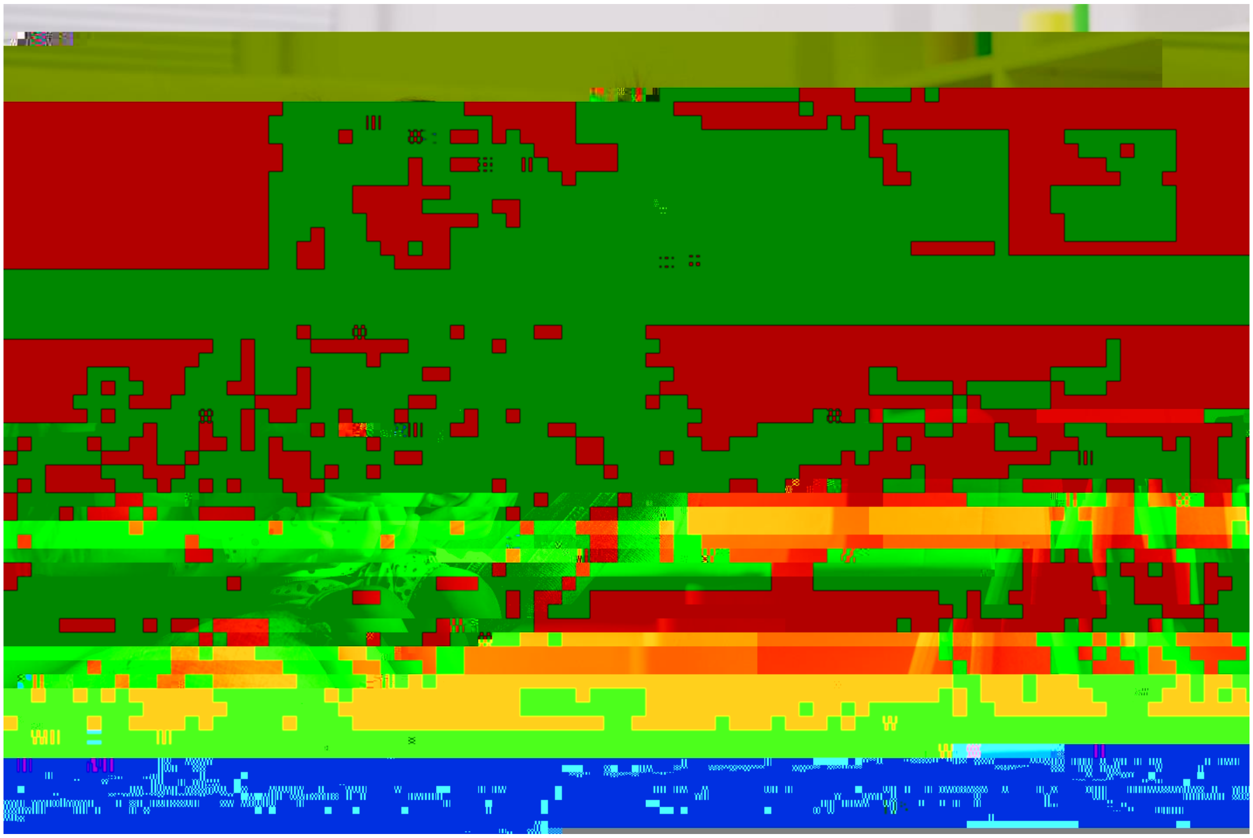
9 Myths About 529 College Savings Plans You Should Know



Most parents know how important it is to save for college. /š [• •• that parents start saving early and save often. Not thinking about the }•š }(}oo P]•v[š P}]vP š} u l]š P} Á ÇX tZ

talking about the 529 plan.

&}Œ šZ}• }(Ç}µ ÁZ} Œ v[š (u]o] Œ Á]šZ the 529 plan is a tax-advantaged savings vehicle administered by your state. Named after the section of the U.S. tax code, the 529 plan allows parents (and family members) to open accounts where their investments can grow as they continue to save for college. /š[• way more effective than a shoebox under the bed! Because each 529 plan is offered by its individual state, some of the rules are different regarding how the 529 works.

dZ š[• why we wanted to bust nine different 529 plan myths so you can save (}Œ Ç}µŒ l]•[• Z}}o Á]šZ confidence.

1. I Can Only Use a 529 Plan to Pay for College Tuition

Pretty much everyone knows that a 529 plan is one of the best ways to save for college. However, a lot of people mistakenly think that funds from a 529 plan can only go toward tuition. dZ š[• šµ ooÇ v}š šŒµ
ñîõ ‰o v v µ• š} ‰ Ç (}Œ vÇšZ]vP šZ š v }v•] Œ ^‹µ o

Naturally, this includes tuition. It also includes [lots of other education expenses](). You can use funds from [illegible] just for college, either. You can even use your 529 to pay for K-12 tuition.

2. [illegible]

This is something that many people worry about when it comes to saving for school. What if you spend [illegible] very [illegible] That said, what happens [illegible] to the money in your 529 plan if junior decides not to attend?

The good news is that the money in the account is still yours. You have several options if your intended student decides not to go to school. One option is [rolling your account to another beneficiary](). As long as the new beneficiary is still a member of your family, you can continue saving and use that money for school without skipping a beat. If you end up taking it out [illegible] taxes on the earnings [illegible] percent.

3. A 529 Plan Will Ruin My Chances of Other Financial Aid

Many families are counting on a financial aid package to help them pay for college. [illegible] [filling out the FAFSA]() and taking advantage of grants, scholarships, and other forms of financial aid from their state and federal governments. These parents worry that having money in a 529 account will [illegible] impact as you may think.

If the 529 account is made in the name of a dependent child or their parents, financial aid eligibility may be reduced by up to 5.64 percent of the account value. This may be higher if the account is in the name of an [independent student](). This can also change when a 529 plan is opened by a non-parental relative, [illegible] your financial advisor to learn more.

4. I Can Only Use my 529 Plan for Schools in My Home State

Because 529 plans are operated by their individual states, some people have come to believe that they can only use their 529 plan for schools in their home state. [illegible] from a state 529 account, like an NC 529 Plan, at practically any college in the country.

[illegible] [eligible higher education institution]() [illegible] determined based on if a school can participate in financial aid programs by the U.S. Department of [illegible] secondary credential. In some cases, vocational and foreign institutions may be eligible.

5. My Child is Too Old to Start a 529 Plan

This is a 529 plan mythÁ Z Œ o o š Z š] u X W o v š Ç } (‰ Œ v š • š Z] v l š Z š] š]
plan µ •] š Á • v [š • š inµc‰ild Á Z v š Z

We know that saving for school can seem complicated. This is especially true with so much information

start saving for college. [Open your NC 529 Plan] and begin saving