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Must the funds in a 529 plan be used for tuition only, or can they be used for room and board?

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## Must the funds in a 529 plan be used for tuition only, or can they be used for room and board?

### **Answer:**

It depends on the state that sponsors the 529 plan, and whether you're talking about a prepaid tuition plan or a college savings plan. Under federal law, room and board costs are "qualified education expenses." But states aren't required to follow federal rules, and prepaid tuition plans typically won't allow 529 funds to be used for room and board expenses. Since most college savings plans follow federal rules, however, funds in a college savings plan can generally be used to pay for these costs as long as the student is enrolled in school on at least a half-time basis.

Room and board costs for students living on-campus are limited to the actual amount charged by the school or to the amount most residents are charged, whichever is higher. Room and board costs for students living off-campus, including students living with their parents, are limited to the amount the school decides is reasonable. Each state's plan will spell out the guidelines that govern room and board expenses and what procedures to follow when requesting a withdrawal.

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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