



Donald Rohner, A.W.M.A.
First Vice President -
Investments
1717 Arch Street
21st Floor
Philadelphia, PA 19103
215-665-6388
800-526-6397
drohner@janney.com



How will my 529 account be treated for financial aid purposes?

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Answer:

The federal government treats 529 plans (college savings plans and prepaid tuition plans) as an asset of the parent, if the parent is the account owner. So if you're a parent and the account owner of a 529 plan, you must list the value of the account as an asset on the federal government's financial aid application, the FAFSA. Under the federal formula, a parent's assets are assessed (counted) at a rate of no more than 5.6 percent (by contrast, student assets are assessed at a rate of 20 percent). In addition, a 529 plan owned by a student or a 529 plan funded with UTMA/UGMA assets is also reported as a parent asset if the student files the FAFSA as a dependent student.

Distributions from a 529 plan that is listed as a parent asset on the FAFSA are not counted as student income.

If a grandparent or other relative is the account owner of the 529 plan, then it doesn't need to be listed as an asset on the FAFSA. However, distributions from a grandparent-owned 529 account are counted as student income on the FAFSA.

Colleges typically treat 529 plans the same way when distributing their own institutional aid. However, colleges might differ in their treatment of plan withdrawals. Contact the financial aid administrator at each individual college for more information.

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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