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How much can I invest in a 529 plan?

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Answer:

Section 529 of the tax code requires that a 529 account not accept more contributions than are necessary to meet the qualified education expenses of the account beneficiary. A plan will pass this test if it limits total contributions to the amount needed to fund five years of the beneficiary's tuition, fees, and room and board at the most costly college allowed under the program, and many states are including graduate school costs in the tally. Each plan can set its own limit within this guideline. When the value of a beneficiary's account reaches the limit chosen by the state, no more contributions may be made to that state's 529 plan for the beneficiary. (Some states may also impose an annual contribution limit.) In the majority of states, the maximum contribution limit is at least \$300,000.

Keep in mind that the contribution limit for a 529 plan is a per-beneficiary limit. For example, you, your father, and your sister each open a 529 account in the same state's plan for the benefit of your son. The plan has a lifetime contribution limit of \$300,000, but that doesn't mean that you can each contribute \$300,000. Instead, none of you may contribute after the value of your son's accounts reaches \$300,000. This per-beneficiary limit can work in your favor if you have more than one child who will be attending college. Using the same \$300,000 limit, if you have four children, you could set up a separate 529 account for each child and invest up to \$300,000 in each account (a total of \$1.2 million for the four children).

Another thing to keep in mind is that plans periodically raise their contribution limit to keep pace with rising college costs. If so, make sure that you can keep contributing as the limit increases.

Note: Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information about 529 plans is available in each 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.

Janney Montgomery Scott LLC Financial Advisors are available to discuss the suitability and risks involved with various products and strategies presented. We will be happy to provide a prospectus, when available, and other information upon request. Please note that the information provided includes reference to concepts that have legal, accounting and tax implications. It is not to be construed as legal, accounting or tax advice, and is provided as general information to you to assist in understanding the issues discussed. Neither Janney Montgomery Scott LLC nor its Financial Advisors (in their capacity as Financial Advisors) give tax, legal, or accounting advice. We would urge you to consult with your own attorney and/or accountant regarding the application of the information contained in this letter to the facts and circumstances of your particular situation.

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