

# Invest in Your Child's Future

## Your Guide to 529 Plans



### Overview

For parents saving for their children's college education, a Section 529 plan may offer several advantages. Section 529 plans are operated by individual states and let families set aside money to cover future education expenses on behalf of account beneficiaries.

These are flexible, tax-advantaged accounts that accumulate funds for higher education. They allow you to invest after-tax dollars in a selection of investment funds. The investments in the account grow tax-free and the withdrawals are always tax-free for qualified expenses.



#### Qualified Expenses\*

Includes tuition, fees, books, supplies, equipment, and room and board. In addition to using 529 plans for higher education, up to \$10,000 can be withdrawn per year for kindergarten through 12th-grade tuition at private schools. Any unused funds can also be used for graduate, trade or vocational education or reassigned to another beneficiary (sibling, niece/nephew, yourself, etc.).

#### No State Obligation\*\*

You are free to use another state's Section 529 plan if you prefer its features and they allow non-residents to enroll. Some states offer tax deductions for contributions to the in-state plan, which often makes your in-state plan the most advantageous. However, if there is no state tax benefit or your state plan has high fees, then consider investing in another state's plan.

\*If funds are withdrawn for non-qualified expenses, then taxes will have to be paid on the growth as well as a 10% penalty.

\*\*The state of New Jersey does not offer tax deductions to its' residents so you might be better off using a plan from another state.

# Evaluating Your 529 Plan

## Three Things We Always Look For

### Low Fees

High fees reduce the return on your investment. There are many great 529 plans available that you should find a plan where the underlying investments charge 0.20% or less.

### Allocation Options

Age-based investment options are ideal for 529 accounts since they are invested for growth when the child is young but shift toward more conservative investments as the child approaches college age.

### Fund Options

If you have a preference for a certain investment family, such as Vanguard, then look for a state that uses those funds.

## We've Done Our Homework

We have identified several plans that we like, given their fee structures and investment options.

	New York <a href="http://www.nysaves.org">www.nysaves.org</a>	Michigan <a href="http://www.misaves.com">www.misaves.com</a>	Ohio <a href="http://www.collegeadvantage.com">www.collegeadvantage.com</a>	Utah <a href="http://www.my529.org">www.my529.org</a>	Illinois <a href="http://www.brightstart.com">www.brightstart.com</a>
<b>Total Asset - Based Expense*:</b>	0.13%	0.075% to 0.135%	0.17% to 0.50%	0.12% to 0.167% excluding customized options which are higher	0.11% - 0.14% for index funds; managed funds are higher
<b>Age</b>	Based options with different risk levels, multi-fund and single fund investment options			With different risk levels, multi-fund and single fund investment options. Also offers age-based strategies with or without global investments	Based options with different risk levels, using either index funds or a managed strategy; multi-fund target strategies and single fund investment options
<b>Funds</b>	Vanguard mutual funds	TIAA-CREF, Vanguard, Schwab and iShares funds	Vanguard and DFA mutual funds	Vanguard, Dimensional and PIMCO mutual funds	Vanguard, DFA, T. Rowe Price and Dodge & Cox funds

\*administrative + fund expense fees

### Choosing a College Savings Plan Can Be Overwhelming.

Let Withum Wealth Management help you take the first steps in saving for your child's college education. Reach out to us today or visit us on the web for more information on how we can assist you with the process.

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