

# 529 SAVINGS ACCOUNTS

## WHAT IS A 529 ACCOUNT?

A 529 account is a tax advantaged plan designed to encourage saving for a student's qualified education expenses.

## KEY FEATURES OF 529 ACCOUNTS

### TAX ADVANTAGES

#### Tax-Deferred Growth

Regardless of how the funds are ultimately used, earnings are not subject to annual taxation for state and federal purposes while invested.

#### Tax-Free Distributions to Cover Qualified Expenses

*\*State definition of qualified expenses may be different from Federal*

### FLEXIBILITY AND CONTROL

**Owner Maintains Control** — as an owner, you have access to the funds, investments, liquidity & control...at all times.

Owners have the **Flexibility to Change** who benefits or owns the account if circumstances change. Most states will allow these adjustments at any time without incurring taxes, penalties or fees. Confirm with your specific 529 plan.

#### Generally Anyone Can Open a 529 Account

Unlike many other tax deferred accounts, a Federal 529 account has no income, time or age limits.

There is **No Limit on the Number of 529 Accounts** that can be opened for different beneficiaries in any given year, but there is a maximum value limit. See vendor for details.

## EXAMPLES OF QUALIFIED EDUCATION EXPENSES

- Postsecondary, Vocational and Technical Education Tuition
- On or Off Campus Room and Board
- Text Books and School Supplies
- Computers, Software and Other Technology Needs
- K-12 Tuition (Up to \$10,000 per year)
- Student Loan Repayment (Up to lifetime limit of \$10,000)
- Special Needs Expenses in connection with enrollment or attendance at an eligible post-secondary school

**10% Penalty on Earnings** — earnings withdrawn and used for a non-qualified expense are subject to income tax and a 10% withdrawal penalty.

## ADDITIONAL FEATURES OF 529 ACCOUNT

#### Potential State Tax Deduction on Contributions

in more than 30 states in the U.S.

#### Accelerated Gifting Opportunities

Potential to gift 5x the annual gift tax exclusion amount in a single year.

#### 529 Assets are Not Included in the Taxable Estate

of the owner and thus are not subject to estate taxes at their passing. Amounts may be included in the estate of contributor if passes before 5 year period expires.

**The Beneficiary of the Account Doesn't Obtain Ownership at Death** if a successor owner is established on the account.

**No 1099Q or Taxable Reporting** until you make withdrawals.

**Assets May Be Protected** against claims by creditors or judgements.

**Earnings are Not Subject** to Required Minimum Distributions (RMD's) or a 10-year payout requirement.

#### A Disabled\* Beneficiary Can Take Penalty-Free Distributions

This means you may be able to use it as a potential source of funding health and long term care expenses. Ordinary income tax on the earnings are still applicable.

**CURRENT RULES ALLOW 529 FUNDS** to be transferred to a Roth IRA for the beneficiary, subject to specific eligibility requirements. Consult your financial advisor or accountant to determine if this applies to your situation.



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College savings plans offered by each state differ significantly in features and benefits. The optimal plan for each investor depends on his or her individual objectives and circumstances. In comparing plans, each investor should consider each plan's investment options, fees and state tax implication.

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