

# What is a 529 Savings Plan?



A 529 Savings Plan is a tax-advantaged investment account designed to help families save and pay for future education expenses. According to Statista.com, 529 Savings Plans have grown from 10.1 million in 2009 to 16 million in 2022.

## Types

There are two types of 529 Savings Plans: educational savings plans and prepaid tuition plans. 529 Savings Plans are sponsored and run by the 50 states and the District of Columbia. Rules and fees can differ by state.

## Tax Benefits

- **Tax-Free Growth:** Money invested in a 529 Savings Plan grows tax-free, meaning you don't pay taxes if monies are used for qualified educational expenses.
- **Potential State Tax Benefits:** Some states offer tax deductions or credits for contributions to their own state's 529 plan.

## Flexibility

- **Use:** Funds can be used for any eligible institution, not just in-state schools.
- **Beneficiary:** You can change the beneficiary to a qualified family member of the original beneficiary without incurring taxes or penalties.

## Contributions

- **No Income Limit:** There are no income limits for contributing to a 529 Savings Plan.
- **High Limits:** You can contribute substantial amounts, sometimes hundreds of thousands of dollars, depending on the plan and state.

## Non-Qualified Withdrawals

If you withdraw funds for something that isn't a qualified educational expense, you may be subject to taxes on the earnings and a 10% penalty.

## Ownership and Control

The person who opens the 529 account retains control over the account, including the right to change beneficiaries or withdraw the funds.

## No Age Limit

There's no age limit for using the funds, so it can be used for any level of education.

## Making 529 Savings Plan payments easier

Since 2017, Transact has partnered with a third-party vendor, Ascensus, to electronically process 529 Savings Plan payments. Transact works with more than twenty-five 529 Plans within our Transact Integrated Payments solution. This integration works for both student and parent PIN payers. For a list of available 529 Savings Plans, existing clients can refer to the 529 Savings Plan Providers document in the Support Library. If you are not yet a client of Transact, and would like to learn more, please call us at (866) 259-6296.



Get in touch with our experts for more information:

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