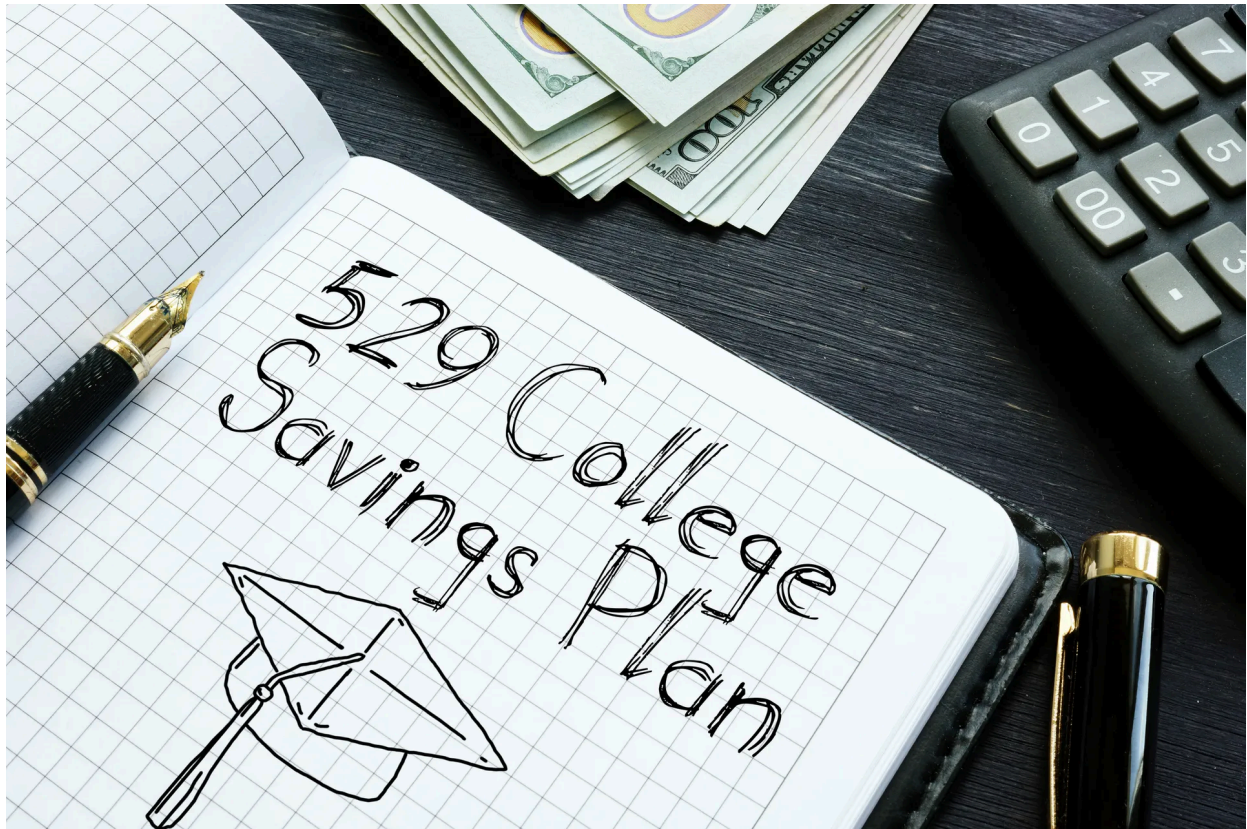


## SAVINGS

### 529 Plans Hit a New Milestone: Why They're So Popular

Recently, 529 plans hit a new milestone with over half a trillion dollars being saved in plans across the country. Why are 529 plans so popular?



More families have been taking advantage of 529 plans than ever, with the number of new accounts opened rising each year. And thanks to this surge in popularity, 529s have just hit a new milestone.

Savings in 529 plans across the country have surpassed half a trillion dollars for the first time, according to the College Savings Plans Network (CSPN), a network of the National Association of State Treasurers. Over \$508 billion has been invested across 16.8 million open 529 accounts nationally, with the average size of each account increasing from \$13,188 in 2009 to \$30,295 in 2024.

529 plans are powerful tools that can help you tackle rising education costs. So if you're looking to save for your child or grandchild's future college expenses, opening a 529 plan could be the best way to do so, given the plan's favorable tax treatment and the rising cost of a college education.

Mary Morris, Chair of the College Savings Plans Network and CEO of Invest529 says she finds it “encouraging” to see families increasingly recognize “the importance of postsecondary education and that 529 plans exist to help them make that a reality.”

Here’s what you need to know about 529 savings plans and why they’re more popular now than ever.

### **529 plans and why they’re so popular**

529 plans allow a contributor to prepay a beneficiary's qualified higher education expenses at an eligible educational institution or to contribute to an account for paying those expenses. The main benefit? While 529 contributions have to be made with after-federal-tax money, the contributions grow free from federal or state tax.

But there are two additional benefits that 529s have gained fairly recently that make them increasingly attractive savings vehicles.

The first benefit is the ability to roll over unused funds from your 529 plan to a Roth IRA, thanks to changes made to the Internal Revenue Code by the SECURE 2.0 Act. By rolling over unused funds from a 529 account into a Roth IRA, individuals will now be able to avoid income tax and tax penalties that occur when withdrawing funds for non-education expenses. But there are limitations.

The other benefit? It’s what’s referred to as the “grandparent loophole.” The new streamlined FAFSA (which starts with the 2024–25 award year) recently made changes to how distributions are treated, giving grandparents a positive advantage. On the 2024-25 FAFSA, students are no longer required to report cash gifts from a grandparent or contributions from a grandparent-owned 529 savings plan. Because of this, grandparents can now use a 529 plan to fund a grandchild’s education without impacting their grandchild's financial aid eligibility.

### **Bottom line**

The main reason to invest in a 529 plan is because of its advantageous tax deferral and growth strategies. But additional benefits, like the ability to superfund a 529 (avoid paying gift taxes on large, one-time contributions to a 529 plan through 5-year gift tax averaging), tax-free rollovers to Roth IRAs and contributions from grandparents no longer counting against financial aid eligibility, have made 529 plans even more appealing in recent years.

**NYSUT NOTE: Curious about a 529 plan? The [Financial Counseling Program](#), endorsed by the NYSUT Member Benefits Corporation, can help you determine if it's right for you or if there's an even better plan you could be taking advantage of. With assistance on debt management, retirement planning and asset allocation, this program is valuable, no matter where you are in your financial journey.**

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