

529 Qualified Tuition Plans & Prepaid Tuition Plans

The following should not be considered tax or investment advice; please consult your personal tax or investment professionals.

While scholarships and grants are excellent, they usually will not bring down your Net Cost to zero. Tax-advantaged savings plans can help families save money and prevent student indebtedness.

[A recent survey](#) shows a majority of parents have saved less than \$10,000 for college. According to [The Education Plan](#), students are four times more likely to graduate college if their 529 plan has only \$500. [Learn more reasons why](#) you should join the 14% of families who use them to pay for college. [The earlier you begin](#) investing, the more your plan can compound, tax-free. [Here are some suggestions](#) how to be more successful at saving in a 529 account. Currently, 14 million accounts exist, with an average \$25,000 saved.

Because you are not required in your own contribute to your state's plan, it's worth comparing your options. Some states even offer multiple options. Some plans are sold directly by the state while others are sold through advisors, who may charge service fees.

Some plans allow non-residents to pay in-state tuition. Many plans allow friends and family to contribute online or by mail. Each plan has varying minimum initial investments and contributions, but several plans can begin with only \$25. If a child chooses not to attend college, plan beneficiaries can be changed to other children or grandchildren. Some have specific enrollment periods each year. Admission to applicable schools is not guaranteed. [Read more on 529 plan rules here.](#)

The two types of **529 plans**:

Qualified Tuition Plans | Investments grow tax-free and can be withdrawn tax-free for educational expenses like tuition, room and board, and required textbooks. Many states offer [529 Qualified Tuition Plans](#) (click this list for websites and details of plans in each state.)

Prepaid Tuition Plans | Families can prepay some or all of the in-state public tuition expense, locking in the tuition rate at time of payment. Some states offer [Prepaid Tuition Plans](#), which allow students and families to pre-purchase college credits at qualified institutions (click this list for websites and some details of plans in these states.) A [Private College 529 Plan](#) (not state-restricted) also offers prepaid tuition options at nearly 300 private institutions.

[Learn about some risks of prepaid plans here.](#) It's important to keep in mind that 529 plan savings can affect financial aid by increasing your student's Expected Family Contribution, calculated using the [Free Application for Federal Student Aid](#) (FAFSA). Withdrawals must be used for [qualified educational expenses](#) (not travel costs), and occur in the same year as the expenses. As of December 2019, 529 plans are also allowed to pay up to \$10,000 of student loans during an individual's lifetime. Consult your financial advisor with questions.

Other great, but underutilized college saving vehicles are [Roth IRAs](#) and [Coverdell ESAs](#) (work similarly to 529 plans), and you can invest in these, in addition to 529 plans, to save for college expenses.