
529 EDUCATION 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. In the last 30 years, between 1992–93 and 2022–23, the average tuition and fees increased from \$4,870 to \$10,940 (nearly 125%) at public four-year institutions, and from \$21,860 to \$39,400 (about 180%) at private, nonprofit four-year institutions (in inflation-adjusted published prices).¹

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

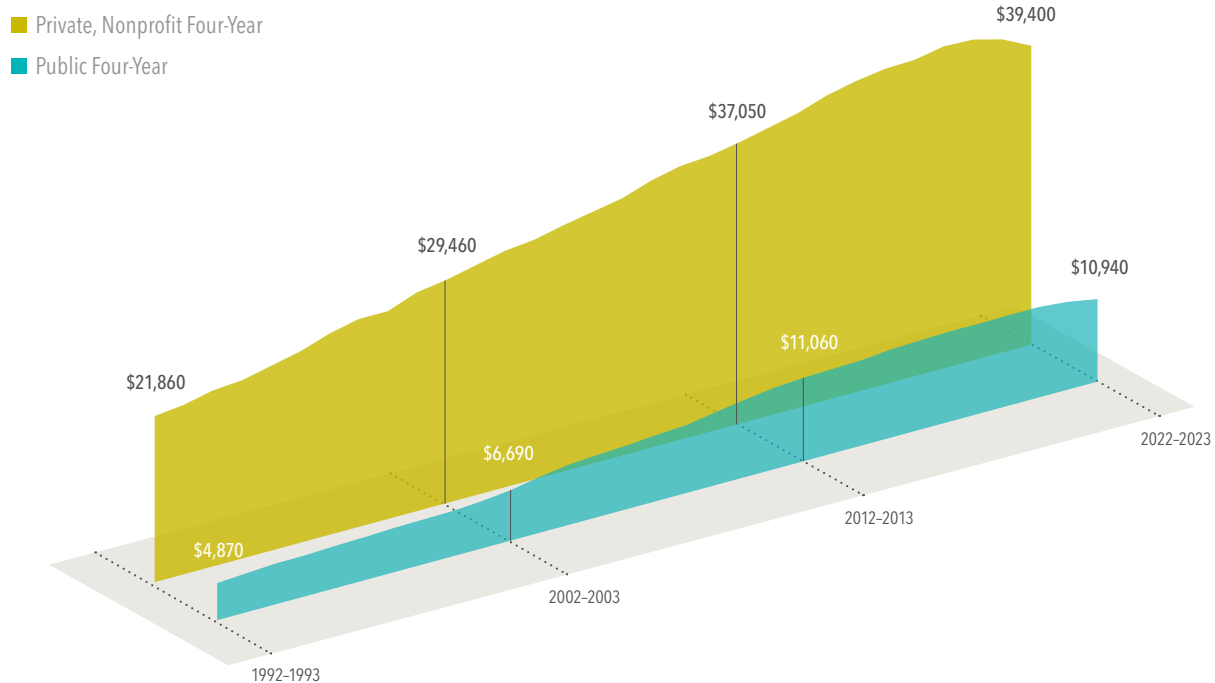
529 Education Savings Plans

These plans offer a tax-favored avenue for families to save and invest for education expenses. 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.²

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in a 529 savings account accumulate tax-deferred and are exempt from federal tax—and in some cases, state tax—when withdrawn to pay for qualified higher education expenses at an accredited college, university, trade school, or technical school. Account distributions also can fund up to \$10,000 in annual K–12 tuition at a public, private, or religious school. Under the SECURE Act of 2019, up to \$10,000 in 529 funds can be used to repay a beneficiary's student loans. The law also allows 529 funds to be used for registered apprenticeship programs.³

Average Annual Tuition and Fees by Sector (2022 Dollars)
1992–93 to 2022–23



Average annual tuition and fee prices reflect in-state charges for public four-year institutions. Source: The College Board, *Trends in College Pricing and Student Aid 2022*.

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 education expenses.

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

Transportable: A 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.

In addition, beginning in 2024, federal legislation known as the SECURE Act 2.0 will permit 529 beneficiaries to roll over up to \$35,000 over their lifetime from a 529 account to their Roth IRA without paying taxes or penalties. These rollovers will be subject to the annual contribution limits for Roth IRAs and the 529 account must have been open for more than 15 years.⁴

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 education 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 over \$10,000.

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 education savings plans vary from state to state, most offer at least one of the following investment options:

Age-based or enrollment-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 the performance of the underlying investments.

Evaluating Plans

Investors should first evaluate their home state’s 529 education and/or ABLÉ* 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.⁵ Also understand a plan’s contribution limits, investment options, fees, distribution procedures, and other details.

Currently, 24 states and the District of Columbia include Dimensional strategies in one or more of their 529 education savings plans.† Visit each state’s website below to learn more.

State	Program	Website
Alabama	CollegeCounts 529	collegecounts529.com
California	ScholarShare 529	scholarshare529.com
Colorado	Scholars Choice Education Savings Plan	collegeinvest.org
District of Columbia	DC College Savings Plan	dccollegesavings.com
Florida	Florida 529 Savings Plan	myfloridaprepaid.com
Georgia	Path2College 529 Plan	path2college529.com
Illinois	Bright Start Direct & Bright Directions Advisor-Guided	brightstart.com & brightdirections.com
Indiana	CollegeChoice 529 Direct Savings Plan	collegechoicedirect.com
Kentucky	KY Saves 529	kysaves.com
Michigan	MI 529 Advisor Plan	mi529advisor.com
Minnesota	MN 529 College Savings Plan	mnsaves.org
Missouri	MOST 529	missourimost.org
Montana	Achieve Montana	achievemontana.com
Nebraska	NEST Direct College Savings Plan	nest529.com
New Mexico	The Education Plan of New Mexico	theeducationplan.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	CollegeAccess 529 Plan	collegeaccess529.com
Texas	Texas College Savings Plan (Direct) & Lonestar 529 Plan (Advisor)	texascollegesavings.com & lonestar529.com
Utah	my529	my529.org
Vermont	Vermont Higher Education Investment Plan (VHEIP)	vheip.org
Virginia	Virginia529	virginia529.com
West Virginia	SMART529	smart529.com
Wisconsin	Edvest 529 College Savings Plan	edvest.com

Currently, three states include Dimensional strategies in one or more of their ABLÉ plans.* Visit each state’s website below to learn more.

Maryland	Maryland ABLÉ	marylandable.org
Oregon	Oregon ABLÉ Savings Plan	oregonablesavings.com
Washington	Washington State ABLÉ Savings Plan	washingtonstateable.com

* In 2014, Congress passed the Achieving a Better Life Experience (ABLE) Act, creating a savings and investment account specifically for people with disabilities.

† As of March 31, 2023.

DIMENSIONAL AT A GLANCE⁵

41

YEARS SINCE
FOUNDING

\$584B

FIRMWIDE ASSETS
UNDER MANAGEMENT

1,500+

EMPLOYEES IN 14
GLOBAL OFFICES

One

INVESTMENT
PHILOSOPHY

Dimensional⁷ 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 of 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.

1. Average published in-state tuition and fees in 2022 dollars between 1992–93 and 2022–23. In 2022–23, the average published tuition and fee price at private nonprofit four-year institutions is 3.6 times as high as the average price at public four-year institutions and 4.5 times as high in 1992–93. In 2022–23, the average published tuition and fee price is 2.25 times as high as it was 30 years ago at public four-year institutions, and 1.8 times as high as it was 30 years ago at private nonprofit four-year institutions after adjusting for inflation. Source: The College Board, *Trends in College Pricing and Student Aid 2022*.
2. 529 plans are usually categorized as either prepaid tuition or education 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 brochure, a 529 plan refers to a state-sponsored education savings plan.
3. Further Consolidated Appropriations Act, 2020, H.R. 1865, 116th Cong. (2020). [congress.gov/116/bills/hr1865/BILLS-116hr1865enr.pdf](https://www.congress.gov/116/bills/hr1865/BILLS-116hr1865enr.pdf)
4. Securing a Strong Retirement Act, 2022, H.R. 2954, 117th Cong. (2022). [congress.gov/117/bills/hr2954/BILLS-117hr2954rfs.pdf](https://www.congress.gov/117/bills/hr2954/BILLS-117hr2954rfs.pdf)
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.
6. Firmwide assets under management in USD (billions), number of employees, and offices as of December 31, 2022.
7. “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., Dimensional Ireland Limited, 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.

Dimensional does not offer, sell, or distribute 529 education savings plans or ABLE 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 education savings plan or ABLE 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.

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