



Planning for educational future: Sean Dempsey holds a piggy bank while financial planner Doug Taylor talks to Sean's mom, Nori, holding Holly.

By Robert Hanashiro, USA TODAY

529 plans becoming top savings option

After decade, college plans' assets near \$100 billion

By Kathy Chu
USA TODAY

For years, as college costs have climbed to backbreaking levels, more families have begun socking money in tax-advantaged 529 savings plans. Now, as these 529 plans mark their 10th anniversary this year, they are fast becoming the principal way for parents and grandparents to save for college.

Why? Costs have dropped. Invest-

ment options have improved. Perhaps most significantly, Congress has permanently extended the most enticing feature: All the money you pull out of 529s for college — your contributions, plus the earnings — is free of federal tax.

State-sponsored 529 savings plans let you invest in a menu of stock and bond funds, just as 401(k) plans do. Forty-eight states and the District of Columbia offer at least one 529 savings

plan. The plans aren't limited to in-state residents; you can generally invest in any state plan you want. But your state's plan will often reward you with a deduction or other state tax break.

Congress' vote late last year to make 529s permanently federal-tax-free is likely to accelerate their popularity. By the end of last year, assets in 529 savings plans had hit nearly \$91

Cover story

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529s' rise in higher education

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- ▶ Video tips on what to consider before investing
- ▶ ABC video of the Dempseys and their decision to save in a 529 plan

