funds can be used at eligible schools nationwide and abroad. So whether the beneficiary wants to be a rocket scientist, welder or chef, they are covered.

VALUABLE

529s can be used to cover a range of qualified expenses, including tuition, computers/tablets, mandatory fees, books, supplies, and equipment required for enrollment or attendance, along with certain room-and-board costs.

Common Myths About 529 Plans

If you're confused about 529 plans, you're not alone. Here are some common myths and misunderstandings—and the truths behind them.

529 savings plans are only for families interested in colleges or universities.

FALSE Funds can be used from your 529 savings plan to send your kids, grandkids, loved ones, or even yourself to any accredited college, university, technical college, professional school and graduate school, including qualifying international institutions.

Up to $10,000 annually can be used toward K-12 school tuition per student from all 529 plans; expenses for a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under the National Apprenticeship Act; and up to $10,000 repaid (including principal and interest) on any qualified education loan of either a 529 plan designated beneficiary or sibling of the designated beneficiary. To be a qualified expense, the loan repayment amount for an individual is subject to a lifetime limit of $10,000.*

I must open a 529 account in the state where my beneficiary will attend college.

FALSE You can invest your money in almost any state's 529 plan, the majority of which have no residency requirements. Before investing in a particular plan, you should consider whether the state in which you or your designated beneficiary resides or has taxable income offers any specific benefits. Some states allow you to deduct contributions from your taxable state income, giving you a financial incentive to invest in an in-state plan. For the 2023 tax year, Wisconsin offers a generous state tax deduction of up to $3,860 per year for each beneficiary and an unlimited carry-forward of any excess into future tax years. Limitations apply.[1]

All 529 Plans are the same.

FALSE While all 529 accounts offer flexible investment options, they can be different depending on where they are maintained and by whom. Some ways they can vary include contribution limits defined by the state administrator, fees to open and/or maintain an account, investment options offered, the financial services company that manages the plan and whether a state tax deduction or credit is available to taxpayers participating in the plan. There may also be special programs or benefits defined by the particular plan.

My beneficiary gains control of my money when he or she goes to college.

FALSE The account owner (you) is always in charge. This means you control the funds in any 529 account you open. The beneficiary cannot withdraw money, change your investment selection(s), or make any other changes to your account.

**Withdrawals for tuition expenses at a public, private or religious elementary, middle, or high school, registered apprenticeship programs, and student loans can be withdrawn free from federal and Wisconsin income tax. If you are not a Wisconsin taxpayer, these withdrawals may include recapture of tax deduction, state income tax as well as penalties. You should talk to a qualified professional about how tax provisions affect your circumstances.*

If I save in a 529 plan my child will not get financial aid.

FALSE Money saved in a 529 plan does not disqualify students for financial aid. Actually, 529 assets are typically treated as belonging to the parent (or grandparent, etc.) and count less in Expected Family Contribution (EFC) calculations than assets held in the child's name. The EFC calculation is used to determine how much the family is expected to contribute to their child's higher education. For additional information, visit **studentaid.gov** and check with the schools you are considering.[2]

FAQS ABOUT 529 COLLEGE SAVINGS PLANS

Q: Can more than one person contribute to the account?
Anyone can contribute to an account as long as the maximum account balance does not exceed the per-beneficiary threshold set by the sponsoring state. The account owner has sole control over the assets and decides when to withdraw them.

Q: Can I change the beneficiary?
You can change your beneficiary at any time or transfer a portion of your investment to a different beneficiary. To maintain the tax benefits, the new beneficiary must be an eligible member of the previous beneficiary's family under the IRS definition, such as a sibling, an aunt, a stepchild, a first cousin or a spouse. Consult your tax professional about whether this may create a taxable gift. See Plan Description for more details.

Q: What if my child or loved one gets a full or partial scholarship?
If your child receives a scholarship that covers the cost of qualified higher education expenses, you can withdraw funds up to the scholarship amount without any penalty. However, you'll have to pay federal and sometimes state income taxes on the earnings portion of the withdrawal.

Q: What if my child or loved one decides not to attend college?

You have three choices:

1. Keep the funds in the account, and the investments will be available in future years if the beneficiary changes his or her mind about school.

2. Change the beneficiary to an eligible family member. See Plan Description for more details.

3. Make a non-qualified withdrawal. You can withdraw your principal contributions without a penalty, but any earnings will be subject to applicable state and federal taxes, plus a 10% federal penalty.

Q: If I open an account in my state, then move to another state, what will happen to the account?
If you move to another state, you can still keep your money invested in your account, and you can continue contributing to it. Remember, before investing in any 529 plan, consider whether the state in which you or your designated beneficiary reside has a 529 plan that offers state income tax or other benefits to residents.

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[1]To learn more about Wisconsin's Edvest 529 College Savings Plan, its investment objectives, risks, charges and expenses please see the Plan Description at Edvest.com. Read it carefully. Wisconsin taxpayers can qualify for a state tax deduction up to $3,860 for each contributor per beneficiary per year from contributions made into an Edvest 529 College Savings Plan. Investments in the Plan are neither insured nor guaranteed and there is the risk of investment loss. TIAA-CREF Individual & Institutional Services, LLC, Member FINRA, is the distributor and underwriter for the Edvest 529 College Savings Plan.

[2]The treatment of investments in a 529 savings plan varies by school. Assets are typically treated as the account holder's and not the student's. (Student assets are generally assessed at 20% whereas parental assets are generally assessed at 5.6%.) Any investments, including those in 529 accounts, may affect the student's eligibility to get financial aid based on need. You should check with the schools you are considering regarding this issue.