

DO MORE WITH YOUR MONEY

# Consider a 529 Plan

## Common Features of a 529 Plan Account

- Administered by a state government agency or educational institution
- Money grows tax-free
- Tax-free withdrawals for qualified education expenses such as tuition, room and board, books, fees, supplies

**Important:** Withdrawals beyond your principal (the amount you put in the account) that are not used for a given year's qualified education expenses will be subject to income taxes and a 10 percent penalty.

## What is a 529 Plan?

A 529 plan is a savings account offered by state governments and colleges and universities to encourage saving for future education costs, including costs to attend:

- four-year colleges and universities
- two-year associate degree programs
- trade schools
- vocational schools
- graduate schools

You can even use savings to pay for elementary, middle, or high school.

## How Does a 529 Plan Work?

The money you contribute to a 529 plan is invested, usually in some kind of mutual fund that is a mix of stocks and bonds. You'll have the opportunity to choose how your money is invested when you open the account. There are tax advantages.

Depending on the stock market and the investment option you choose, the money in your 529 plan may increase in value over time. If it does, you will not have to pay federal income taxes on those earnings when you withdraw the money, as long as you use the money for tuition at a college or technical school or for other education-related expenses such as dormitory costs, books, and school fees. However, if you use the money for any other purpose, any increase in the account's value will be subject to income taxes and you will pay a 10 percent penalty on the money you withdraw.

## Who Can Benefit from a 529 Plan?

You can open a 529 plan account for yourself, your own children or grandchildren, or even the children of friends and other relatives. When the student is ready to attend school, you can withdraw the money and apply it to tuition and other expenses such as room and board, books, supplies, and fees without paying taxes on the money you withdraw.

## Questions to Ask if You're Considering Opening a 529 Plan Account

- ✓ What is the time frame for saving (i.e., when do I or my children plan to go to school)?
- ✓ How much can I afford to save each month?
- ✓ Is there a minimum balance requirement to open a 529 plan account?
- ✓ How can I add money to the account?
- ✓ Am I willing to leave my money in the account alone to give it an opportunity to grow?
- ✓ What investment choices do I have for the money in the account?
- ✓ What is the potential for growth and loss with each investment option?
- ✓ What are the fees I will have to pay?
- ✓ Will investing in a 529 plan affect my public benefits or financial aid eligibility?

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## Where Can I Get More Information about a 529 Plan?

- *For New York's 529 College Savings Program*, call 1-877-697-2837 to speak to an education savings specialist.
- You are not obligated to use the New York State plan. Most other states offer 529 savings plans.
- *For tax treatment questions*, consult a tax professional.

## Contact Us Today!

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