

# 529 College Savings Plans

## *Qualified Higher Educational Expenses (QHEE)*

*A common misconception about 529s is that 529 assets can only be used to pay for college tuition. Another misconception is that 529s can only be used at an in-state college or university. Let's answer the question: "What can my 529 funds be used for?"*

### **Qualified Higher Educational Expenses**

Your 529 account can be used nationwide at any post-secondary school that is eligible to participate in federal financial aid programs – including public and private universities and colleges, graduate schools, and vocational-technical schools, as well as foreign schools that have been assigned a federal school code.

Qualified higher education expense (QHEE) includes:

- Tuition
- Mandatory Fees
- Room and Board (on or off campus, including living at home for students attending school at least ½ time)
- Books required for enrollment
- Supplies required for enrollment
- Equipment required for enrollment
- 24/7 meal plans

### **Non-qualified Expenses**

Not all expenses incurred while attending college are considered a QHEE. Here is a brief list of some expenses that are considered non-qualified:

- Student loan payments or interest
- Insurance
- Laptops, computers, internet services unless specifically required for attendance, or by the course's syllabus
- Fraternity or Sorority fees, unless it is part of the room and board
- Sports club and other activity fees that are not required for attendance
- Transportation to and from school
- Concert tickets and entertainment that is not required

If you use your 529 account for a non-qualified expense you will be assessed a 10% penalty and owe income tax on the earnings portion of the non-qualified withdrawal.

### **Timing of the distribution**

529 distributions need to be taken in the same calendar year that you pay for qualified higher educational expenses (QHEE), otherwise the distribution will be considered non-qualified and subject to a 10% penalty and any applicable state and federal income taxes.

**Investors should consider the investment objectives, risks, charges and expenses associated with a 529 Plan before investing. This and other information is available in a Plan's official statement. The official statement should be read carefully before investing.**

*Depending on your state of residence, there may be an in-state plan that provides tax and other benefits not available through an out-of-state plan. Robert W. Baird & Co. does not provide tax advice. Before investing in any state's 529 plan, you should consult your tax adviser.*