College dreams. Made bigger with ScholarShare 529.

Learn how to save for college with ScholarShare 529.

What is a 529?

A 529 plan is an account that allows you to invest specifically for future education expenses. Similar to IRAs and 401(k)/403(b) plans designed to help save for retirement, 529 plans are aimed at helping families save for college. The accounts are administered at the state level, and are managed by a financial services company that handles all the paperwork and oversees the investments.

Learn more about how ScholarShare 529 is a better way to save for college:

TAX-FREE
Contributions grow tax-free, which can mean more money for college. Withdrawals are tax-free when the money is used for qualified higher education expenses.

FLEXIBLE
Funds can be used at eligible schools nationwide. So whether the beneficiary wants to be a rocket scientist, welder or chef, they're covered.

ACCESSIBLE
Anyone who is a U.S. citizen or resident alien and at least 18 years old who would like to contribute on behalf of a beneficiary (the person for whom you are contributing money, including a minor child, a spouse or yourself) can establish a 529 account.

VALUABLE
529s can be used to cover a range of expenses, including mandatory fees, books, supplies, and equipment required for enrollment or attendance, along with certain room and board costs.

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Common Myths about 529 Plans.

Here are some common myths and misunderstandings about 529 plans and the truth behind them.

529 savings plans are only for families interested in public colleges or universities.

FALSE. Funds can be used from your 529 savings plan to send your grandkids, loved ones, or even yourself to any accredited public or private U.S. college or university—or two-year technical or vocational institution—as well as qualifying international institutions.

I must open a 529 account in the state where my beneficiary will attend college.

FALSE. You can invest your money in almost any state's 529 plan, the majority of which have no residency requirements. Before investing in a particular plan, you should consider whether the state in which you or your designated beneficiary reside or have taxable income offers any specific benefits. Some states allow you to deduct contributions from your taxable state income, giving you a financial incentive to invest in your home state plan. See the plan description for any plan you are considering for more details.

All 529 plans are the same.

FALSE. While all 529 accounts offer flexible investment options, they can be different depending on where they are maintained and by whom. Some ways they can vary include contribution limits defined by the state administrator, fees to open and/or maintain an account, investment options offered, the financial services company that manages the plan and whether a state tax deduction or credit is available to residents participating in the plan. There may also be special programs or benefits defined by the particular plan.

My beneficiary gains control of my money when I open a 529 plan for them.

FALSE. The account owner is always in charge. This means you control the funds in any 529 account you open. The beneficiary cannot withdraw money, change investment options or do anything else without your consent.

FAQS ABOUT 529 COLLEGE SAVINGS PLANS

Q: Can more than one person contribute to the account?
Anyone can contribute to an account as long as the maximum account balance does not exceed the per-beneficiary threshold set by the sponsoring state. The account owner has sole control over the assets and decides when to withdraw them.

Q: Can I change the beneficiary?
You can change your beneficiary at any time or transfer a portion of your investment to a different beneficiary. To maintain the tax benefits, the new beneficiary must be an eligible member of the previous beneficiary's family under the IRS definition, such as a sibling, an aunt, a stepchild, a first cousin or a spouse.

Q: What if my child or loved one decides not to attend college?
You have three choices:

1. Keep the funds in the account, and the investments will be available in future years if the beneficiary changes his or her mind about school.

2. Change the beneficiary to an eligible family member. Consult your tax advisor about whether this may create a taxable gift.

3. Make a nonqualified withdrawal. You can withdraw your principal contributions without a penalty, but any earnings will be subject to applicable state and federal taxes, plus a 10% federal penalty and potentially 2.5% California tax on earnings.

Q: What if my child or loved one gets a full or partial scholarship?
If your child receives a scholarship that covers the cost of qualified higher education expenses, you can withdraw funds up to the scholarship amount without any penalty. However, you'll have to pay federal and sometimes state income taxes on the earnings portion of the withdrawal.

Q: If I open an account in my state, then move to another state, what will happen to the account?
If you move to another state, you can still keep your money invested in your account, and you can continue contributing to it. Remember, before investing in any 529 plan, consider whether the state in which you or your designated beneficiary reside has a 529 plan that offers state income tax or other benefits to residents.

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