



WHAT CAN YOU BUY WITH 529 DISTRIBUTIONS?

Some of the biggest challenges many face when it comes to education are financial. Luckily, a 529 college savings plan can help. And, they're not just for college anymore - added to the tuition eligibility are K-12, private and religious schools. These funds can also be used for four-year and two-year colleges, trade schools, graduate programs, and some international institutions.

A 529 plan is a college savings plan that allows individuals to save for college on a tax-advantaged basis. State tax treatment of 529 plans is only one factor to consider prior to committing to a savings plan. Also, consider the fees and expenses associated with the particular plan. Whether a state tax deduction is available will depend on your state of residence. State tax laws and treatment may vary. State tax laws may be different from federal tax laws. Earnings on non-qualified distributions will be subject to income tax and a 10% federal penalty tax.

Here's a list of 529 qualified educational expenses:

EDUCATIONAL STRATEGY

To take advantage of the 529 distribution for educational costs, you must submit your request for the funds during the same calendar year. If you request cash during the academic year, you may end up owing taxes as a non-qualified withdrawal.

- **Higher Education** - Post-secondary students (after high school) are eligible to participate in the federal student aid program administered by the U.S. Department of Education and qualify for the use of 529 funds.
- **Vocational or Trade School** - Culinary students can draw from their 529 accounts to pay expenses related to culinary institute courses. The institution must participate in the U.S. Department of Education for federal student aid.
- **Early Education** - K-12 schools, public, private, and religious institutions can now use 529 plan distributions up to \$10,000 per student for tuition.

LIFESTYLE AND SCHOOL SUPPLIES

Learning how best to use your 529 distributions while establishing a manageable budget for qualified and non-qualified purchases can be tricky. Here are some tips to keep in mind.

- **Housing** - Campus housing can be paid through 529 distributions, including college room and board fees. Off-campus housing rentals qualify up to the same cost of the room and board on campus.
- **Books and Supplies** - paper, pens, and textbooks required by the specific course are qualified expenses. Schools set the budget limit for books and supplies.
- **Needs and Services** - Special needs equipment and services qualify for 529 distribution. Students using equipment for mobility may be eligible for 529 distribution purchases. Depending on the circumstances, other modes of transportation may also apply.

WELCOMING TECHNOLOGY

Finally, many don't realize that computers and some electronics are included on the list of qualified education expenses. Keep in mind that these items must be required as part of the students' study programs to qualify.

- **Personal Computer** - Computers must be used primarily by the student during any of the years the student is enrolled at the eligible educational institution.
- **Software** - software may qualify as a 529 distribution expense, but only if it's used by the student and required by a class. For example, technical engineering or design classes may involve computerized assignments.
- **Internet** - Lastly, under certain circumstances, internet services can be paid for using 529 funds. Check with your internet service provider (ISP) for more details.

The above tips are sure to help get you started, but make sure to check with the school as well as chat with your financial professional to learn more. As mentioned earlier, each state and school may have different restrictions on using 529 funds. If you are unsure about anything, your plan sponsor may be able to provide some guidance.



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