

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. Postsecondary education tuition** – Regardless of the school your child chooses to attend, your 529 savings plan funds can be used toward tuition as long as the school is eligible for federal student aid (see Qualified Tuition Expenses on page 2). The same is also true for graduate school and even some schools abroad.
- 2. 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.
- 3. 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 an exact figure with your child's school each year.
- 4. Academic fees** – Additional fees such as technology or lab fees are qualified expenses. Activity fees for sports or organizations, however, aren't eligible.
- 5. Books and supplies** – In addition to textbooks and class-specific materials, school and office supplies, such as notebooks, pens, pencils, etc., are also covered expenses.
- 6. Computers** – If the school doesn't supply your student with a laptop or desktop computer, purchasing one on your own is considered a qualified expense. This benefit also extends to peripherals such as printers.
- 7. Specialized software** – Educational or professional software required to complete coursework also qualifies. For example, design software would be eligible for a student completing a graphic-design degree.
- 8. Internet access** – Internet access is a covered expense for students who live off campus. However, beware of bundling: cable and phone costs may not be covered.

Client Conversations

9. **K-12 schooling** – You can use up to \$10,000 of funds per student each year toward private or religious K-12 tuition in most states¹ (be sure to check if your state complies with this qualified expense).

10. **Student-loan repayment and apprenticeships** – In recent years, use of 529 funds has been expanded to include qualified student-loan repayments² (with a maximum lifetime limit of up to \$10,000), as well as qualified apprenticeships and associated fees.³

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.

¹ If using a 529 plan for K-12, it can only be used for tuition up to \$10,000 per year.

² Can be used for student loan repayment for a maximum lifetime limit of up to \$10,000.

³ 529 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, 10/22

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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.