

---

## 529 COLLEGE SAVINGS PLANS

Helping families save and invest for higher education



A college degree usually translates into more income over a lifetime. However, the price of going to college has been climbing for decades. For example, since 2008, the cost of attending a four-year public college has outpaced inflation by an average of 3.1% per year. This increase reflects a longer-term trend in both public and private education.<sup>1</sup>

To meet the college funding challenge, investors should save more, start saving earlier, and use available savings tools to their advantage.

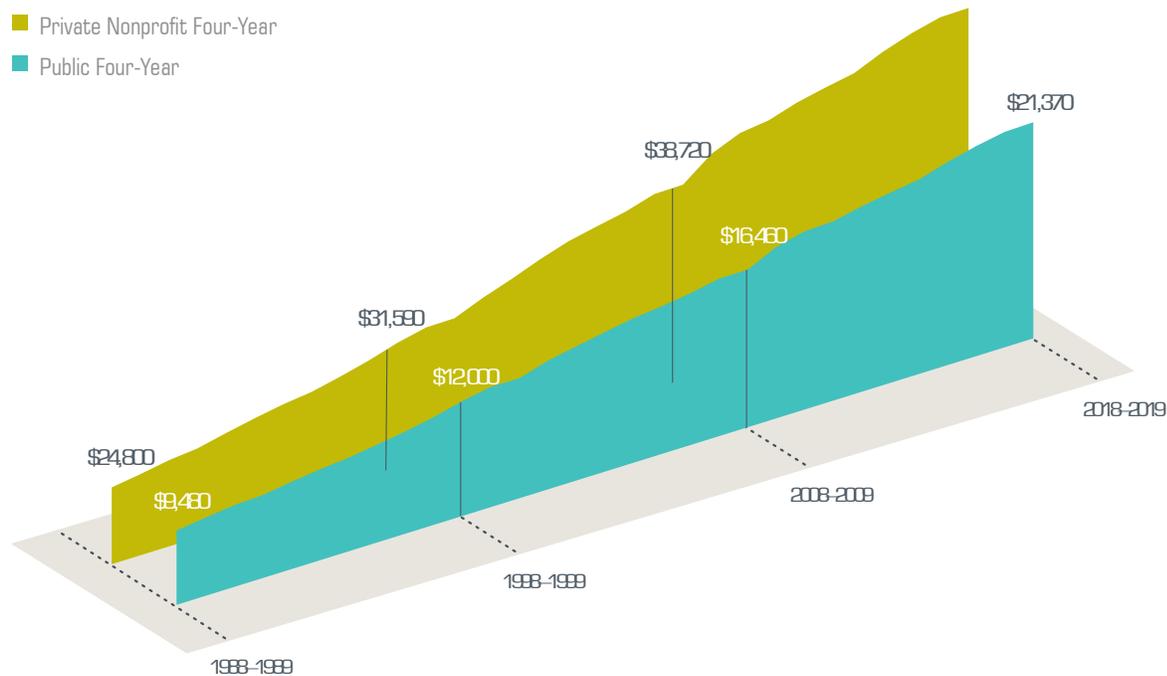
### 529 College Savings Plans

These plans offer a tax-favored avenue for families to save and invest for college. Authorized under Section 529 of the Internal Revenue Code, the plans are qualified tuition programs sponsored by states, state agencies, and some educational institutions. Today, nearly every state has at least one 529 plan.

Any adult with legal US residency can open an account with a state's 529 savings plan and contribute money on behalf of a named student beneficiary, such as a child, grandchild, other family member, friend, or even oneself. Contributing to a plan also can have estate and gift tax benefits.

Earnings in a 529 savings account accumulate tax-deferred and are exempt from federal tax—and in some cases, state tax—when withdrawn to pay for qualified higher education expenses at an accredited college, university, trade school, or technical school. Beginning in 2018, account distributions also can fund up to \$10,000 in annual K-12 tuition at a public, private, or religious school.

Average Annual Tuition, Fees, Room, and Board by Sector (2018 Dollars)  
1988–1989 to 2018–2019



Average annual tuition and fee prices reflect in-state charges for public four-year institutions. Source: The College Board, 2018 Trends in College Pricing.

#### 529 SAVINGS PLAN BENEFITS:

**Tax-advantaged:** Tax-deferred investment earnings and tax-free distributions for qualified expenses result in a larger account and more money for eligible college expenses.

**Controllable:** Generally, a participant can withdraw funds at any time and change the student beneficiary.

**Transportable:** Participant can open an account in any state 529 plan, regardless of residence, and pay for a qualifying school in any state.

**Flexible:** Most plans offer multiple investment options. The owner can change options twice per calendar year and roll over funds to another state's 529 plan once every 12 months.

Although contributions to a 529 savings account are not tax deductible at the federal level, residents in certain states can receive a state tax deduction or tax credit when they invest in their home state's 529 plan. Contribution limits vary by state, but the maximum amounts are typically high enough to help fund a significant portion of an undergraduate, graduate, or professional degree.

#### Considerations

Qualified college expenses include tuition and fees, books and materials, room and board (for students enrolled at least half-time), computers and related equipment, internet access, and special needs equipment for students attending a college, university, or other eligible postsecondary educational institution.

Withdrawals for nonqualified expenses are taxable as ordinary income (applied to earnings but not contributions) and may be subject to a 10% federal income tax penalty as well as state income tax. Nonqualified expenses include transportation costs, health insurance, and student loan repayments.

If the 529 savings account is not used, then the owner can transfer it to another beneficiary or make a nonqualified withdrawal and pay federal tax. The 10% federal penalty may be waived under certain conditions—for example, if the beneficiary receives a tax-free scholarship, attends a US military academy, receives educational assistance through an employer, or dies/becomes disabled.

Also, a 529 plan can affect college financial aid, although the impact varies based on who owns the account.

#### Investment Options

Upon enrollment, the account holder or an advisor must choose investments. Although 529 college savings plans vary from state to state, most offer at least one of the following investment options:

**Age-based:** The portfolio's asset mix adjusts over time, shifting from higher- to lower-risk investments as the beneficiary gets closer to college.

**Target-risk:** Each portfolio has a stated investment objective and level of risk (e.g., aggressive growth, moderate, conservative). Investors must change portfolios if they would like to adjust for a student's age.

**Individual:** The account holder can choose a specific mutual fund, exchange-traded fund, or other investment—or combine funds to build a custom portfolio.

The beneficiary's age, risk tolerance, and other factors should influence the investment decision, and account values will fluctuate based on performance of the underlying investments.

## Evaluating Plans

Investors should first evaluate their home state's 529 savings plan to determine whether they can receive a state income tax deduction, tax credit, and other benefits as a resident. When comparing offerings in different states, consider the types of plans available, which may include direct-sold and advisor-sold plans.<sup>5</sup> Also understand a plan's contribution limits, investment options, fees, distribution procedures, and other details.

Currently, 24 states include Dimensional strategies in one or more of their 529 college savings plans.\* Visit each state's website below to learn more.

State	Program	Website
Alabama	CollegeCounts 529	collegcounts529.com
California	ScholarShare 529	scholarshare529.com
Connecticut	Connecticut Higher Education Trust (CHET)	aboutchet.com
District of Columbia	DC College Savings Plan	dccollegesavings.com
Georgia	Path2College 529 Plan	path2college529.com
Illinois	BrightStart	brightstart.com
Kentucky	Kentucky Education Savings Plan Trust (KESPT)	kysaves.com
Maryland	Maryland 529	maryland529.com
Michigan	Michigan 529 Advisor Plan	mi529advisor.com
Missouri	MOST 529	missourimost.org
Montana	Achieve Montana	achievemontana.com
Nebraska	Nest 529	nest529direct.com
Ohio	Ohio's 529 Plan—CollegeAdvantage	collegeadvantage.com
Oregon	Oregon College Savings Plan	oregoncollegesavings.com
South Carolina	Future Scholar 529	futurescholar.com
South Dakota	College Access 529	collegeaccess529.com
Tennessee	TNStars	tnstars.com
Texas	Texas College Savings Plan	texascollegesavings.com
Utah	My529	my529.org
Vermont	Vermont Higher Education Investment Plan (VHEIP)	vheip.org
Virginia	Virginia529	virginia529.com
Washington	DreamAhead College Investment Plan	dreamahead.wa.gov
West Virginia	SMART529	smart529.com
Wisconsin	Edvest	edvest.com

\*As of March 1, 2019.

## DIMENSIONAL AT A GLANCE <sup>3</sup>

**1981**

YEAR  
FOUNDED

**\$517B**

ASSETS UNDER  
MANAGEMENT

**1,300<sup>+</sup>**

EMPLOYEES IN  
13 GLOBAL OFFICES

**One**

INVESTMENT  
PHILOSOPHY

**Dimensional is a global investment manager dedicated to implementing the great ideas in finance.** We have a long history of applying academic research to practical investing. Today, we offer a full suite of equity and fixed income strategies designed to target higher expected returns.

Dimensional's investment approach is grounded in economic theory and backed by decades of research. By integrating our investment process with a flexible trading strategy, we work to manage the tradeoffs that arise when implementing portfolios. We consistently apply this process in all our global and regional equity and fixed income strategies, with an aim to add value beyond what traditional managers and benchmarks can achieve.

We regard the assets we manage as more than just shares in a portfolio. The money represents the savings, sacrifice, and dreams that investors have entrusted to us. We take this responsibility seriously.

Dimensional is headquartered in Austin, Texas, and has trading offices across North America, Europe, and Asia, which enables us to cover global markets and manage strategies continuously. Dimensional manages \$517 billion in assets for clients worldwide.

Black Swan Advisors, LLC is an Advice-Only, Fee-Only, financial planning centric firm; specializing in advanced education funding/planning, and integrated financial life planning. We have education planning experience from cradle through career: Private K-12 Funding, 529's, ABLE, College Savings, College Funding, College Pre-Approval™, Mid-Career Training, and Student Loan Repayment. Our core work is optimizing and coordinating the entire financial life for our successful families. We often do work with project-only clients; who just need some expert advice with College Savings, Late Stage College Funding or Student Loan Repayment Planning.

You are busy with your blessed life...  
let me do some of the work and worry for you.



Daniel L. Bishop, CCO  
Financial Life Coordinator, Private Fiduciary  
CERTIFIED FINANCIAL PLANNER™

blackswancfp.com hi@blackswancfp.com 844-639-8237 (844-NEXT-CFP)

1. Published in-state tuition and fees between 2008–2009 and 2018–2019. In the public two-year and private nonprofit four-year sectors, published prices were more than twice as high in 2018–2019 as they were in 1988–1989. The average in-state tuition and fee price in the public four-year sector was about three times as high in inflation-adjusted dollars as it was in 1988–1989. Source: The College Board, 2018 Trends in College Pricing.
2. 529 plans are usually categorized as either prepaid tuition or college savings plans. A savings plan works much like a tax-deferred investment account. Prepaid tuition plans enable participants to prepay future tuition costs. In this paper, a 529 plan refers to a state-sponsored college savings plan.
3. Assets under management as of December 31, 2018, in US dollars (billions). Number of employees and offices as of January 31, 2019.
4. "Dimensional" refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Japan Ltd., and Dimensional Hong Kong Limited. Dimensional Hong Kong Limited is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.
5. Some states offer both types of plans, and each plan will typically have different investment options. In a direct-sold plan, the participant opens the account directly with the state and chooses investment options. In an advisor-sold plan, the participant works through a financial advisor, who oversees the account and selects investments. Advisor-sold plans may have higher fees and may charge a sales commission.

Dimensional does not offer, sell, or distribute 529 college savings plans. This information is for educational purposes only and should not be considered investment advice or an offer of any security for sale. It should not be misconstrued or otherwise interpreted as legal or tax advice. Please consult with qualified legal or tax professionals regarding your individual circumstances. For more information about any 529 college savings plan, contact the plan provider to obtain more information and carefully consider the plan's investment objectives, risks, charges, and expenses before investing.

Diversification does not eliminate the risk of market loss. There is no guarantee an investment strategy will be successful. Investing risks include loss of principal and fluctuating value.

Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.

AMERICAS  
Austin, Charlotte, Santa Monica, Toronto, Vancouver

EUROPE  
London, Amsterdam, Berlin

ASIA PACIFIC  
Sydney, Melbourne, Singapore, Hong Kong, Tokyo

dimensional.com

