The 529 Education Savings Plan

The Strategy in 60 Seconds

Ten thousand dollars a year out of your kid's college account, tax free - and it works before college now. Here's exactly how, in sixty seconds.

$10K?$20K

K-12 tuition, per child, per year - cap rising in 2026

How to open one this week

- **Go to your state's plan site - Not a brokerage - search your state plus 529**
- **Look up your deduction cap - Per child, per year, before you fund it**
- **Pick from the state's menu - Usually age-based portfolios**
- **Automate the contribution - Monthly beats a December scramble**

Rules that bite

- Non-qualified = 10% penalty
- Earnings taxed as income
- Deduction can be recaptured
- Gift limit ~$19K per giver
- Fund 5 years at once
- Leftovers to a Roth IRA

Unused funds: up to $35,000 to the child's Roth IRA

The Law Behind It (primary sources)

Verify against the source before relying. This is education, not legal or tax advice.

26 U.S.C. Sec. 529 - Qualified tuition programs - tax-free growth for education, and the rules on qualified distributions.

https://www.law.cornell.edu/uscode/text/26/529