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NY's 529

7 Myths Busted About New York's 529 College Savings Program Direct Plan

Yes, you can help them achieve their dreams
by NY's 529 College Savings Program (Paid Content)

New York's 529 College Savings Program Direct Plan (NY's 529 Plan) offers a tax-free way to invest money for your grandchildren (or loved ones) higher education. New York's 529 College Savings Program (NY's 529.org) has existed for over 20 years, but there remain many misconceptions about how 529 plans work. Understanding the benefits of a 529 plan can help surpass the rising cost of higher education, save you some money on your taxes, and cement your legacy for the next generation. We're busting 7 NY's 529 plan myths to help you get started on saving for their future.

MYTH 1: You can only use a 529 plan to pay for tuition.

FACT: The cost of college includes more than just tuition, and NY's 529 Plan acknowledges that. The savings from 529 plans can be used for books, fees, supplies, required equipment, certain computer, software and internet access services, and other room and board at eligible institutions. IRS publication 970 details the longer list.

MYTH 2: You cannot give a 529 plan as a gift.

FACT: When you open a NY's 529 Plan account, you get to choose whomever you'd like to be the beneficiary of your account. Or you can make a contribution to an account opened by another family member, just as the beneficiary's parents.

MYTH 3: Your grandchild or loved one must live in New York State or attend school in New York State to use the account.

FACT: You can reside in Buffalo and your grandchildren in Boise, you in Manhattan, NY and they in Manhattan, Kansas — your 529 plan account can be used across the U.S. at a wide variety of eligible institutions. Your grandchild can opt for the International Space University in Paris, a community college in Texas, a SUNY campus, or an Ivy League school. There is flexibility on how and where the funds are used; the only requirement is the school must be an institution accredited by the U.S. Department of Education.

MYTH 4: Opening and maintaining an account can be costly.

FACT: There is no minimum contribution in the NY's 529 Plan and there are no fees for opening an account. Ongoing fees are just 0.13%, or \$1.30 per year for every \$1,000 invested. This means investing in their future can fit into almost any budget.

MYTH 5: A 529 plan can save you money on taxes only if you invest \$5,000 or more.

FACT: Any earnings from your investments in NY's 529 College Savings Program Direct Plan grow free from federal and state income tax while the money remains in your account. Plus, grandparents can save on estate and gift taxes, and New York State taxpayers can save on State income taxes. There are limitations so please consult with a tax adviser for your individual situation.

MYTH 6: If the child doesn't go to college, you lose your money.

FACT: You can keep funds in your account to use your grandchild changes his mind in the future — even his age limit — or you can switch it to another beneficiary who is a member of the family with no tax impact. The money can also be withdrawn for non-qualified uses not specific to school expenses such as apartment equipment but a 10% federal penalty tax and any applicable federal and state income taxes apply to any earnings.

An Example: The Financial Benefit They'll Receive

Let's take you have a 3-year-old grandchild. Based on an **estimated average rate of return of 8%**, if you contribute \$100 every month, in five years you could have over \$1,000 in earnings. In 10 years, those savings could jump to nearly \$4,000. In 15 years, when your grandchild is ready for college, you could have more than \$25,000 saved, with over \$15,000 of that in earnings.*

You can play a powerful role in the future of your grandchildren's education and help their parents recoup the amount of college debt they may take on later. Saving with New York's 529 College Savings Program Direct Plan is a great choice for everyone.

Click here to learn more about the NY's 529 College Savings Program Direct Plan - it's never too early or too late to start.

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