

COLLEGE SAVINGS

PART I: HOW A 529 PLAN WORKS Essential Facts at a Glance • 2026

THE CORE IDEA



Invest for education.
Growth has no yearly federal tax.
Qualified withdrawals are free of federal income tax.

No federal deduction for deposits.

TWO PLAN TYPES



Prepaid: future tuition.
Savings: invest for tuition and other eligible education costs.

Because prepaid plans are not offered in every state, this video focuses on the education savings plan.

WHO'S IN CHARGE?



Owner: controls the account, even after the student turns 18.
Beneficiary: the student.
Any age, even yourself.
A student can have more than one 529.

A parent, grandparent or other adult can own it.

QUALIFIED COSTS



College: tuition, fees, required books, supplies/equipment, a computer used for school.
Room & board: half-time or more; limits apply. Eligible credentials and apprenticeships also qualify.

2026 K-12: \$20,000/year per student, across all 529s. Loans: \$10,000 lifetime per borrower.

CONTRIBUTIONS & GIFTS



No federal yearly contribution cap. Plan balance caps still apply.

\$19,000 per giver, per beneficiary.
2026: all gifts that year.

\$95,000: five-year election; uses five annual gift exclusions. Gift tax return required.

A gift above the yearly allowance goes on a gift tax return. Usually no tax is owed.

THE \$20,000 EXAMPLE



Hypothetical: withdraw the full account.

\$16,000 + \$4,000 = \$20,000
contributions growth total

Tuition: federally tax free if qualified.

Vacation: \$4,000 growth taxed as income + \$400 extra tax (10%).

\$16,000 contributed: not taxed.

Exceptions may waive the extra tax.

BEFORE YOU SAVE

- 1** When will the student need it?
- 2** What are the risks and fees?
State tax rules differ.
- 3** Which costs will qualify?

Investments can lose value. Fees reduce returns.

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