



Prepaid 529 Plan Checklist

- ✓ **Funded Ratio** - To protect against unexpected adverse outcomes, plans will typically want to have a funded ratio greater than 100%.
- ✓ **Transferability** – Does the plan offer the ability to transfer the plan to another beneficiary if the student doesn't attend college or if there are other circumstances. Most plans allow for a change in beneficiary to a closely related family member.
- ✓ **Refund Options** - What ability does the plan have to transfer assets to a different type of savings plan, or what are the potential tax implications? How much will you be able to recoup if you request a refund? Most plans offer at least a refund of the original contributions minus any fees and benefits paid out or plus a percentage of net earnings/losses.
- ✓ **Coverage** - Most plans cover the cost of tuition and mandatory fees but don't include other costs such as room and board, textbooks, and other educational expenses.
- ✓ **Costs** - This encompasses the fees and expenses associated with opening an account. Knowing the enrollment fees, maintenance fees, and cost of credits/units will help you budget out how much to save.
- ✓ **Tax Benefits** - Are your contributions exempt from state or federal taxes? What amount of contributions are exempt from the gift tax? Prepaid 529 plans offer similar tax benefits as conventional 529 plans. Most prepaid plans offer some combination of deductions.
- ✓ **Time Constraints** - The typical number of years to use tuition benefits is 10. In recent years, however, funding concerns have led some plans to decrease this number.
- ✓ **Safety Guarantee** - If the state backs the program, then the state will be obligated to use state funds to pay out benefits if the plan is underfunded. If the state does not back it, monetary loss is possible in the case of a financial downfall.