



529 College Savings Plans

Qualified Higher Educational Expenses (QHEE)

A common misconception about 529s is that 529 assets can only be used to pay for college tuition. Another misconception is that 529s can only be used at an in-state college or university. Let's answer the question: "What can my 529 funds be used for?"

Qualified Higher Educational Expenses

Your 529 account can be used nationwide at any post-secondary school that is eligible to participate in federal financial aid programs – including public and private universities and colleges, graduate schools, and vocational-technical schools, as well as foreign schools that have been assigned a federal school code.

Qualified higher education expense (QHEE) includes:

- Tuition
- Mandatory Fees
- Room and Board (on or off campus, including living at home for students attending school at least ½ time)
- Books required for enrollment
- Supplies required for enrollment
- Equipment required for enrollment
- Computers, computer equipment, internet services and software required for enrollment (retroactive to the beginning of 2015)
- 24/7 meal plans

Non-qualified Expenses

Not all expenses incurred while attending college are considered a QHEE. Here is a brief list of some expenses that are considered non-qualified:

- Student loan payments or interest
- Insurance
- Fraternity or Sorority fees, unless it is part of the room and board
- Sports club and other activity fees that are not required for attendance
- Transportation to and from school
- Concert tickets and entertainment that is not required

If you use your 529 account for a non-qualified expense you will be assessed a 10% penalty and owe income tax on the earnings portion of the non-qualified withdrawal.

Timing of the distribution

529 distributions need to be taken in the same calendar year that you pay for qualified higher educational expenses (QHEE), otherwise the distribution will be considered non-qualified and subject to a 10% penalty and any applicable state and federal income taxes.

Investors should consider the investment objectives, risks, charges and expenses associated with a 529 Plan before investing. This and other information is available in a Plan's official statement. The official statement should be read carefully before investing.

Depending on your state of residence, there may be an in-state plan that provides tax and other benefits not available through an out-of-state plan. Robert W. Baird & Co. does not provide tax advice. Before investing in any state's 529 plan, you should consult your tax adviser.