

COLLEGE SAVINGS

PART II: USING IT AND OTHER WAYS TO SAVE Essential Facts at a Glance • 2026

STATE PLANS & AID



Compare fees, investments and your state's tax benefits.
Dependent student's 529: parent/student owned = parent asset on FAFSA.
Grandparent owned: generally not reported on FAFSA.

Schools may use other rules.

LEFTOVER MONEY



Keep it for graduate school.
Or change to a family member of the **current beneficiary**.
New beneficiary: any age.
Family includes first cousins.
Up to scholarship amount:
10% extra tax may be waived; earnings may still be taxable.

529 TO ROTH IRA



Up to \$35,000 over a lifetime.
To the beneficiary's Roth IRA.
529 open at least 15 years.
Last 5 years' contributions and their earnings excluded.
Direct transfer; yearly IRA limits and enough earned income required.
State rules vary.

EDUCATION OPTIONS



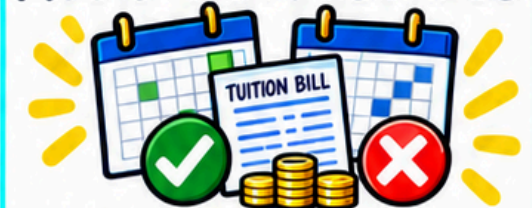
Coverdell: \$2,000/year per child; contributor income limits apply.
Qualified withdrawals are free of federal income tax.
EE / I bonds: eligible interest may be federally tax free.
Issued after 1989; owner 24+ at issue. Income and other education-use rules apply.

CHILD-OWNED SAVINGS



UTMA/UGMA: child's money; control at state age. Gift is final.
Custodial Roth: earned income; 2026 cap: \$7,500 or earnings, whichever is less, across IRAs.
Trump Accounts: child IRAs, not education accounts.
\$5,000 regular cap in 2026.
Pilot: \$1,000 for eligible 2025-28 births.

AVOID TAX MISTAKES



Withdraw in the same tax year you pay the expense. Keep receipts.
Each expense dollar counts once.
For a \$10,000 tuition bill:
\$4,000 for an education credit (if eligible), \$6,000 from a 529.
The \$4,000 is an expense amount, not the credit amount.
Same dollars cannot do both.

BEFORE YOU SAVE

- 1 When will the student need it?
- 2 What are the risks and fees?
- 3 Which costs will qualify?

Investments can lose value. Fees reduce returns.

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