

# 529 College Savings Plan Disclosure

## *Which 529 Plan Should You Select?*

**F**or many people, funding a College Savings Plan is the best way to save for college. These plans, based on Section 529 of the tax code, are sponsored by each of the 50 states (and the District of Columbia).

Virtually no two plans are the same: Fees and contribution limits vary, as do the investment options — from high risk stock funds to lower risk money market funds, and everything in between. In some state plans you invest without the aid of a financial advisor, while in others you work through an investment advisor, brokerage firm or bank, generally paying a sales charge or fee. (FINRA offers a tool to help you compare how fees and expenses can impact returns at [http://apps.finra.org/investor\\_information/Smart/529/Calc/529\\_Analyzer.asp](http://apps.finra.org/investor_information/Smart/529/Calc/529_Analyzer.asp).)

Each state plan features investments offered by one or more mutual fund companies. To broaden the fund choices, some states offer multiple plans. Most require investors to select from a variety of “age-based” portfolios, although some state plans allow investors to construct their own portfolios, using the funds available in the plan.

You’re permitted to enroll in any state’s plan, regardless of where you or the child lives. Therefore, if you’re interested in establishing a 529 plan, you must choose either a state plan (accepting whatever funds that plan offers) or a fund company (and enroll in whichever state’s plan that offers it). Investors must also decide whether to work with an advisor or handle this effort on their own. (Some advisors work only with certain plans.)

One factor to consider is taxes: You may get a state income tax deduction if you

invest in the plan offered by the state in which you live. (Pennsylvania residents enjoy a state tax deduction regardless of which state’s plan they select.)

The states give their citizens tax deductions for contributing to their 529 plans because it boosts their revenue. You see, the fund companies pay fees to the states. Therefore, the more money consumers place into a state’s plan, the more money the state receives. In other words, the 50 states (and DC) compete with each other for investor dollars.

In our opinion, the tax deduction, although nice, is not enough of an incentive to choose your state’s plan if you feel another state’s plan is superior. The tax deduction is relatively small because it’s merely a state tax deduction; there is no tax break on your federal tax return. Since state income tax rates are rather low compared to federal tax rates, the savings tend to be low.

Selecting a 529 plan, as with all investment decisions, involves choices. It’s important that you consider all aspects and avoid decisions that are based on only one criterion. Consider the plan offered by your state, and read the prospectus carefully for complete information on fees and expenses, and remember that choosing a plan offered by a different state might be in your best interest even though you don’t get the tax deduction. If you have any questions, talk with us to learn more.

*P.S. If you own a 529 plan and now realize it is not the ideal plan for you or the child, tax rules permit you to transfer your account from one state’s plan to another.*

### **Important Investor Information – Please Read**

The Municipal Securities Rulemaking Board says that before investing in a 529 college savings plan, you should carefully consider the following:

Various states have enacted laws that may provide favorable state tax treatment or other benefits for their residents when investing in their home state’s 529 college savings plan.

You or your designated beneficiaries’ home state may offer favorable state tax treatment or other benefits to you or your designated beneficiaries that may not be available to you if you invest in another state’s 529 plan.

Any state-based benefit offered with respect to a particular 529 plan should be one of many appropriately weighted factors to be considered in making an investment decision.

You should consult with your financial, tax, or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You may also wish to contact the plan manager for your home state or any other 529 college savings plan to learn more about the features, benefits, and limitations of that state’s 529 plan.