



529 Facts: What you need to know before investing

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You've heard this before--If you're a parent, you should consider using a qualified tuition savings plan or a prepayment tuition plan to save even more for college. But while most parents are familiar with 529 plans, the number of people who actually know how they work and what benefits they offer are few.

The biggest benefit of a 529 plan is that any earnings your account has over the years are tax-free when you make a withdrawal to pay for qualified higher education expenses. However, did you know that Kansas and Missouri taxpayers may now invest in ANY state-sponsored 529 plan and receive a state adjusted gross income deduction for their contributions? This means that Kansas and Missouri residents don't need to invest only in the Kansas Learning Quest 529 or Missouri MOST 529 plan to receive a deduction on their state income taxes. There are other plans available through other states that may have better investment choices and/or lower fees.

When you are ready to start saving, be sure to purchase your plan directly from the state. Commission-based financial advisors are typically paid 5.75 percent for each contribution you make to the plan, and the states will charge higher administrative fees because working through these advisors is more expensive for them. Each state has a website you can visit to complete the application, choose your investments (if you're unfamiliar with the options, a fee-only financial advisor can help you with this for a minimal charge) and fund the account. The site also will have a phone number listed that you can call if you have any questions.

Did you know that 529 plans aren't just for your kids' college tuition? If you've ever thought about going back to school, even if it's just to take a couple of courses, you can save money in a 529 plan and receive the same tax benefits that you receive from saving for your children's education. All types of accredited higher education schools are allowed, including colleges, community colleges and trade/career schools.

So what should you do if you've already opened a 529 account but, after reading this article, have realized that you should enroll in a different plan? You can still transfer your 529 account to another state's plan. However, there are some states that will tax you on any earnings you transfer out, so you will want to check on that before making a change.

Two great sources for researching 529 plans are www.SavingForCollege.com and www.CollegeSavings.org. These websites will help lead you in the right direction. Sorting through all the information out there can be difficult, but taking the time to discern what's best for you is a worthwhile investment in your child's future.

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