

Iowa 529 Plan Opportunities & FAQ

❖ What is a 529 plan?

A 529 plan is a tax-advantaged program intended to help you save towards future education costs. All earnings in a 529 plan are tax-free if the proceeds are used towards qualified education expenses. Historically, these have been used as college savings vehicles for future tuition costs with all of the earnings over time being tax-free.

❖ Why are we talking about this?

When the Tax Cuts & Jobs Act was signed into effect in 2017, many changes were made for tax-planning in 2018 and beyond. One change was that distributions from 529 plans can now be used not only for college expenses, but also for private K-12 private school tuition!

❖ What other tax benefits exist?

By using the Iowa-specific 529 plan, in 2018 an Iowa taxpayer is able to get a state-tax deduction on up to \$3,319 of contributions per account. Each account has a specific custodian (parent/guardian) and beneficiary (child/student). For example, a father and mother with one child could open two accounts and get \$6,638 deducted from their Iowa income tax. If that same couple had two children, they could do four accounts and deduct up to \$13,276. A grandparent, uncle, family friend, etc. could also each open a separate account for the student.

❖ How do I get started?

You can get started by talking with your financial advisor to learn more about how to set-up an IA 529 plan account or you can go online and do it yourself through the College Savings Iowa 529 Plan. Both are sponsored by the state of Iowa, allow you to qualify for the state tax deduction, and provide the ability to utilize the 529 as a “pass-through” to get the state tax deduction benefits with no costs.

❖ How do I get make sure I get the deduction?

On your end-of-year statement, your total contributions made throughout the year will be shown. This number must be given to your tax person or put into your tax software in order to ensure the deduction is processed and claimed.

❖ Where do I go to learn more?

529plans.investments.voya.com/iowa – if you would like to work with a financial professional
www.collegesavingsiowa.com – if you would like to do it yourself

Both sites have similar information, but the details of the plans are slightly different as one involves getting help in getting the accounts set-up and one is done completely on your own.

Review:

1. You make a contribution from your bank account to your Iowa 529 account. It will most likely take 2 weeks+ for the contribution to clear and be eligible for distribution.
2. You request a distribution from the 529 back to your bank account. This is able to be done directly via ACH and takes another 3-5 business days.
 - a. You are also able to make the distribution directly to Sully Christian from the 529 accounts, just be sure to note “_____ Family Tuition” in the memo line
3. You make a payment to Sully Christian.

