

529

EDUCATION SAVINGS PLANS

SAVE FOR YOUR CHILD'S FUTURE

A 529 education savings plan can be a great way to save for your child's education - or to provide a gift to a child who is not your dependent. When you set up a 529 plan account, you contribute money on an after-tax basis and name a beneficiary. Many plans provide an array of investment options to choose from so you can invest your contributions for growth over time. You can make a one-time contribution or set up regular contributions through payroll direct deposits.

The 529 plan beneficiary may use proceeds from his or her account for any qualified education expenses, including tuition, mandatory fees, and room and board. Typically these are college expenses, but a change to federal tax law in 2017 allowed up to \$10,000 per year in 529 plan withdrawals for private elementary or secondary schools. If withdrawals are used for qualified education expenses, investment earnings in the 529 account are not subject to federal income tax and, in many cases, state income tax. However, withdrawals not used for qualified education expenses are taxable and subject to a 10% income penalty.

You may also be eligible for a state income tax deduction or credit when you contribute to a 529 plan. For example, Minnesota residents who contribute to a 529 plan may be eligible for a nonrefundable tax credit up to \$500.

HOW DO I CHOOSE A 529 PLAN?

All 529 plans are sponsored by state governments. Most do not require state residency for the saver or beneficiary. Most states that offer tax deductions for 529 plan contributions require using that state's plan, but some states allow the use of any plan. The following 529 plans all received "Gold" ratings in 2020 from Morningstar, an independent investment research firm.

Utah
My529®

my529.org
800-418-2551

Michigan
MESP

misaves.com
877-861-6377

Illinois
Bright Start®

brightstart.com
877-432-7444

HOW DO I SET UP A DIRECT DEPOSIT TO A 529 PLAN?

Once you have established your 529 plan account, contact the 529 plan service provider or visit their website to obtain a routing number and unique account number. Provide that information and the amount you would like to contribute per paycheck to your human resources representative. The amount you requested will be transferred to your 529 plan account via ACH direct deposit each payroll.

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1-844-674-401k