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What happens to the funds in my 529 account if my child doesn't go to college?

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Answer:

If your child decides not to go to college, relax--you'll have several options. First, you can leave the funds in the account. It's possible that your child will change his or her mind about college at some point in the future. Just keep in mind that prepaid tuition plans generally require that you use the funds within 10 years of the date of expected college entrance (college savings plans usually allow you to keep the funds in the account indefinitely).

Second, you can change the beneficiary of the 529 account to another family member who will use the funds for college. And finally, you can withdraw the funds and use them for any purpose you choose. The drawback to this option, though, is that you may owe a 10 percent federal penalty tax on the earnings that have accumulated (a state penalty may apply as well). You may also owe federal, and in some cases state, income taxes on the earnings that you withdraw.

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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