

## Save Smart, Spend Smart: 10 Qualified 529 Expenses

Avoid paying unnecessary taxes on 529 withdrawals by sticking to qualified expenses.

One of the main advantages of a 529 plan is the ability to grow your education savings tax-free. Those tax benefits also apply once you begin withdrawing from the account as long as the funds are used toward eligible expenses.

Since earnings on non-qualified tax withdrawals are taxed as ordinary income and may also be subject to a 10% federal income tax penalty, the following list of qualified expenses can help you avoid paying unnecessary taxes and ensure you're using your hard-earned savings as efficiently as possible.

- 1 College and University Tuition** – Whether your child attends a public or private university or community college, funds in a 529 account can be used toward tuition as long as the school is eligible for federal student aid. The same is also true for graduate school and some schools abroad.
- 2 Trade and Vocational Schools and Apprenticeship Programs<sup>1</sup>** – More Americans have been moving away from the traditional four-year programs in lieu of trade programs, which are often cheaper, offer focused training, and typically take less than two years.
- 3 Living On or Off Campus** – As long as your child is enrolled in a degree or certificate-seeking program at least half time, room and board on campus is considered a qualified expense. For those living off campus, the cost of rent and utilities up to the school's allotment is considered qualified, but any amount above the allowance could be subject to taxes.
- 4 Groceries** – If your child is living off campus, food expenses up to the cost of an on-campus dining plan can be covered by 529 funds, but the tax advantage only applies to necessities—not dining out or entertainment costs. It's best to confirm acceptable amounts with your child's school each year.
- 5 Academic Fees** – Students may need to pay fees in addition to tuition, such as technology or lab fees, and can use their 529 plan funds toward them. Activity fees for sports or organizations, however, aren't eligible.
- 6 Computers, Software, and Internet Access** – Tech essentials and specialized software required to complete coursework (i.e., a design programs necessary for a graphic-design degree) are considered qualified expenses. Internet access is also a covered expense for students who live off campus.
- 7 Books and Supplies** – In addition to textbooks and class-specific materials, school and office supplies, such as notebooks, pens, pencils, are covered by 529 funds.
- 8 K-12 Schooling** – Up to \$10,000 can be used for private or religious K-12 tuition per student per year. While most states recognize this as an eligible expense, be sure to check that your state also complies.
- 9 Student-Loan Repayment** – Funds can be used for qualifying student-loan repayments, which can include both private and federal student loans. When using 529 funds to pay off student debt, there's a lifetime limit of \$10,000.
- 10 Roth IRA Conversion** – Account owners and beneficiaries can now roll over funds into a beneficiary-owned Roth IRA. In order to do so, the 529 account must have been opened for at least 15 years, and the amount rolled over must have been in the account for at least last five years. Rollovers have a lifetime limit of up to \$35,000, but they're also subject to annual IRA contribution limits.

### Qualified Tuition Expenses:



Colleges and universities



Trade and vocational schools



Apprenticeship programs



K-12 tuition

### Qualified Education Expenses:



Tuition and fees



Room and board



Books, supplies, equipment



Expenses for special needs



Computers, software, and Internet



Student Loans

**Talk to your financial professional to make the most of a 529 plan.**

<sup>1</sup> 529 plans can be used for apprenticeship programs registered and certified with the Secretary of Labor under the National Apprenticeship Act.

Sources: Hartford Funds, IRS.gov, and savingforcollege.com, 10/24.

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**Before investing, an investor should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's 529 plan.**

**For more information about any 529 college savings plan, contact the plan provider to obtain a Program Description, which includes investment objectives, risks, charges, expenses, and other information; read and consider it carefully before investing. Hartford Funds Distributors, LLC serves as distributor and underwriter for some 529 plans.**