

MONEYWISE

VALUING PEOPLE. VALUING MONEY.

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COLLEGE SAVINGS MONTH: UNDERSTANDING THE KENTUCKY SAVES 529 PLAN

Affording a college education can be challenging for most Kentuckians. For the 2020-2021 school year, the cost of attending a four-year public institution in Kentucky ranged from about \$12,650 to \$31,294 a year. This number was even higher for private institutions in the Commonwealth, with costs as high as \$45,092. Over the past 20 years, national college costs have risen steadily. Tuition, fees, room, and board at four-year schools have increased 3% to 6% annually in the last two decades.

These numbers can be alarming for parents hoping to help their children pay for college. The earlier you start a college savings fund, the longer it can accrue compound interest. Research shows that even a small amount of savings makes children more likely to enroll in college and more likely to graduate with a degree.

September is National College Savings Month. Among the different options to save for college, people commonly use Section 529 college savings plans.

ADVANTAGES OF KY SAVES 529

The Kentucky Higher Education Assistance Authority (KHEAA) administers KY Saves 529. The financial benefits of 529 plans make them a popular method to save for college.



Contributions made to a KY Saves 529 account have tax-deferred growth, meaning the government does not tax the money unless withdrawn for noneducational purposes. Qualifying withdrawals include tuition, fees, books, supplies, computers, some room and board, and more.

Students can use Kentucky Saves 529 funds on nearly any United States-accredited public or private, two-year or four-year college or graduate school. Some U.S.-based colleges with campuses



PLANS SUCH AS KY SAVES 529 OFFER BOTH STRATEGY AND FLEXIBILITY WHEN CONSIDERING COLLEGE SAVINGS OPTIONS.



outside of the country are also eligible, as well as tuition and expenses for elementary or secondary public, private, or religious schools.

STARTING A 529 PLAN

You can enroll in a KY Saves 529 college savings plan online at <https://www.kysaves.com>, through a financial adviser, or with some employers' human resources departments. Before enrolling, be sure to review the program description to learn the investment objectives, risks, expenses, and other important information. You may want to consult a financial, tax, or similar adviser to learn more about how a 529 plan would apply to you.

You can begin a plan with an initial contribution of \$25 or more, and then make regular additional investments of \$25 or more. When enrolling directly, you can choose between three major investment options depending on your investment preferences and risk tolerance. You can transfer unused funds to another beneficiary at no cost. To learn more about investment

options, who qualifies as a beneficiary, who can open an account, and other frequently asked questions, visit <https://www.kysaves.com/home/faqs.html>.

EXCLUSIVE BENEFITS FOR KY RESIDENTS

While many states offer 529 plans that you could consider, there are benefits to enrolling in a KY Saves 529 plan if you are a Kentucky resident. First, in-state tuition is locked in. If your beneficiary moves to another state, they may still qualify for Kentucky in-state tuition rates. Second, KY Saves 529 accounts are not included when schools determine state need-based college financial aid.

Saving for college may seem complicated or overwhelming, but there are plans such as KY Saves 529 that offer both strategy and flexibility when considering college savings options. You can also learn more by attending a free KY Saves webinar. Register online at <https://www.kysaves.com/home/engage/event-calendar.html>.

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