

New Education Savings Opportunity for Current and Prospective Catholic School Families

The 2017 Tax Cut and Jobs Act expanded 529 savings plans to allow families to invest funds for K12 tuition in addition to higher education expenses

What is a 529 plan?

Named after section 529 of the tax code, the 529 plan is a tax-advantaged plan operated by a state or an education institution designed to encourage saving for college. The federal tax advantage is that earnings on funds contributed to 529 accounts are not federally taxed when withdrawals are used for educational purposes. As of January 1, 2018, 529 plans may be used for K-12 education tuition.

What are the tax advantages of saving money with a 529 plan?

The primary benefit of a plan is that any earnings from growth over time are tax-free if they are used to pay for qualified education expenses. Secondly, contributions to a plan may be eligible for a State income deduction depending on where you live.

Who may open a 529 plan?

Parents, grandparents, aunts, uncles, godparents, and just about anyone else can give the gift of a Catholic education by opening a 529 plan for a child in their preferred state. At the age of 18, students may open plans for themselves.

Is more than one account per child permissible?

Yes! Multiple friends or family members may open separate accounts for a child or contribute to one single plan. If there is more than one child, accounts may be opened for each child.

Is there a maximum amount that can be used to pay K12 tuition?

Yes, the maximum amount that can be distributed tax-free per calendar year is \$10,000 per student, regardless of the number of 529 accounts.

I already started a 529 plan to save for my child's college expenses. Should I use that money to pay for K12 tuition?

This is an important question to discuss with your financial advisor.

How do I enroll in a 529 plan?

You may enroll directly with a State 529 plan manager or with your financial advisor.

Anything else I should consider?

Please consult with your financial advisor or accountant to determine the specific state requirements and select the best option for your family.

What does the Catholic Church believe regarding parental choice in education?

The Declaration on Christian Education, *Gravissimum Educationis*, proclaimed during the Second Vatican Council, neatly summarizes parental choice in education as the following: *Parents who have the primary and inalienable right and duty to educate their children must enjoy true liberty in their choice of schools.* While the expansion of 529 plans does not address all the concerns regarding inequities in our education system, it is a step in the right direction.

Sources: www.irs.gov www.savingforcollege.com www.house.gov

