529 SAVINGS PLANS

Investor's Guide to 529 Savings Plans

MSRB

Produced by the
Municipal Securities Rulemaking Board

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Introduction

A 529 savings plan is a tax-advantaged qualified tuition program designed to help investors (or "account owners") save for certain K-12 tuition expenses or future qualified higher education expenses.

The purpose of this Investor's Guide ("Guide") is to support informed decision-making by helping current and prospective 529 savings plan account owners and contributors understand how these types of plans work. Since the Guide's last publication, there have been a number of tax reform bills passed by Congress that directly impact 529 savings plans. The Guide has been updated to reflect those broader changes in legislation.

The Guide has five sections. **Section One** provides general information about 529 savings plans. **Section Two** provides detailed information on fees and expenses related to 529 savings plans. **Section Three** provides some specific considerations that current and prospective account owners (*e.g.*, parents, grandparents and other family members) should think about before investing. **Section Four** discusses how to find more information about 529 savings plans and what to do if you have a complaint. **Section Five** provides a glossary of terms to enhance your understanding in reading the Guide.

The Guide is for educational purposes only; the MSRB does not provide legal, financial, investment, tax or benefits advice. This Guide is considered accurate as of May 2022 and may not reflect all or impending changes in applicable laws or regulations, nor will it be updated to reflect any such changes, except during the periodic review of the Guide.

The Guide is not intended to recommend or describe any particular 529 savings plans. Please consult a legal, financial, investment, tax and/or benefits advisor for such assistance. Any reference to MSRB rules and interpretations may not describe all applicable provisions. Please see the complete text of all MSRB rules and interpretations here. For your convenience, the MSRB provides links in section five to a number of other organizations that may provide additional educational reference materials. Additionally, plan disclosure documents for 529 savings plans provide account owners with important, plan-specific information that is not considered nor described in this Guide. Carefully review the plan disclosure documents of a 529 savings plan to ensure that you understand the plan's characteristics, including its costs, benefits and risks, before you invest.

Section One: 529 Savings Plan Basics

Please see the Glossary in Section Five for definitions of terms used throughout this document.

Background Information

WHAT ARE THE TYPES OF 529 PLANS?

There are two types of 529 plans: a savings plan and a prepaid plan. 529 plans are tax-advantaged qualified tuition programs designed to assist with financing qualified education expenses. A state, state agency or an instrumentality of a state (*i.e.*, an educational institution) may establish a 529 plan under Section 529 of the Internal Revenue Code (26 USC §529). With a **529 savings plan,** you (as the account owner or contributor) invest in units in an account for a designated beneficiary. The designated beneficiary can be your child, grandchild, other member of your family or yourself. Additionally, while only one individual can be the designated beneficiary on a savings account, the designated beneficiary can have more than one savings account opened on the individual's behalf.

The other type of 529 plan is a prepaid tuition plan. With a **prepaid tuition plan,** you (as the account owner or contributor) purchase tuition credits or units at today's rates to pay for certain future education expenses on behalf of the designated beneficiary. You must contact your state directly (typically through its website or by mail) to purchase a prepaid tuition plan. This plan typically has a residency requirement—meaning you or the designated beneficiary has to be a resident of the state offering the plan. Additionally, some plans have a limited enrollment period.

Because the MSRB does not regulate the offer or sale of prepaid tuition plans, this Guide focuses on 529 savings plans and does not further discuss prepaid tuition plans. Section Four of this Guide provides other sources of information about 529 savings plans and prepaid tuition plans that you may wish to consult with respect to legal, financial, investment, tax or benefits advice.

HOW DO 529 SAVINGS PLANS OPERATE AND WHAT ARE THE CHARACTERISTICS OF A 529 SAVINGS PLAN?

States may hire a program manager to assist with the marketing and distribution of a 529 savings plan and an asset manager, as appropriate, to assist with investing the assets of the 529 savings plan. Additionally, 529 savings plans generally offer numerous types of investment options, and those options vary, in part, by risk tolerance and time horizon. The diversity of the investment options allows you as the account owner the opportunity to choose an option that aligns with your goals and objectives.

The earnings in a 529 savings plan account are not subject to federal income tax and generally are not subject to state income tax when used for qualified education expenses of the designated beneficiary at an eligible institution.

The program manager, on behalf of the state sponsor, may make changes to the plan. Those changes may include directing the changing or closing of investment options and terminating the 529 savings plan.[1]

WHAT ARE QUALIFIED EDUCATION EXPENSES?

As previously mentioned, a 529 savings plan is designed to assist with financing qualified education expenses for the designated beneficiary. The definition of qualified education expenses has continued to expand over the years and includes:

- Tuition;
- Fees;
- Books;
- Supplies and equipment, including certain computer-related expenses; and
- Certain room and board expenses for students who are at least half-time at an eligible institution.

Qualified education expenses also include apprenticeship programs,[2] and up to $10,000 per year for tuition expenses in connection with enrollment or attendance at an elementary or secondary public, private or religious school subject to certain conditions (*i.e.*, K-12 school tuition).

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1 If a 529 savings plan is terminated, account owners will be able to rollover their investment value to another 529 savings plan, as applicable.

2 These programs must be registered and certified with the Secretary of Labor under the National Apprenticeship Act.

Lastly, qualified education expenses include repayment of a qualified student loan debt (*i.e.*, principal and interest) by taking up to the lifetime maximum withdrawal of $10,000.[3]

Please note that the state tax treatment of withdrawals used toward K-12 school tuition, registered apprenticeship programs and student loan repayment may vary state-to-state; therefore, you should consult your tax advisor for more information.

HOW ARE THE 529 SAVINGS PLANS SOLD?

A 529 savings plan may be sold in a few ways. It may be "direct sold," that is, sold directly by a state, state agency or instrumentality of the state, and is generally offered through a state's 529 savings plan's website or through the mail. Alternatively, 529 savings plans may be "advisor-sold," that is, only sold through a financial professional that offers investment services to clients. Both dealers and investment advisors work to assist with the sales efforts of 529 savings plans. Lastly, 529 savings plans can also be sold through an employer channel. Some employers may offer participation in a 529 savings plan and offer a match to an employee's contribution.[4] You should consult your tax advisor for more information.

HOW IS MY CONTRIBUTION INVESTED?

Upon opening a 529 savings plan account, an account owner makes an initial contribution and selects one or more investment options—**target date** (or age-based), **fixed** (or static) or **individual** (or stand-alone)—offered by the 529 savings plan.[5] In turn, the selected investment option invests in a portfolio of assets, such as mutual funds, exchange-traded funds ("ETFs") or a principal-protected bank product. Read "What Are the Types of Investment Options That Are Offered in a 529 Savings Plan?" on page 9 for more information on investment options.

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3 An account owner making a qualified withdrawal from a 529 saving plan account for repayment of a qualified student loan debt should be mindful of other considerations, such as allowable student loan interest deductions. Account owners should consult a tax advisor regarding the effects of student loan interest deductions.

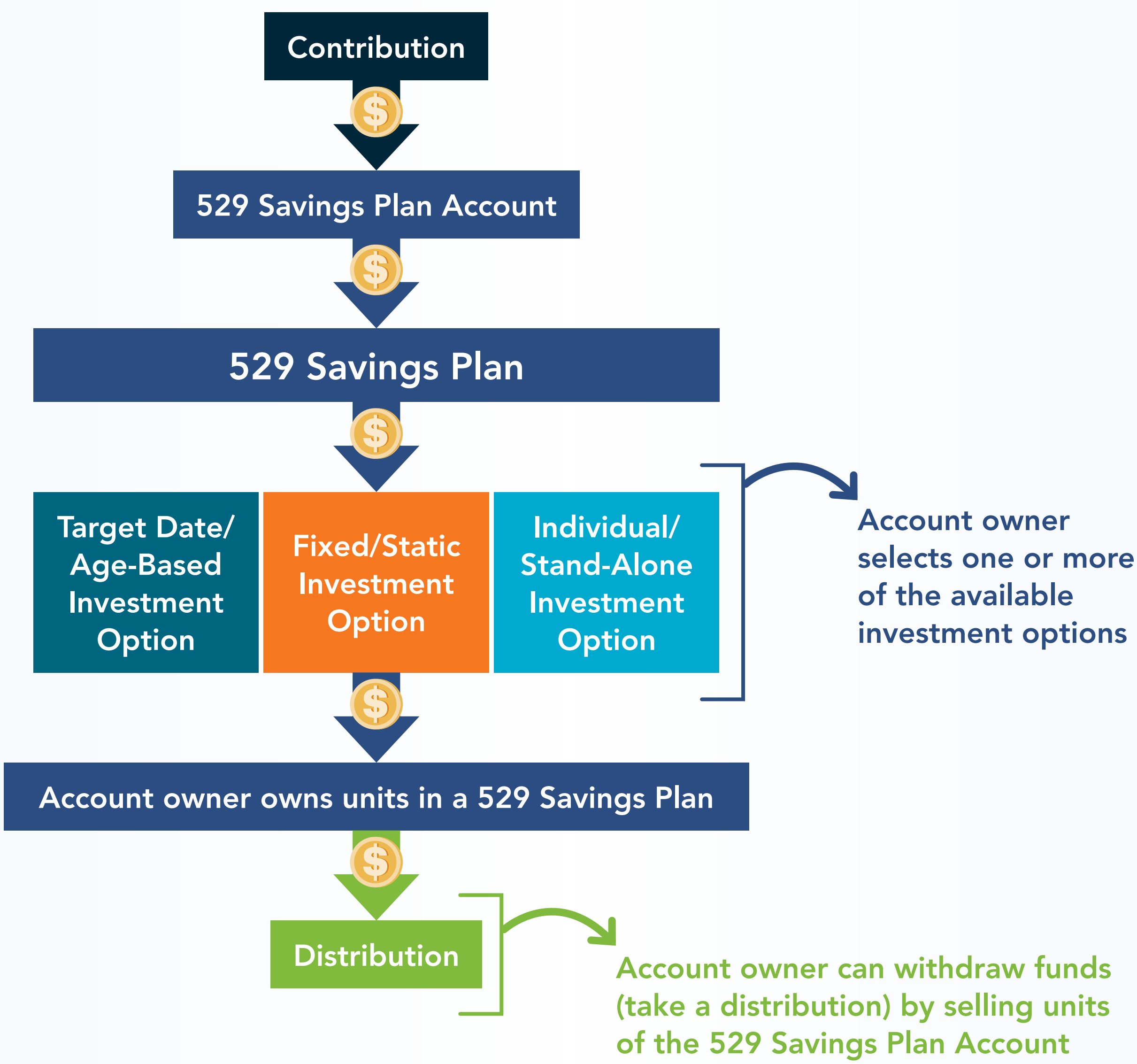
4 An employer's matching contribution to an employee's 529 savings plan account may trigger state and federal tax consequences for the employee. Therefore, it is advised to consult a tax advisor for more information when exploring the employer-sold channel for 529 savings plans.

5 The MSRB recognizes that depending on the 529 savings plan, investors may see a slight variation in the description of these investment options within the plan disclosure documents.

Although the contribution dollars deposited into the 529 savings plan account are invested by the 529 savings plan, the account owner does not own and is unable to exercise investment discretion regarding any of the underlying securities associated with the particular investment option. Rather, the account owner has invested in and owns units of the 529 savings plans based on the contribution dollars.

When an account owner withdraws money from a 529 savings plan account, this is called a "distribution" or "withdrawal." The account owner receives funds equivalent to the current value of the number of units redeemed as of the date of the withdrawal. Read "Account Value—How Is My Account Value Determined?" on page 19 for more information on withdrawals.

CONTRIBUTION FLOW



Investment Options

WHAT ARE THE TYPES OF INVESTMENT OPTIONS THAT ARE OFFERED IN A 529 SAVINGS PLAN?

The most common types of investment options that are offered in a 529 savings plan are: (i) target date/age-based option; (ii) fixed/static option; and (iii) individual/stand-alone option.

As a reminder, 529 savings plan accounts are individual accounts making up a 529 savings plan that are opened by eligible individuals to make contributions to and withdrawals from qualified expenses.

- **Target Date/Age-Based Option**—This investment option is a combination of equity, fixed income and cash that automatically adjusts over time. More specifically, the asset allocation will continuously adjust based on the age of the designated beneficiary and the number of years until the designated beneficiary becomes of college age and the funds will be needed. For example, an age-based investment option may initially invest in stock funds and as the beneficiary grows older, the stock funds are replaced by more conservative investments, such as bond funds. This type of investment option offers various "age bands" or a "glide path," and generally, each age band will invest in a variety of mutual funds.

- **Fixed/Static Option**—This investment option is a combination of equity, fixed income and cash that remains static. That is, unlike the target-date/age based option, the asset allocations remain the same and do not automatically adjust over time. This investment option allows account owners to align more to their investment risk profile (*i.e.*, aggressive, moderate or conservative) with investors being able to make certain selections.[6]

- **Individual/Stand-Alone Option**—With this investment option, the investment is in an individual (single) mutual fund or a "multi-fund option"—meaning the investment is in a mutual fund that invests in other mutual funds (*i.e.*, fund-of-funds, such as growth funds or income funds).

[6] More specifically, based on an investor's risk tolerance this option may include, for example, equity index funds, multiple mutual funds, or money market funds.

Mary has been making contributions to her 529 savings plan account for Steve, her son, for a number of years. Steve is now in seventh grade, and Mary would like for the account to grow as much as possible to ensure that the account value will be enough to cover many, if not all, of Steve's qualified college expenses. Mary's investment risk tolerance has been conservative since enrolling in a 529 savings plan account and now she's evaluating making changes to her existing investment options to be more aggressive.

What might she consider doing? Mary is allowed to make two transfers or exchanges (investment changes) each year to her investment options offered within the 529 savings plan. Mary could transfer some or all of her account value to a new investment option that has an investment objective (*e.g.*, capital preservation, income, growth) that offers the potential for a greater rate of return. However, that investment option also may have greater investment risk. In addition, Mary can change, at any time, the investment options in which she would like her future contributions to be invested. The plan disclosure document for the 529 savings plan provides more information about fund objectives and changes between investment options.

Benefits and Risks

Before you invest, it is important to understand the potential benefits and risks associated with an investment in a 529 savings plan. This Guide describes some of those potential benefits and risks below.

WHAT ARE THE BENEFITS OF INVESTING IN A 529 SAVINGS PLAN?

- **Federal Tax Benefits**—Your earnings in a 529 savings plan account will grow free of federal income tax. In addition, any withdrawal you make for the qualified education expenses of the designated beneficiary of your 529 savings plan account will be free of federal income tax.
- **State Tax Benefits**—Your state may offer you a full or partial tax credit or deduction for contributions to your own state's 529 savings plan. Some states allow deductions on principal and earnings portions of rollovers from 529 savings plans from another

state (read more on rollovers on page 18). Please note that some states do not conform to the federal definition of qualified education expenses.[7]

As a reminder, 529 savings plans are a tax-advantaged savings program sponsored by states or state agencies to help finance educational expenses.

- **Ease of Opening an Account**—Each 529 savings plan is different and there is no set minimum across the board to open or contribute to start a 529 savings plan account. Generally, many 529 savings plans allow accounts to be opened with an initial contribution as low as $25 and have a minimum contribution of $15 per month.

- **High Maximum Account Balance (Contribution Limits)**—Each 529 savings plan will have a maximum account balance for all accounts in the 529 savings plan for the same designated beneficiary. The maximum account balance varies from state to state, with each state setting its limit within the general guidelines set by the IRS.[8] The generally accepted guideline is that this limit constitutes five years of tuition, room and board at the most expensive college in the United States.

  There is no limit on the growth (earnings) of a 529 savings plan account, but you will not be permitted to make additional contributions if the aggregate account balance (earnings plus contribution) exceeds the maximum account limit allowed by your state. Accounts in different states are not counted towards the maximum account balance, even when the account owner and beneficiary are the same.

- **Ease in Changing Beneficiary**—Making a change of beneficiary to your 529 savings plan account can easily be done by filling out the appropriate paperwork to change the designated beneficiary. Importantly, once a beneficiary has been designated, there are limits on who you can subsequently change the beneficiary to, but the rules are fairly flexible in allowing the designated beneficiary to be changed to an eligible family member of the current beneficiary.[9]

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7 Some states have not automatically conformed or passed the legislation to expand qualified education expenses to include K-12 tuition expenses, student loan repayment and cost of apprenticeship programs.

8 As of May 2022, 529 savings plan maximum account contribution limits generally range from $235,000 to approximately $550,000 per beneficiary. Check your state's limits by reviewing the plan disclosure documents for the 529 savings plan.

9 For example, as noted in the Glossary, eligible family members include, but are not limited to, children, parents, spouses, siblings, first cousins, nieces, nephews, aunts, uncles.

- **No Limit on Multiple Accounts**—There is no limit on opening more than one account for the same beneficiary in the same state or another state (or opening additional 529 savings plan accounts and naming other beneficiaries).[10] Your relatives or friends can open an account for the same beneficiary, but there is a maximum balance limit for all the accounts for the same beneficiary in a single state. If you or your friends or relatives exceed this maximum, the contribution may be returned.

- **No Time Limit for Using Funds**—There is no time limit on the use of funds from a 529 savings plan account. If you find yourself with leftover funds, you can let the savings grow in the 529 savings plan account until there is a need to pay other eligible expenses for the beneficiary. For instance, if the designated beneficiary has career plans that require a graduate-level degree or another degree or professional courses, you can use the excess funds toward those eligible expenses.

- **Gift Contribution**—529 savings plan accounts accept gift contributions from individuals who are not the account owner regardless of whether the beneficiary is a family member or not. So, parents, family members and friends can all contribute to a 529 savings plan account for the benefit of a designated beneficiary.

WHAT ARE THE POTENTIAL RISKS ASSOCIATED WITH INVESTING IN A 529 SAVINGS PLAN?

- **No Guarantee of Return**—The value of your 529 savings plan account may fluctuate over time based on market conditions and the performance of underlying investments. There is a risk that you may lose all or part of your 529 savings plan account value.[11]

- **No Guarantee of Meeting Qualified Education Expenses**—Even if an account balance for a designated beneficiary reaches the allowed maximum account balance, there is no assurance that the value of the account will be sufficient to cover all the qualified education expenses. In addition, the rate of inflation for educational costs may be uncertain and may exceed the rate of return on the investment portfolio of the 529 savings plan account.

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[10] An account owner cannot designate multiple beneficiaries on a single 529 savings plan account, so to help finance qualified education expenses for multiple children or grandchildren, for example, opening separate 529 savings plan accounts will achieve this goal.

[11] States do not guarantee investments in 529 savings plans. These plans, generally, invest in mutual funds and ETFs, which are not federally guaranteed. However, some 529 savings plans offer one or more investment options that, by and large, offer some principal protection, such as bank products that are insured by the FDIC.

- **Limited Liquidity**—Once contributions have been made to a 529 savings plan account, there are limited circumstances aside from qualified education expenses in which you can withdraw funds without tax liabilities. More specifically, withdrawals for unqualified education expenses have negative tax implications, including the federal tax penalty and the recapture of state tax deductions. You should consult your tax advisor for more information.

- **Some Impact on Financial Aid**—The eligibility of the designated beneficiary for financial aid will depend upon the circumstances of their family at the time they enroll in school, as well as the policies of government agencies, and the school to which the designated beneficiary or their family applies for financial assistance.[12] Generally, assets in a 529 savings plan account owned by a parent are counted as parental assets on the FAFSA, and a maximum of 5.64% of parental assets are counted towards the expected family contribution.

Mary is aware that an account value may increase or decrease based on a variety of factors. While this is top of mind for her, and she wants to stay relatively conservative, she also wants the tax-deferred growth potential that her 529 savings plan account can provide. What are some factors that Mary may want to consider?

Mary's account value in a 529 savings plan is not guaranteed. She could lose some or all of the funds that she contributed to the 529 savings plan. Mary could manage that risk by continuing to invest in the more conservative investment options that may be offered in the 529 savings plan. For an account owner whose stated risk tolerance is conservative, the underlying securities corresponding to the selected investment option may be less volatile than the securities that make up a more aggressive investment strategy. Some 529 savings plans may include conservative or relatively low-risk investment products, such as bank products or investments designed to preserve capital. The plan disclosure document for a 529 savings plan will discuss investment risks and investment options offered in that plan.

[12] The balance in a 529 savings plan account may also affect the designated beneficiary's ability for need-based scholarships.

Other Information

WHO MAY OPEN A 529 SAVINGS PLAN?

To open a 529 savings plan account, you must be a U.S. citizen or a legal resident, and you typically must be 18 years of age, unless a parent or guardian provides consent. A trust, estate, corporation, partnership, local government and not-for-profit organization also may open a 529 savings plan account.

All account owners must have a social security or a taxpayer identification number. Further, the 529 savings plan may require additional documentation to open the account, which may vary by the type of account owner.

529 savings plan accounts accept gift contributions from individuals who are not the account owner, regardless of whether the beneficiary is a family member or not.

WHO MAY CONTRIBUTE TO A 529 SAVINGS PLAN?

Anyone may make a contribution to a 529 savings plan account. However, a contribution to a 529 savings plan account may have gift tax or other tax consequences for the person making the contribution or the account owner.

If you are not the account owner and you are making a contribution, please note the following:

- You will forfeit any rights to the contribution once you make it—this means that you will not be able to direct how the contribution is invested, make a withdrawal from the account related to the contribution or have any rights if the account owner of the 529 savings plan account were to name a different designated beneficiary at some future date.
- You will not receive a confirmation for your contribution or receive any account statements from the 529 savings plan about the account.

Mary's sister, Lisa, made a contribution to the 529 savings plan account that Mary established for Steve. Lisa is now moving to another state and needs to use the funds she contributed to pay for her moving expenses. Can Lisa withdraw those funds from Mary's 529 savings plan account?

No, only Mary may take a withdrawal from her 529 savings plan account. Lisa cannot access those funds once she has made the contribution.

ARE THERE LIMITS TO THE NUMBER OF ACCOUNTS OR THE AMOUNT OF CONTRIBUTIONS FOR A SINGLE DESIGNATED BENEFICIARY?

As previously mentioned, there can be multiple 529 savings plan accounts for the same designated beneficiary. However, there is a maximum balance for all accounts in a 529 savings plan offered by the same state for the same designated beneficiary. The program disclosure booklet for the 529 savings plan will discuss that maximum balance established by the state. The 529 savings plan may return a contribution if that contribution would cause the maximum balance for all accounts for the designated beneficiary to be exceeded.

WHO MAY BE THE DESIGNATED BENEFICIARY TO A 529 SAVINGS PLAN ACCOUNT?

You generally can name anyone with a valid social security number or taxpayer identification number, including yourself, to be a designated beneficiary to a 529 savings plan account at the time the account is established. You do not have to be related to the designated beneficiary.

WHAT IS A 529 SAVINGS PLAN INVESTMENT CHANGE AND MAY I CHANGE AMONG INVESTMENT OPTIONS WITHIN MY ACCOUNT?

A 529 savings plan account investment change happens when the account owner of a 529 savings plan moves existing funds from one investment option to another investment option within the same 529 savings plan. You may only make two changes to your existing investment options each calendar year. However, you may change your investment options for new or future contributions at any time.

Mary, Steve's mother, invested in the StarStudent 529 savings plan offered by her state. Violet, Steve's grandmother, also invested in the StarStudent 529 savings plan offered by the same state. Mary and Violet named Steve as the designated beneficiary of each 529 savings plan account. How much may be contributed to each account?

Mary and Violet, together, may contribute up to the maximum allowed by their state program for a single designated beneficiary. For example, if their state program allows $350,000 to be contributed, this means that Mary's 529 savings plan contribution, together with Violet's 529 savings plan contribution, may not exceed $350,000. There is no limit on the growth (earnings) of a 529 savings plan account, but Mary and Violet will not be permitted to make additional contributions if the aggregate account balance (earnings plus contribution) exceeds the maximum account limit allowed by their state's program. In general, the program manager may return to the person making the contribution any amount that would cause the account value for the beneficiary to exceed the state's maximum balance limit.

HOW DO WITHDRAWALS WORK?

A withdrawal generally may be made at any time. However, only the account owner may make a withdrawal from a 529 savings plan account. The 529 savings plan disclosure documents describe the process for making a withdrawal. A withdrawal that is not a qualified withdrawal may have tax consequences. You should consult your tax advisor.

WHAT TAXES OR CHARGES MAY BE APPLICABLE TO A WITHDRAWAL?

As discussed below, a withdrawal may be subject to federal and state taxes, and other account-based fees.[13] The Guide does not discuss state tax consequences associated with withdrawals. You should consult a tax advisor.

There are two components to a withdrawal—a withdrawal of principal (the amount contributed to the 529 savings plan account) and a withdrawal of earnings (the amount

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[13] For example, if your 529 savings plan account was opened using a financial professional, your savings plan account may also be assessed a sales charge. Read "What Fees and Charges Are Associated with a 529 Savings Plan?" on page 21 for more information on contingent deferred sales charges.

of market return or interest earned on the contributions made to the 529 savings plan account). Whether the earnings portion of the withdrawal is subject to federal tax depends on the purpose for which you will use the withdrawal. Each withdrawal you make will fall in one of the following categories:

- **Qualified withdrawal**—A qualified withdrawal is a withdrawal that is used to pay for the qualified education expenses of the designated beneficiary at an eligible institution. Qualified withdrawals are excludable from the account owner's and the designated beneficiary's taxable income.[14]

  For purposes of calculating qualified education expenses, these expenses must be reduced by (i) the American Opportunity Tax Credit taken up to $2,500 by eligible parents, as applicable and (ii) amounts received by the designated beneficiary as scholarship awards and as other nontaxable educational assistance (other than gifts or inheritances).

- **Taxable withdrawal**—A taxable withdrawal is a withdrawal from a 529 savings plan account that is:

  - Made based on the receipt by the designated beneficiary of a scholarship award or veterans' or other nontaxable educational assistance (other than gifts or inheritances), but only to the extent such withdrawals do not exceed the amount of such scholarship or assistance;

  - Made based on the designated beneficiary's attendance at a military academy, subject to certain limitations;[15] or

  - Paid to a beneficiary of, or the estate of, the designated beneficiary, on or after the designated beneficiary's death or attributable to the permanent disability of the designated beneficiary.

The earnings portion of a taxable withdrawal is subject to federal income tax but is not subject to an additional 10% federal tax penalty. You should consult your tax advisor.

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[14] If the beneficiary or account owner of a 529 savings plan account receives a refund of qualified education expenses from an eligible educational institution, the refund can be recontributed to the 529 savings plan account within 60 days of the date of the refund without being subject to tax and penalties on the distribution. If the refund is not recontributed it will be considered an unqualified withdrawal.

[15] The 529 savings plan account owner can only request a withdrawal up to the estimated cost of attending the military academy without incurring the 10% federal tax penalty.

- **Rollovers**—The scenarios noted below are considered qualified rollovers. You may:
  - Roll over funds from a 529 savings plan account to ***an account in another state's 529 savings plan*** for the **same designated beneficiary** without adverse federal tax consequences, provided that at least 12 months have elapsed from the date of a previous transfer to a 529 savings plan for that beneficiary.
  - Roll over funds from a 529 savings plan account to ***another account in the same 529 savings plan*** for a **new designated beneficiary** without adverse federal tax consequences, provided that the new beneficiary is an eligible family member of the previous beneficiary.
  - Roll over funds from a 529 savings plan account to ***an account in another state's 529 savings plan*** for a **new designated beneficiary** without adverse federal tax consequences, provided that the new beneficiary is an eligible family member of the previous beneficiary.
  - Funds can be rolled over before January 1, 2026, from a 529 savings plan account to an ABLE account (programs established under the Achieving a Better Life Experience Act) provided that the ABLE account is owned by the designated beneficiary of the 529 savings plan account or a member of such designated beneficiary's family, subject to certain to conditions.

Importantly, you should consult your financial professional when initiating a rollover to determine whether the 529 savings plan offers a specified sales charge waiver, in which case your funds would be rolled over at net asset value (NAV). Additionally, the 529 savings plan of another state may impose restrictions on or prohibit certain types of rollovers. You should check that state's 529 savings plan before you make a rollover. To avoid adverse federal tax consequences, rollovers must occur within 60 days of a withdrawal of funds.

- **Unqualified withdrawal**—An unqualified withdrawal is any withdrawal that is not one of the above types of withdrawals (*i.e.*, qualified or taxable withdrawal). The earnings portion of an unqualified withdrawal is subject to federal income tax and to an additional 10% federal tax penalty.[16]

Also, with respect to 529 savings plan accounts opened via a financial professional and depending on the share class of the investment option, it is possible that a sales charge may be assessed on the withdrawal.

You should consult with a tax advisor about withdrawals and how both state and federal tax laws may apply to your particular circumstances.

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[16] Since your contributions were made with after-tax money, they will never be taxed or penalized.

Lisa, Steve's Aunt, is the account owner of a 529 savings plan account in which Steve is the designated beneficiary. Lisa invested in the StarStudent 529 savings plan offered by her state but has recently moved to another state to receive medical treatment for an illness. Lisa is looking to roll over funds from the StarStudent 529 savings plan to a new 529 savings plan account in the state she moved to and name Steve as the designated beneficiary. Additionally, Lisa now has significant health care costs and may need to withdraw some of the funds she contributed to pay for those costs. What are some factors that Lisa may want to consider?

Lisa should be mindful that she can roll over funds from the StarStudent 529 savings plan to an account in another state's 529 savings plan for the same designated beneficiary (Steve) without adverse federal tax consequences, as long as no other rollover transfers had been initiated and completed within the preceding 12-month period. Also, in order for Lisa to avoid adverse federal tax consequences, the rollover must occur within 60 days of the withdrawal. Lisa should check her new state's 529 savings plan disclosure documents for information on any restrictions or prohibitions to certain types of rollovers.

With respect to Lisa's soaring medical expenses, if Lisa were to make a withdrawal to pay for her healthcare costs, that withdrawal would be an unqualified withdrawal. The earnings portion of that unqualified withdrawal would be subject to federal income tax and to an additional 10% federal tax.

Account Value

HOW WILL YOUR ACCOUNT VALUE BE DETERMINED?

The 529 savings plan typically will credit contributions to, or deduct withdrawals from, your 529 savings plan account at the unit value of the applicable investment option. The unit value is determined on the business day your request is received in accordance with the 529 savings plan requirements for an order received in "good order" if such "good order" is received before the close of regular trading on the New York Stock Exchange (NYSE) (generally, 4:00 p.m. Eastern Time). Contributions or withdrawal requests received after the close of regular trading on the NYSE or on a day when the NYSE is not open typically will be credited to your 529 savings plan account at the unit value determined on the next business day.

Be sure to review the plan disclosure documents for the 529 savings plan for additional information on what "good order" means.

WHAT ARE THE FACTORS THAT MAY CAUSE YOUR ACCOUNT VALUE TO CHANGE?

Your 529 savings plan account value may increase or decrease in value based on a variety of factors. Those factors can include, for example:

- Investment performance;
- A change in the interest rate credited to a fixed investment option;
- Any transfers you make to another investment option;
- Fees and charges; and
- Any withdrawal you make from the account.

Mary invests her 529 savings plan account contributions in a target-date investment option and a stand-alone investment option that has the investment objective of long-term growth. Mary's account value in January is $18,400, but in February her account value is $18,200. She did not make any withdrawals from the account. What may have caused the decline in the account value?

The account value may have declined because of fees and charges that were assessed and/or because of a decline in value of her investment options due to investment performance during a market downturn.

Section Two: Fees and Expenses

Expenses

Fees and expenses will vary by 529 savings plans, based on whether the 529 savings plan is a direct- or advisor-sold plan, and by the investment options selected within each 529 savings plan. The fees and expenses assessed by the 529 savings plan will impact your investment return. For example, higher fees may result in lowering your investment returns while lower fees may result in better overall investment returns, depending on facts and circumstances. Fees and expenses associated with a specific 529 savings plan are more fully described in the plan disclosure document. It is important for an account owner to understand the fees and charges associated with a 529 savings plan before enrolling into a 529 savings plan account.

WHAT FEES AND CHARGES ARE ASSOCIATED WITH A 529 SAVINGS PLAN?

The fees and expenses shown below also typically appear in a "Fees and Expenses" chart included in most 529 savings plan disclosure documents.[17] This chart does not constitute an exhaustive list of the types of fees and expenses that may be charged with respect to direct- and advisor-sold plans.

As indicated in the chart, the fees assessed on a 529 savings plan account will vary based on the assets in a savings plan account (*i.e.*, asset-based fees). Other fees

[17] Fees may be used to compensate the plan's investment manager, program manager, state sponsor or, where applicable, the financial professionals advising the account owner, as shown in the chart below.

assessed are based upon a fixed dollar amount tied to a particular event or occurrence (*i.e.*, fixed-dollar-based fees). The chart below is divided based on these two categories of fees.

TYPES OF FEES	DESCRIPTION	APPLICABLE TO
	Ongoing Asset-Based Fees	
Investment Management Fee	A fee paid to the investment manager of the underlying investment (whether a mutual fund, exchange traded fund, separately managed account or other investment vehicle). Each 529 investment option indirectly bears a proportional share of these fees.	Both direct- and advisor-sold plans
Program Management Fee	A fee paid to the program manager of the 529 savings plan to compensate for services related to recordkeeping, customer service and marketing, among other services provided to the plan.	Both direct- and advisor-sold plans
State Administration Fee	A fee paid to the state sponsor of the 529 savings plan to offset its cost to administer and maintain the plan.	Both direct- and advisor-sold plans
Distribution or Servicing Fee	A fee paid for the professional financial advice and ongoing account servicing an account owner receives. A portion of the fee is paid to the financial services firm, with the remainder being paid to the individual financial professional providing the actual advice.	Only advisor-sold plans

TYPES OF FEES	DESCRIPTION	APPLICABLE TO
Front-End Load/ Contingent Deferred Sales Charge	A fee paid for the professional financial advice an account owner receives. Depending upon the share class selected, a sales charge may be assessed at the time the funds are invested (front-end sales load) or when a distribution is taken within certain time periods in the future (contingent deferred sales charges). The fee is paid in part to the financial services firm and in part to the individual financial professional.	Only advisor-sold plans
	Fixed Dollar-Based Fees	
Annual Account Maintenance Fee	When applicable, this fee is assessed annually on a specific date set by the 529 savings plan. Depending on the savings plan, it can be paid to the program manager or to the state sponsor. This fee is often waived for accounts of a certain asset threshold or for certain account owners.	Both direct- and advisor-sold plans, if imposed at all
Miscellaneous "Event" Fee	When applicable, this fee is assessed upon the occurrence of certain events including, among others, (i) wire transfers, (ii) overnight mail, or (iii) insufficient funds.	Both direct- and advisor-sold plans, if imposed at all

If you establish your account through a dealer or a registered investment advisor (RIA), these financial services firms may charge a separate client servicing fee (instead of a front-end load sales charge or CDSC). This fee is in addition to the fees and charges assessed by the 529 savings plan, and therefore, may not be disclosed in the 529 savings plan disclosure documents.

You should carefully review a 529 savings plan disclosure documents to understand the fees charged for the plan, including those related to each investment option. You also should consult your financial professional to understand any additional fees and charges assessed outside of those by the 529 savings plan.

WILL THE AMOUNT OF THOSE FEES AND CHARGES VARY?

Yes, the fees and charges assessed under a 529 savings plan may vary from year to year, and will vary based, in part, on the investment option you select, and the associated share classes, as applicable. More specifically, advisor-sold plans typically will offer investments that have different share classes (or unit classes) and account owners can choose from these different share classes with each share class having its own fixed fees and charges.

The key distinctions among share classes are the sales charges and ongoing fees and expenses you may pay (*i.e.*, potentially a higher expense ratio) in connection with your chosen investments. The most common share classes available under advisor-sold plans are: Class A and Class C shares. Class A shares typically assess a front-end sales charge while Class C shares assess a contingent deferred sales charge structure.[18] To help reduce fees, for some advisor-sold plans, Class C shares may automatically convert to Class A shares at a specified time in the future. Additionally, Class A shares may be eligible for a breakpoint, which is a reduction in the sales charge based on the total value of your accounts held within the same fund family. The total value of your accounts is calculated by aggregating all of your assets held by you and your immediate family, including your investments in mutual funds outside of your 529 savings plan(s) that are invested within the same fund family.

If you wish to invest in other types of share classes, for example institutional shares, which may carry lower overall expenses and fees, you should consult your financial professional as to your eligibility. In addition, you should carefully review the fees and charges assessed for each share class before you select your investment options. For an account owner who invests in a 529 savings plan through a financial professional, your financial professional should take into consideration, among other things, costs and risks. Additionally, while your financial professional doesn't always have to recommend the share class with the lowest associated fees, your professional should have a reasonable basis to believe a share class with higher associated fees is still in your best interest.

[18] It is important to note that the sales charge associated with the selected share class is passed through, in part to compensate the financial professional servicing the account.

Mary is concerned about the fees associated with her 529 savings plan because she knows that fees and charges affect investment performance, and she would want as much of her contribution as possible to be invested. What should Mary be considering?

With a 529 saving plan, Mary would be investing into units of a 529 savings plan and selecting an investment option, which would, in turn, invest in securities, such as mutual funds. Some of the fees at the investment option level generally only apply if the 529 savings plan is advisor-sold. If fees is a major concern for Mary, then she may want to consider a 529 savings plan with the lowest account-level fees and with the lowest investment option fees.

As Mary knows, higher fees and charges can make a difference over time. For the scenario below, assume Mary invested $10,000 in a 529 savings plan and had a 5% annual compounded rate of return throughout the year.

- Investment option A has an annual asset-based fee of 0.64%
- Investment option B has an annual asset-based fee of 0.16%

Mary would incur a $64 fee, after the first year, on her $10,000 invested in Investment option A and a $16 fee, after the first year, on her $10,000 invested in Investment option B. As the account value increased due to compound interest and new contributions were added over time, the difference in fees owed by Mary would add up. As you can see in the example above, Mary would pay less fees by choosing Investment option B.

Section Three: Considerations for Current and Prospective Investors

Frequently Asked Questions

The 529 savings plan disclosure documents generally describe the process for family, friends, and other third parties to contribute to a savings account. However, there are some additional factors that you and your family, friends and other third parties should consider. Consider consulting with a tax advisor who can advise you on the best options for your circumstances.

A withdrawal generally may be made at any time. The 529 savings plan disclosure documents describe the process for making a withdrawal.

MAY I OPEN JUST ONE 529 SAVINGS PLAN ACCOUNT FOR ALL MY CHILDREN OR GRANDCHILDREN?

Generally, no. There can only be one designated beneficiary for a 529 savings plan account. You may open a 529 savings plan for each child (grandchild), or you may contribute to the 529 savings plan account others have established for each child (grandchild). You could choose to open one account for your oldest child (grandchild) and pass it down (roll it over) to other children (grandchildren) in the same family.

DO I NEED TO OPEN A 529 SAVINGS PLAN ACCOUNT TO CONTRIBUTE TO MY GRANDCHILD'S EDUCATION?

No, opening a 529 savings plan is one of many options available to pay for qualified education expenses. There are other education-related benefits under the federal tax code that either a grandparent or a grandchild, as applicable, may be able to use to pay for or offset some of the qualified education expenses. These options include:[19]

- Coverdell Education Savings Accounts;
- Qualified United States Savings Bonds;
- American Opportunity Tax Credit; and
- Lifetime Learning Credit.[20]

You will want to carefully review these tax incentives to avoid duplication. The same qualified education expenses cannot be used to claim the tax credits noted above (*e.g.*, American Opportunity Tax Credit and Lifetime Learning Credit) and then also used for a tax-free distribution from a 529 savings plan account. In addition, another option for contributing to a grandchild's education is through a Uniform Gifts to Minors Act (UGMA) and the Uniform Transfers to Minors Act (UTMA) account, which are custodial accounts owned by the grandchildren.[21]

Also, you may contribute to a 529 savings plan account opened by someone else, such as your son or daughter, for your grandchild. However, if you contribute to that account instead of opening your own 529 savings plan account, you:

- Will lose the ability to control that contribution—this means that you will not be able to control how your contribution is invested, whether the contribution is withdrawn from the 529 savings plan account or whether the account owner changes the designated beneficiary for the 529 savings plan account;

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[19] Some of these options may not cover the K-12 tuition or apprenticeship expenses under qualified education expenses.

[20] This $2,000 tax credit is for qualified education expenses at an eligible educational institution to offset the cost of tuition and related expenses. It can be used toward, not only qualified education expenses for undergraduate degrees, but also for graduate and professional degrees.

[21] More specifically, in the scenario above, the grandchildren would be the account owners and beneficiaries of the custodial accounts. And while such persons are minors, the account must be managed by a custodian (often a parent or grandparent) until the minors come of age. The age of majority typically ranges from 18 to 21 years old, depending on the state. Importantly, the custodian cannot change the beneficiary or account owner of a custodial 529 savings plan account.

- Will not be able to make a withdrawal from the 529 savings plan account for any reason; and
- In many cases, may not be able to receive beneficial state income tax treatment for the contribution either because you do not live in the state where the 529 savings plan is issued or because such benefits are only offered to account owners.

WHAT ARE SOME OF THE TAX CONSIDERATIONS FOR CONTRIBUTING TO MY GRANDCHILD'S EDUCATION THROUGH A 529 SAVINGS PLAN?

Below is a summary of some of the tax considerations. It is important to consult a tax advisor who can provide advice that is more specific to your circumstances.

- **Gifting limits**—Federal tax law limits the amount that you may contribute each year without being subject to the gift tax. You currently may contribute up to $16,000 ($32,000 for a married couple) each year to a 529 savings plan for a designated beneficiary without federal gift tax consequences. If you contribute in a single year more than $16,000 ($32,000 for a married couple making a joint gift) to a 529 savings plan account, you may elect, for federal gift tax purposes, to treat contributions up to $80,000 ($160,000 for a married couple) as having been made over a five-year period.[22]

  If your contribution exceeds the gift tax limits, there could be federal gift tax consequences. Please note that the gifting limits noted above also qualify for the generation skipping transfer tax exclusion.

- **Reduction in size of your taxable estate**—Any contribution you make to your grandchild's education through a 529 savings plan will reduce the amount of your taxable estate by the amount of the contribution. In the event of your death, if you made a large contribution that you elected to prorate over five years for federal gift tax exclusion purposes prior to your death, a prorated amount would be included in your taxable estate.

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[22] The annual exclusion for the gifting limit was increased as of 2022.

WILL MY GIFT AFFECT MY GRANDCHILD'S ELIGIBILITY FOR FINANCIAL AID?

That depends. As long as your contribution remains invested in the 529 savings plan account, for which you are the account owner, those assets should not affect your grandchild's financial aid eligibility. However, because of the way financial aid formulas treat withdrawals, a withdrawal from a 529 savings plan account to pay for your grandchild's college expenses generally would be treated as income to your grandchild and may affect his or her financial aid.[23]

WHAT HAPPENS IF MY GRANDCHILD DOES NOT GO TO COLLEGE?

If you are the account owner of the 529 savings plan account, you may name another member of that grandchild's family, such as another sibling, as the beneficiary to avoid incurring any federal income tax on earnings or the additional 10% federal tax penalty. However, if you make a withdrawal for expenses that are not for qualified education expenses for the designated beneficiary, you may incur federal taxes and the additional 10% federal tax penalty. You should consult a tax advisor about your circumstances.

Additionally, as applicable, account owners may consider using 529 funds for K-12 tuition expenses. More specifically, up to $10,000 of a 529 savings plan account can be used for a grandchild during a taxable year for tuition expenses in connection with enrollment or attendance at an elementary or secondary public, private or religious school subject to certain conditions. Additionally, other types of qualified education expenses that 529 funds can be used for, as previously mentioned, include apprenticeship expenses and qualified student loan repayments as described earlier in the Guide. You should consult a tax advisor about your circumstances.

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[23] Pursuant to the Consolidated Appropriations Act of 2021, which became effective on December 27, 2020, and once the FASFA simplification changes are put into place (removing a question regarding cash gifts from grandparents), withdrawals from grandparent-owned 529 savings plan accounts will no longer be required to be reported on the FAFSA, and therefore, will not affect your grandchild's financial aid eligibility. Importantly, until income reporting changes take effect, grandparent 529 savings plan withdrawals may count as untaxed income on a student's FAFSA. You should consult a tax advisor about your circumstances.

Isabella, Sarah's grandmother, wants to help Sarah pay for her college education and is interested in a 529 savings plan account. Isabella's son, Fred, has a 529 savings plan account for Sarah. Isabella is in good health, but she also wants to save in case she might have more significant health care costs in the future. Isabella also wants to make certain that the funds will be used for Sarah's college education and not for other purposes or for other members of Sarah's family. What can Isabella do?

Isabella has two options: She can contribute to the 529 savings plan account that her son Fred established for Sarah, or she can contribute to a 529 savings plan account that she establishes for Sarah. If Isabella contributes to the 529 savings plan that Fred established, any contribution will be considered a completed gift. This means that Fred will control how the contribution is invested, when withdrawals from the account are taken and who the designated beneficiary for the account will be. Fred could change the designated beneficiary from Sarah at any time, and Isabella would not be able to take a withdrawal if she needed funds from the account for her health care costs. Isabella will have no control over the funds she contributed into the account held by Fred.

If Isabella contributes to a 529 savings plan that she establishes for Sarah, Isabella will be the account owner. As the account owner, Isabella will have all the rights under the 529 savings plan account. Isabella can elect how the contributions will be invested, transfer funds among investment options, make withdrawals from the account and ensure that Sarah is the designated beneficiary. However, Isabella will have to make all the investment decisions associated with 529 savings plan account.

WHAT HAPPENS IF I DIE BEFORE MY GRANDCHILD GOES TO COLLEGE?

That depends on your 529 savings plan account. If you are the account owner and you named a contingent owner (or a successor owner) to your 529 savings plan account, the contingent owner would become the account owner of the savings plan account. If you do not name a contingent account owner, the rules of some 529 savings plans provide for a succession of ownership, which may include designating the beneficiary as the account owner. In other cases, your 529 savings plan account may become part of your estate and subject to state estate rules. You should consult a tax advisor about your circumstances.

WHAT ELSE SHOULD I CONSIDER BEFORE I CONTRIBUTE TO MY GRANDCHILD'S EDUCATION?

- To help with your investment decision, you should ask for the plan disclosure documents for the 529 savings plan you are considering. You will want to review the information that summarizes the benefits and risks of investing in a 529 savings plan before you invest. Also, you will want to understand the fees associated with the 529 savings plan, including the costs associated with the investment options.

- You should consider various 529 savings plans, including those beyond your home state, to determine which 529 savings plan is right for you based on the different features and costs.[24]

[24] Many states offer favorable state tax treatment or other valuable benefits to their residents in connection with investments in their own 529 college savings plan. Any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision.

Section Four: Additional Resources

Sources of Information

WHAT INFORMATION WILL I RECEIVE ABOUT THE 529 SAVINGS PLAN WHEN I OPEN AN ACCOUNT?

You will receive a plan disclosure document and an application or a participation agreement before you open your 529 savings plan account. The participation agreement is your "contract" with the 529 savings plan and often requires you to state that you have received and reviewed the 529 savings plan disclosure documents. It is important that you review and understand these materials.

In addition, you may request a copy of the prospectus for any of the underlying mutual funds included in your selected investment option by contacting the program manager and/or asking your financial professional. These documents can also be downloaded from the Securities and Exchange Commission's (SEC) EDGAR website or the particular mutual fund company's website.

If you enroll in a 529 savings plan account using a financial professional, you will receive a customer confirmation for any transactions relating to your 529 savings plan account, as well as periodic account statements reflecting your 529 savings plan account's activity. It is important that you carefully review your confirmations and account statements and report any errors you see immediately to the program manager and/or your financial professional.

If your 529 savings plan account was opened directly by using the plan or program manager's website, you should be able to access and review your account information via your plan or program manager's website.

WHAT ARE OTHER SOURCES OF INFORMATION?

Other sources of information about 529 savings plans and the financial professionals that sell interests in 529 saving plans are available online including:

- The MSRB Education Center at www.msrb.org;
- SEC Publication: Introduction to 529 Savings Plans;
- The College Savings Plans Network at www.collegesavings.org;
- College Savings Foundation at www.collegesavingsfoundation.org;
- SEC's EDGAR Database (for the prospectuses of the underlying mutual funds);
- MSRB Publication: Investment Performance Considerations for 529 Plan Account Owners;
- SEC Publication: Protect Your Money: Check out Brokers and Investment Advisers;
- Financial Industry Regulatory Authority's (FINRA) Publication: Investor Alert on 529 College Savings Plans;
- FINRA Smart Saving for College;
- FINRA BrokerCheck (information about financial professionals working at dealer firms);
- SEC's Investment Adviser Public Disclosure database (information on both SEC- and state-registered investment advisers); and
- Internal Revenue Service: Publication 970 (2021), Tax Benefits for Education.

Investor Complaints

WHAT SHOULD I DO IF I HAVE A COMPLAINT?

If you have a complaint, you may contact the state sponsor of your 529 savings plan.

In addition, if you opened your 529 savings plan account through your financial professional, you may file a complaint, with one of the following agencies:

SEC	FINRA	MSRB
(202) 551–6551 or electronically at SEC's Investor Complaints *(for complaints involving a broker-dealer or SEC-Registered Investment Advisers)*	(240) 386–4357 or electronically at FINRA's Investor Complaint Center *(for complaints involving a broker-dealer)*	(202) 838–1330 or by email at electronically at complaints@msrb.org *(for complaints involving a broker-dealer)*

For information regarding state-registered investment advisers, you can find out how to get in touch with your state securities regulator to file a complaint through the North American Securities Administrators Association website at https://www.nasaa.org/contact-your-regulator/.

Section Five: Glossary of Terms

This section provides a glossary of terms used throughout the Guide and is intended to provide a basic understanding of commonly used terminology related to 529 savings plans.

Investors should review the plan disclosure documents for the meaning of the terms as used by the particular 529 savings plan or program.

TERM	DEFINITION
529 Savings Plan or Program	A 529 savings plan or program is a tax-advantaged savings program established to help finance educational expenses. These plans, which are legally known as "qualified tuition plans," are sponsored by states, state agencies, or instrumentality of the state (such as a board or educational institution) and are authorized by Section 529 of the Internal Revenue Code.
529 Savings Plan Account	A 529 savings plan account is an individual account within a 529 savings plan that is opened by an eligible individual to make contributions to and qualified withdrawals from.
Account Owner	A person who opens a 529 savings plan account. An account owner manages the account, selects the beneficiary, chooses the investment options, makes withdrawals and can terminate the account.
Advisor-Sold 529 Savings Plan	A 529 savings plan that is only available through a financial professional, such as a dealer or an RIA.

TERM	DEFINITION
American Opportunity Tax Credit	An educational tax credit designed to reduce education costs. This tax credit is the expanded and renamed version of the Hope Scholarship Credit. The American Opportunity Tax Credit (AOTC) allows eligible parents to claim an annual tax credit of up to $2,500 per student to help cover undergraduate college expenses. The credit is for qualified education expenses paid (*e.g.*, tuition, fees and course materials) for an eligible student for the first four years of post-secondary education.
Beneficiary or Designated Beneficiary	The beneficiary is the individual designated by the account owner at the time the account is established or the individual who is designated as the new beneficiary when the beneficiary of an account is changed (read more below on "transfers") who ultimately receives the benefits of a 529 savings plan account. At the time the account is established, anybody can be named by the account owner as the initial designated beneficiary, regardless of the relationship to the account owner, including the account owner himself.
Change of Beneficiary	A change of beneficiary simply involves the account owner changing the name of the designated beneficiary on their 529 savings plan account to someone else in the beneficiary's family (eligible family member).
College Scholarship Service (CSS) Profile	An online application created and maintained by the College Board that allows college students to apply for non-federal financial aid. The CSS Profile is an independent survey of financial assets both for prospective students and their parents.
Contingent Deferred Sales Charge (CDSC) or 'Back-End' Load	A fee paid by an account owner when a withdrawal is made from a 529 savings plan account or when there has been a redemption of shares of an investment option. The fee will vary depending on the share class and investment option and normally decreases and is eliminated after a number of months—typically 12 to 18 months—as long as the account owner does not sell the units within that time period. It is sometimes referred to as a back-end load. This fee is only incurred in advisor-sold plans.

TERM	DEFINITION
Direct-Sold 529 Savings Plan	A 529 savings plan that an investor can enroll in directly with the state sponsor without using a financial professional.
Eligible Educational Institution OR Eligible Institution	An eligible elementary or secondary public or private or religious school, or an eligible post-secondary school or a registered apprenticeship program.
Eligible (Qualified) Family Member	An eligible family member is considered a sibling (including step sibling), parent, child, first cousin, niece, nephew, among others, of a designated beneficiary of a 529 savings plan account. For purposes of this definition the designated beneficiary is the individual designated by the account owner at the time the account is established to receive the benefits of a 529 savings plan account.
FAFSA (Free Application for Federal Student Aid)	The official form that families must use to apply for federal financial aid to pay for college. It is also used by many states and individual colleges and universities in making their financial aid decisions.
Generation Skipping Transfer (GST) Tax	An estate tax that is imposed on a beneficiary when property or money is transferred via gift or inheritance to a beneficiary that is two or more generations removed from the grantor (*e.g.*, gifting to a grandchild).
Maximum Account Balance	The maximum amount that can be held in a 529 savings plan account per beneficiary. The IRS limits plan contributions to no more than what is necessary to pay for a beneficiary's qualified education expenses, so each state sets maximum account balances in accordance with the IRS requirement.
Mutual Funds	An investment product funded by shareholders that trades in diversified holdings, such as stocks, bonds and money market funds, and is professionally managed.

TERM	DEFINITION
Plan Disclosure Document/ Program Disclosure Document	The legal document or offering statement that describes a 529 savings plan. A plan disclosure document is available from the program manager and through the 529 savings program's website.
Prepaid Tuition Plans	Plans that allow investors to purchase tuition credits or units at today's rates (locking in the tuition rates) to pay for certain future education expenses for a designated beneficiary. Prepaid tuition plans are not available for K-12 expenses.
Program Manager	The program manager is often a registered investment adviser (or a dealer) that manages the plan on behalf of the state sponsor that establishes and maintains the 529 savings plan.
Qualified Higher Education Expenses (QHEE) or Qualified Education Expenses	These expenses generally include any amount a student spends to enroll and attend an eligible institution and are considered approved expenses under Section 529 of the Internal Revenue Code for which funds from a 529 savings plan can be used.
Qualified Rollover	A qualified rollover is a transfer of funds in a 529 savings plan account to another 529 savings plan account. For example, this would include instances in which the account owner moves to a different state and his or her new state offers a tax deduction for contributions to qualifying in-state 529 savings plan. Additionally, a qualified rollover can also take the form of the account owner transferring funds from their 529 savings plan account to another 529 savings plan account established in which the beneficiary is an eligible family member. The IRS guidelines permit only one income-tax free rollover in a 12-month period.

TERM	DEFINITION
Qualified Tuition Program	A program established and maintained by a state, or an agency or instrumentality of a state, that allows a contributor either to prepay a beneficiary's qualified higher education expenses at an eligible educational institution (prepaid tuition) or to contribute to a savings account for paying those expenses (529 savings plan account).
Qualified Withdrawal	A withdrawal from a 529 savings plan account that is used to pay for the qualified education expenses of the designated beneficiary.
Registered Investment Adviser (RIA)	An individual or company that is registered with either the Securities and Exchange Commission or a state securities regulator (commonly referred to as "asset manager," "investment manager," "portfolio manager," or "wealth manager") that manages investment portfolios.
Upfront or Front-End Load Sales Charge	A fee paid by an account owner upon investing in certain investment options within a 529 savings plan. It is sometimes referred to as a front-end load. This fee is only incurred in advisor-sold plans.
State sponsor	The state sponsor of a 529 savings plan is the state, state agency or instrumentality of the state (such as a board or educational institution) that establishes and maintains the 529 savings plan.
Units	Units represent the account owner's ownership interest in the 529 savings plan.

MSRB

Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000 I Washington, DC 20005
MSRB.org I EMMA.MSRB.org