Please note: This is a transcription so there may be slight grammatical errors.

Shalethia Patton:

Saving enough to pay for college can be daunting. Luckily, there are tax-advantaged ways to help. One great option is a 529 plan.

A 529 education plan is an investment vehicle that offers tax benefits to save for college or K-12 tuition. It's one of the most common and effective ways people save for their children's education. You can even use it to pay for your own continuing education. The key benefit of a 529 plan is that the investments in the plan grow tax-free and qualified withdrawals from a 529 plan are also tax-free, with some states offering tax deductions or credits for contributions.

There are two types of 529 plans, education savings plans and prepaid tuition plans. Education savings plans can be used to cover the full cost of college or graduate school tuition at any accredited institution, as well as room, board, books and computers. A 529 savings plan can also be used to pay for K-12 tuition, up to $10,000 a year. A prepaid tuition plan, on the other hand, lets you prepay for all or part of the cost of future college tuition at today's rates. You do this by purchasing units or credits, either in lump sum payments or regular installments. Prepaid tuition plans are far more restrictive than education savings plans and are typically offered at the state level, but only in certain states.

Anyone can open a 529 savings plan account. There are no income limitations or age restrictions. The process is as easy as filling out an application, choosing a beneficiary, and selecting one or more of the plan's investment options. You'll determine how much you want to contribute and when you want to start making those contributions. Many plans will let you get started with an initial investment of as little as 100 or even $50. You can set up a 529 plan for your child, your grandchild, or even for yourself if you think you may want to go to school in the future, even for postgraduate work. And 529 plans can be reassigned from one qualified family member to another as needed.

If you are the account owner and your child is a dependent, the savings in a 529 will have a much lower impact on financial aid than a different type of account opened in your child's name. One important thing to remember is that just like a retirement plan, there are typically penalties for using the money for something other than a qualified education expense. This includes a federal penalty of 10%, as well as other income taxes. So make sure you're building your 529 savings into your overall budget in a way you can afford.

Curious how a 529 plan might fit into your future? Then call CAPTRUST. We can help you create a blueprint to meet your family's financial and educational goals.