



## CollegeBound 529

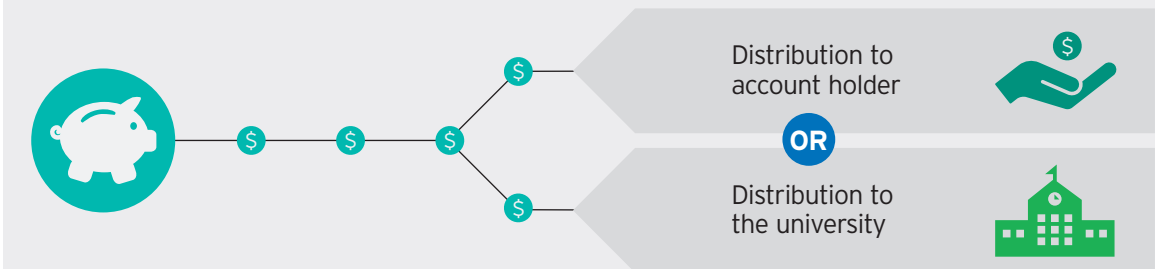
### Finding the right distribution strategy for your family

Families have a lot of questions about the best way to save for college. And when high school graduation arrives, so does a whole new list of questions about the best way to use those savings. How can you be sure you're getting the most out of your plan distributions?

Here are some of the most common questions about 529 account withdrawals, along with the answers you need to help develop the right college savings plan for your family.

#### How do I withdraw money to pay for my child's college education?

The first step to withdrawing money from your child's 529 account is determining whether the funds will be sent directly to your child's school or if they will be transferred to you instead.



For illustrative purposes only

Your 529 account administrator may offer an online service that allows the user to choose the university, and will send the money to the university on your behalf, but some parents prefer to receive a check that they can then apply toward applicable costs. There is no financial advantage with either method – it's just a matter of personal preference.

Second, total your child's qualified higher education expenses for the year – in other words, the costs that your 529 plan will cover.<sup>1</sup>

- Tuition
- Student activity fees
- Room and board
- Schoolbooks
- Lab supplies
- Computers and printers

Non-qualified expenses include transportation to and from the school, medical insurance and mobile phones.<sup>1</sup> Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements and certain withdrawals are subject to federal, state and local taxes.

To avoid tax penalties, your annual 529 distribution cannot be greater than the cost of your child's qualified expenses each year. Also, your financial advisor or tax advisor can help you verify your 529 withdrawals don't jeopardize any other tax credits you plan to claim.

<sup>1</sup> See [irs.gov](https://www.irs.gov) for the full list of qualified and non-qualified expenses.

Multiple accounts?  
There are several things to consider before making a withdrawal.

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### **My child is the beneficiary of two 529 accounts – one from me and one from his grandparents. What's the best distribution strategy to get the most out of both?**

In general, withdrawing funds from the 529 account with the highest appreciation can provide the greatest tax savings.

However, students who are also receiving financial aid have additional considerations to keep in mind. That's because parent contributions and grandparent (or other family) contributions differ when it comes to need-based financial aid calculations.

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#### **Expected Family Contribution**

The government uses a formula to calculate your Expected Family Contribution (EFC), the amount of money that it expects you to contribute to college expenses. The EFC treats assets and income differently for parent-owned and grandparent-owned 529s. As a result, contributions from grandparents may count as income to your child, negatively impacting their financial aid status for the following year.

For this reason, grandparents may prefer to transfer ownership of the 529 accounts they maintain to the beneficiaries' parents. Or, a student could use parent-owned accounts for their early years of college, and take distributions from grandparent-owned accounts to pay for their senior year expenses, when they don't need to reapply for financial aid.

Change of plans?  
There are plenty of ways to put your 529 savings to use.

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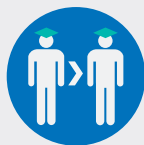
### **My child earned a full scholarship to college. What should I do with the funds in her 529 account?**

Whether your child received a full ride to the school of their choice or perhaps decided not to pursue higher education, you may find yourself with unused funds in your child's 529 account. If your child received a scholarship, you can withdraw up to the total amount of the tax-free scholarship from his or her 529 account without incurring the 10% penalty – though you will still have to pay income taxes on the earnings portions of the withdrawal.

In any case, there are plenty of other ways to put leftover funds to use without incurring a non-qualified withdrawal penalty.

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#### **Distribution strategies: A change of plans**



One option is to simply change your account beneficiary to another member of your family, such as the original beneficiary's sibling or a niece, nephew or cousin.



You can designate yourself as the new account beneficiary and use the funds you've saved to earn your own degree, or simply to take classes that interest you.



Alternatively, you can leave the funds you've accumulated in your account as a gift for your future grandchildren, letting you secure your legacy while the money you've saved continues to grow tax-free.

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### **Talk to your financial professional and tax advisor**

Your financial professional can help you get started and stay on course with the most appropriate investment choices for your family and your time horizon. In addition, your financial professional and tax advisor can explain implications for taxes and financial aid eligibility, offer guidance about qualified expenses and withdrawals, and help you maximize the benefits of saving for college in a CollegeBound 529 account.

To learn more about starting a CollegeBound 529 for your child, visit [collegebound529.com](http://collegebound529.com).

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NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

***Before you invest, consider whether your or the beneficiary's home state offers any state tax or other benefits that are only available for investments in that state's qualified tuition program.***

***For more information about CollegeBound 529, contact your financial advisor, call 877 615 4116, or visit [collegebound529.com](http://collegebound529.com) to obtain a Program Description, which includes investment objectives, risks, charges, expenses, and other important information; read and consider it carefully before investing. Invesco Distributors, Inc. is the distributor of CollegeBound 529.***

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