

# Making Changes to Your 529 Account





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Section 529 plans are designed to accommodate the account changes that you may need to make over the years. Whether you need to change the account owner or beneficiary, your investment options, or your monthly contributions, here's what you'll need to know.

## Changing the beneficiary

If the existing beneficiary no longer needs the funds in your 529 account (e.g., he or she gets a full scholarship or decides not to go to college), you may want to designate a new beneficiary. All 529 plans allow the account owner to change the designated beneficiary, and it's actually quite simple to do. Just fill out a change of beneficiary form and submit it to your 529 plan administrator. Depending on your plan, you may have to pay an administrative fee.

If the existing beneficiary needs only some of the funds in your 529 account, you can also do a partial change of beneficiary, which involves establishing another 529 account for a new beneficiary and rolling over some funds from the old account into the new account.

Note, though, that in order to avoid penalties and taxes when changing beneficiaries, the new beneficiary must be a family member of the old beneficiary. According to Section 529 of the Internal Revenue Code, "family members" include children and their descendants, stepchildren, siblings, parents, stepparents, nieces, nephews, aunts, uncles, in-laws, and first cousins. States are free to impose additional restrictions, such as age and residency requirements.

## Changing the account owner

Most states allow a change in ownership of a 529 account. And unlike a change in beneficiary, there is usually no requirement that the new account owner have any particular relationship with the original account owner. Many states, however, allow a change in account owner only when the original account owner dies or in special circumstances (e.g., divorce). Check with your plan administrator for more details.

## Changing your investment options

One of the disadvantages of a college savings plan is the lack of investment control an account owner has. Participants in a 529 plan aren't allowed to direct the underlying investment decisions of the plan and have limited flexibility to change the investment option on their existing contributions.

College savings plans generally offer you a variety of investment portfolios when you open your account, allowing you to choose one or more that matches your investment objectives, time frame, and risk tolerance. But keep in mind that all investing involves risk, including the possible loss of principal, and there can be no assurance that any investment strategy will be successful.

However, if you're not happy with your portfolio's investment performance, it may be difficult to redirect your existing contributions. Depending on the plan, you may be allowed to make changes to your existing portfolio twice each calendar year without having to change the beneficiary. Also, some plans may allow you to make changes to your existing investment portfolio if you change the beneficiary of the account. By contrast, it's typically easier to direct future contributions to a new investment portfolio. Make sure to check the rules of any plan you're considering.

There is one other option that's allowed by federal law and not subject to a plan's own rules. You can shop around for the investment options you prefer by doing a "same beneficiary" rollover to another 529 plan (college savings plan or prepaid tuition plan) once every 12 months without penalty.

## Changing your monthly contributions

Most 529 plans allow you to make contributions by having them automatically debited from your bank account. Some plans may even offer discounts for enrolling in an automatic payment plan. If you are using this method and wish to change the amount of your contribution or the date you contribute each month, contact the plan administrator for more details.

## Switching to a new 529 plan

If you're unhappy with your current 529 plan's investment performance or you believe that another plan offers more advantages, you may want to switch to another 529 plan. As mentioned before, a rollover to another 529 plan (college savings plan or prepaid tuition plan) without a change in beneficiary is allowed once every 12 months without penalty. However, if you want to roll over your account more than once a year, you'll need to change the beneficiary to another qualifying family member to avoid paying a penalty. Make sure to check with your existing plan to see if there is a fee to exit the plan or change the beneficiary.

**Note:** Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before



*investing. More information about specific 529 plans is available in the issuer's official statement, which should be read carefully before investing. Also, before investing, consider whether your state offers a 529 plan that provides residents with favorable state tax benefits. As with other investments, there are generally fees and expenses associated with participation in a 529 savings plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated.*

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Schneider Downs Wealth Mgmt  
Advisors, LP  
Retirement Plan Services Group  
Karl Kunkle, JD, CPA, PFS  
Partner  
One PPG Place, Suite 1700  
Pittsburgh, PA 15222  
412-697-5401  
kkunkle@schneiderdowns.com  
www.schneiderdowns.com

