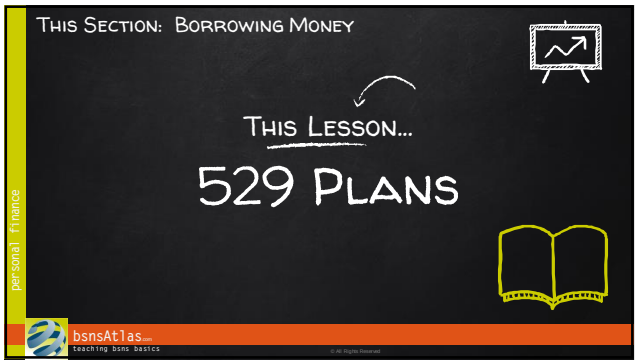
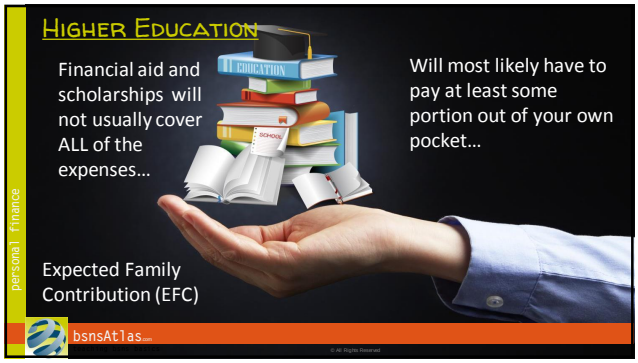
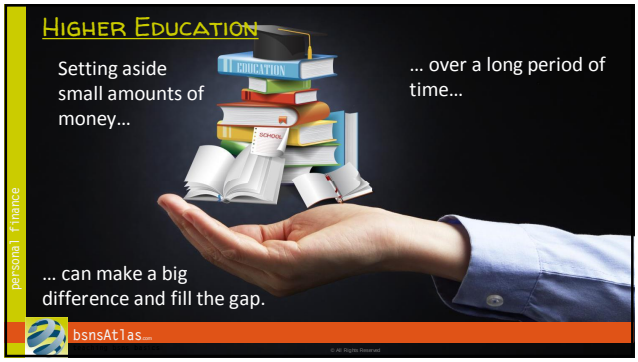
Section: Borrowing Money
Lesson: 529 Plans

Note Sheets







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529 Plans

Internal Revenue Service (IRS)

Section 529 of the IRS Code

"A savings plan sponsored by states, state agencies, or learning institutions to help pay for college or job training that provides tax benefits when attending accredited institutions."

Must be set up to benefit a DIRECT FAMILY MEMBER or yourself

529 Plans

Non-taxed funds set aside for books, supplies, and room/board

How do they help you save?

- Taxes – the biggest advantage
  - Deposits to 529 Plans are not subject to federal income tax
  - As long as they are withdrawn for qualified educational purposes

529 Plans

Non-taxed funds set aside for books, supplies, and room/board

How do they help you save?

- Taxes – the biggest advantage
- Freedom of Choice – in several ways
  - You decide WHERE you want to spend the funds
  - Any qualified higher education expense
  - At any accredited traditional college or university, community college, vocational, or trade school in the US

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529 Plans

Non-taxed funds set aside for books, supplies, and room/board

How do they help you save?

- Taxes – the biggest advantage
- Freedom of Choice – in several ways
  - You decide WHO benefits
  - Called the "beneficiary"
  - Child, grandchild, niece or nephew… Even yourself

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529 Plans

Non-taxed funds set aside for books, supplies, and room/board

How do they help you save?

- Taxes – the biggest advantage
- Freedom of Choice – in several ways
  - You decide HOW to invest the funds
  - Many different investment options
  - Based on your preferences and risk tolerance
  - Many plans even offer principal-protected options
  - But remember…

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Getting Started!

TAKE ACTION!

Create a plan

Step 1 – Sign Up

- Visit websites or talk to reps for plan providers
- Many state governments have websites for their state plans
- Be ready to make a minimum deposit

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Getting Started!

TAKE ACTION!

Create a plan

Step 1 – Sign Up

Step 2 – Start Saving

- Contribute by…
  - Check / Electronic Debit / Funds Transfer
- Periodically, regularly make deposits
- In many cases, family members and friends can contribute

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Getting Started!

TAKE ACTION!

Create a plan

Step 1 – Sign Up

Step 2 – Start Saving

Step 3 – Use the Funds

- Different options for accessing the funds
- Check issued to the account owner
- Check to the student/beneficiary
- Payment directly to the school

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Also…

If the beneficiary doesn't go to school…

- You don't lose the money
- Can change the beneficiary to another eligible family member
- Can change it to yourself
- Can withdraw the funds but…
  - Have to pay taxes
  - And a 10% penalty

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