



# WEISS, HALE & ZAHANSKY

## STRATEGIC WEALTH ADVISORS

### 529 Plan Considerations

As we gear up for the upcoming fall semester, whatever that might look like, we wanted to share with you an overview of some of the most common qualified and nonqualified expenses noted in the chart below.

#### Qualified Expenses

Expense	Requirements	Important Considerations
<b>Tuition and fees</b>	<ul style="list-style-type: none"><li>• College must be accredited and eligible for U.S. Department of Education's student aid program</li><li>• K-12 education (eligibility varies by state)</li><li>• Registered apprenticeship program</li></ul>	<ul style="list-style-type: none"><li>• Limited to \$10,000 per year for K-12</li><li>• Some foreign and online institutions may qualify</li><li>• The Department of Education has a tool that lets you check schools to see if a college is eligible for 529 plans at <a href="http://www.savingforcollege.com">www.savingforcollege.com</a></li></ul>
<b>Books, supplies, and equipment</b>	<ul style="list-style-type: none"><li>• College courses only</li><li>• Must be required for the course</li><li>• Required equipment, including tools for apprenticeship programs</li></ul>	<ul style="list-style-type: none"><li>• Items may be purchased from anywhere (e.g., Amazon)</li><li>• Keep evidence of requirement (e.g., course syllabus)</li></ul>
<b>Special needs services</b>	<ul style="list-style-type: none"><li>• College courses only</li><li>• Must show connection to enrollment or attendance</li></ul>	
<b>Room and board</b>	<ul style="list-style-type: none"><li>• College courses only</li><li>• Maximum amount is the greater of either: 1) actual charge for residence in school-</li></ul>	<ul style="list-style-type: none"><li>• Must be enrolled at least half-time (credit hours defined by school)</li><li>• For off-campus housing, contact school's financial</li></ul>

**Plan well. Invest well. Live well.™**

	operated housing <i>or</i> 2) annual “financial aid cost of attendance” room and board amount for that school	aid office for applicable cost of attendance amounts
<b>Computers, computer hardware, software, and internet access</b>	<ul style="list-style-type: none"> <li>• College courses only</li> <li>• Must be used primarily by the 529 beneficiary and during years of enrollment</li> </ul>	<ul style="list-style-type: none"> <li>• Software should be predominantly educational in nature.</li> </ul>
<b>Repay student loan debt</b>	<ul style="list-style-type: none"> <li>• Principal and interest payments toward qualified education loans of the 529 plan beneficiary or siblings of the plan beneficiary</li> </ul>	<ul style="list-style-type: none"> <li>• Lifetime limit of \$10,000 for the plan beneficiary and additional \$10,000 per sibling of the plan beneficiary</li> <li>• Interest that is paid with 529 funds will not be eligible for student loan interest deduction.</li> </ul>

**Please note:** Make sure you keep detailed records of future qualified education receipts in case you face any questions after using 529 funds for college expenses that were ultimately refunded this year. This includes any receipts for expenses paid to schools themselves as well as receipts for books, computer equipment, and other purchases deemed eligible for 529 plan use.

### Nonqualified Expenses

Expense	Important Considerations
<b>Transportation and travel costs</b>	<ul style="list-style-type: none"> <li>• Often a concern for out-of-state students</li> <li>• Even if for travel to and from campus during holiday times, no travel costs qualify.</li> </ul>
<b>Health insurance</b>	<ul style="list-style-type: none"> <li>• Not qualified, even for a health plan provided by the student’s school</li> </ul>
<b>Extracurricular activity fees</b>	<ul style="list-style-type: none"> <li>• Only tuition costs and fees are qualified; additional activity fees are not.</li> </ul>
<b>Student loans</b>	<ul style="list-style-type: none"> <li>• Student loan payments in excess of current qualified expense limits</li> </ul>
<b>Application and testing fees</b>	<ul style="list-style-type: none"> <li>• Preparatory fees are not qualified.</li> <li>• 529 distributions limited to tuition and fees associated with current enrollment</li> </ul>

**Plan well. Invest well. Live well.™**

**Please note:** Just because an expense is nonqualified, doesn't mean the 529 plan funds cannot be considered as a source of payment. However, the main consequence of paying nonqualified expenses with funds from a 529 plan is that it will be considered taxable income and could be followed by a 10% tax penalty. Also, if you took a distribution from a 529 this year to pay for college expenses and you receive a refund from your school, you need to put the amount of the refund back into the 529 account within 60 days. Failure to recontribute funds within 60 days could mean that your distribution was not for qualified expenses, which will lead to the 10% penalty plus capital gain taxes. However, the IRS has announced that due to COVID-19, you can redeposit the refunded amount by July 15, 2020, or 60-days after the refund was issued, whichever date is later.

For more information on 529 plans (referred to as "Qualified Tuition Programs"), and for examples of tax and coordination calculations, see the [Qualified Tuition Programs section](#) of the IRS Publication 970. You can also visit our resource center at [www.whzwealth.com/resources](http://www.whzwealth.com/resources) for education planning tools like our financial calculators and more!

Authored by Principals/Managing Partners Laurence Hale AAMS, CRPS® and James Zahansky AWMA® along with Vice President, Associate Financial Advisor Leisl L. Cording, CFP®. Securities and advisory services offered through Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. 697 Pomfret Street, Pomfret Center, CT 06259, 860.928.2341. [www.whzwealth.com](http://www.whzwealth.com). These materials are general in nature and do not address your specific situation. For your specific investment needs, please discuss your individual circumstances with your representative. Weiss, Hale & Zahansky Strategic Wealth Advisors does not provide tax or legal advice, and nothing in the accompanying pages should be construed as specific tax or legal advice.

© 2020 Commonwealth Financial Network®

**Plan well. Invest well. Live well.™**

---

697 Pomfret Street, Pomfret Center, CT 06259 | TEL 860.928.2341 FAX 860.928.5271 | [www.whzwealth.com](http://www.whzwealth.com)

We offer custom managed investment programs best suited for portfolios over \$500,000. Securities and advisory services offered through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Adviser. | © Weiss, Hale & Zahansky Strategic Wealth Advisors 2018