

ASHWORTH & ASSOCIATES, P.C.

Newsletter

Who can legally offer 529 plans?

Answer:

It depends on the type of 529 plan. There are two types of 529 plans--college savings plans and prepaid tuition plans. With college savings plans, only states are allowed to operate them. With prepaid tuition plans, both states and colleges are allowed to operate them. To gain favorable federal tax treatment, any college savings plan or prepaid tuition plan must meet all of the requirements of Section 529 of the Internal Revenue Code.

Note: As a practical matter, states designate an agent (usually a financial institution or other professional money manager) to manage their particular college savings plan or prepaid tuition plan.