



## Advantages and Disadvantages of College Savings Plan 529

One of the ways to help families save for college costs is the 529 College Savings Plan. The 529 plan is a section of the Internal Revenue Code that allows tax advantages for college savings. All states offer at least one state sponsored program. Using that states plan frequently will reduce that state's income tax. A few states allow state income tax deduction even though the individual doesn't use that state's program.

Many advantages exist with the 529 plan and a few disadvantages.

### **Advantages:**

- As mentioned, state income tax is reduced.
- The funds contributed to the plan grow without federal taxation.
- Anyone can contribute and receive a state tax deduction. If the contribution amount is over \$14,000 per account, the individual making the contribution should file a gift tax return.
- Withdrawals from the account to fund college qualified expenses are tax-free to the student and parent if the parent or student established the account.
- The account can be transferred to other family members for qualified college expenses.

### **Disadvantages:**

- Withdrawals from the account that are not for qualified education expenses incur a 10% tax penalty on the earnings and the earnings are taxable. However, the beneficiary of the account could be changed to another family member so as not to incur the tax.
- The account may not be guaranteed.
- The account is counted in the parent's assets when the student applies for financial aid.
- Some states may require a minimum holding period in order to receive the state tax break.

Certainly a possibility for many families.



*Before buying a 529 plan, you should inquire about the particular plan and its fees and expenses. You should also consider that certain states offer tax benefits and fee savings to in-state residents. Whether a state tax deduction and/or application fee savings are available depends on your state of residence. For tax advice, consult your tax professional. Non-qualifying distribution earnings are taxable and subject to a 10% tax penalty. Note: investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information about 529 plans is available on each issuer's official statement, which should be read carefully before investing. Also, before investing consider whether your state offers a 529 plan that provides residents with favorable state tax benefits.*

**L. Ronald Blair, CFP®, CPCU, AAMS, RFC**  
**Personal Benefit Services Group**  
**870 Kipling St # A**  
**Lakewood, CO 80215**  
**303-238-5123**  
**[www.personalbenefitservices.com](http://www.personalbenefitservices.com)**

Sharla Rountree, CFP® and L. Ron Blair, CFP®, AAMS, offer Securities and Advisory Services through Royal Alliance Associates, Inc., Member [FINRA/SIPC](#). In this regard, this communication is strictly intended for individuals residing in the states of AK, AR, AZ, CA, CO, CT, FL, GA, HI, IA, ID, IL, IN, KS, MD, MN, MO, NC, NH, NM, NV, NY, OH, OK, OR, PA, SD, TX, UT, VA, VT, WA, WY in which you are securities licensed). No offers may be made or accepted from any resident outside the specific state(s) referenced.