



# Action Plan:

## START A 529 COLLEGE SAVINGS PLAN

Investing in a 529 college-savings plan is a great way to save for college. The money grows tax-deferred in funds you select within the account, and then it can be used tax-free for tuition and other college expenses. You can usually invest in any state's 529 plan, no matter where you live, and the money can be used at colleges throughout the country—even internationally. Follow these five steps to start saving for college:

### DIFFICULTY:

MODERATE

### WHAT YOU'LL NEED:

- Your financial statements and records
- Web access or telephone

**1 Check on state tax breaks.** Find out whether you can get a tax deduction for your 529 contributions, the limits to the tax break and more information about your state's plan at [www.collegesavings.org](http://www.collegesavings.org). In most states, you need to contribute to your state's own 529 to get the tax break.

**2 Compare investment choices and fees.** A limited tax break may not be worthwhile if your state's 529 charges high fees or does not offer the type or range of investment options you seek. FINRA's 529 Expense Analyzer calculates the impact of the plan's fees on your investment returns over time.

Compare those costs to the potential tax break to decide whether or not your state's plan is your best bet. Also look at the investment performance of the 529's funds understanding that past performance is not an indication of future performance. This information should be listed at the plan's website.

**3 Select a plan.** Once you have reviewed various plans for tax breaks, fees and investment options, make a selection. You can do so with the help of an investment professional, or on your own. Visit the plan's website or call its toll free number to get the documents you need to open an account.

See FINRA's Investor Alert on College Savings Plans for more information about 529 fees. Keep in mind that some plans are offered directly by or on behalf of the state with no sales person involved. Other plans may be offered through a bank, brokerage firm or investment advisor, which means that you will have to pay a sales load or fee to get the plan.

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- 4 Pick your investments.** Each 529 gives you a choice of numerous funds in which to invest. Many plans offer age-based funds that aim to become more conservative (less risky) as college approaches. Some even offer bank-products that protect your principal investment. Be sure to read the fund's prospectus, which will explain the fund's investment strategy and outline potential risks.
- 5 Start contributing.** Once your account is open, you can begin to contribute. Most plans allow you to automate your savings, so you can save regularly each month. The sooner you start saving—the better prepared you will be to cover college costs down the road.

Visit [SaveAndInvest.org](https://www.saveandinvest.org) for more tools and tips about Managing Your Money With Confidence.