

Take a refresher course on 529 plans

Are you planning to tap into your Section 529 college savings plan for education expenses this fall?

Before you do, you may want to take a quick refresher course on the tax consequences of withdrawals.

- * Qualified distributions of contributions and plan earnings are tax-free, as long as you use withdrawn amounts to pay qualified higher education expenses.
- * Qualified higher education expenses include your out-of-pocket expenses for tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible educational institution. Also included is a limited, reasonable amount of room and board costs when you attend at least half-time (defined as half the school's standard full-time course load). Expenses for special-needs services in connection with enrollment or attendance qualify too.
- * As a general rule, an eligible educational institution is a college, university, graduate, technical or vocational school.
- * A 10% additional tax applies to the earnings portion of distributions that fail to meet the tax-free criteria - unless an exception applies. Exceptions include withdrawals in cases of a beneficiary's death, disability or attendance at specified military schools, and certain rollovers or transfers to other 529 plans.

Please call me for more information, including the most tax-efficient way to take distributions from your 529 plan and the interaction of withdrawals with educational tax credits and amounts taken from other tax-advantaged accounts.