



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



My child got a full scholarship to college...now what?

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## My child got a full scholarship to college--now what?

### Answer:

Since your child has received a full scholarship, you can withdraw--without penalty--some of the funds in your 529 account. In each withdrawal from your 529 plan, you receive some earnings and some of the contributions that were made to the account. Generally, a penalty is imposed on the earnings portion of each withdrawal that you don't use to pay qualified higher education expenses. Your child's scholarship creates an exception. As long as your withdrawals during the year don't exceed the amount of the scholarship for the year, you will not owe a penalty.

Keep in mind that you may owe federal, and in some cases state, income taxes on the earnings portion of each withdrawal. However, you won't owe federal income taxes if your withdrawals during the year don't exceed the amount of your child's scholarship for the year.

Withdrawing the funds isn't your only option. You can leave the funds in the 529 account for your child's future use (some plans allow 529 funds to be used for graduate school). Or, you can change the beneficiary of the 529 account. If the new beneficiary and your child are members of the same family, you won't owe federal income taxes or a penalty when you make the change. But the change of beneficiary could cause a gift tax or a generation-skipping transfer tax, so pick the new beneficiary with care.

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.

Janney Montgomery Scott LLC, is a full-service investment firm that is a member of the NYSE, the FINRA and SIPC.



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