

Congratulations, Graduates!

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Cheers to you and your parents for reaching this exciting milestone!

For Parents of College Graduates

Still have remaining funds in your child's 529 Plan? Here are a few helpful reminders:

- Up to \$10,000 can be used to repay student loans.
- Funds can remain for future use by the same beneficiary, such as a graduate program.
- You can change the beneficiary to a sibling, parent, or another qualifying family member.
- Non-qualified withdrawals are taxed as ordinary income on the earnings portion, but the 10% penalty can be avoided to the extent the beneficiary receives nontaxable educational assistance such as a scholarship or grant.
- 529 funds can now be used to make a Roth IRA contribution for the beneficiary (up to \$35,000 lifetime, subject to annual contribution limits, and earned income requirements). Ask your advisor for more details.

For Parents of High School Graduates

Your college journey is just beginning! Here are some tips to help you manage 529 distributions and college expenses efficiently:

Timing & Tracking:

- Try to distribute funds in the same calendar year the expenses are paid, especially important for spring semester tuition due in December.
- Match distribution amounts to actual qualified expenses, down to the penny.
- Align 1099-Q (from 529 plan) with the 1098-T (from the college) to simplify tax reporting.
- Save receipts and distribution records in your current-year tax folder.

Qualified Expenses:

- For non-receipt-based items like food or rent, make sure the amount aligns with the school’s cost-of-attendance (COA).
- Rent significantly above the COA could be deemed non-qualified if reviewed by the IRS.
- Be aware of campus-specific options like “dining bucks” that may function as prepaid cards—students should know how to track and refill them.

Set-Up & Logistics:

- Set up ACH transfers early—some plans require up to two weeks for processing.
- A dedicated checking account and credit card can simplify expense tracking.
- Understand how your student’s school account works:
 - Some schools charge all expenses to one account (like a monthly bill).
 - Others only include tuition and fees, requiring alternate payment methods for other items.
- Download monthly statements and set a recurring reimbursement schedule, especially in December.

Helpful Tools & Habits:

- Whether using an app like Mint.com or a spreadsheet, consistency is key.
- Encourage your student to categorize spending as: “qualified,” “living,” “entertainment,” or “other.”
- Remember: money management is a learned skill. Expect some mistakes—what matters is building the habit. Start small and gradually increase their responsibility.

Final Thought

Whoever is managing the college budget, it’s best to finalize your financial logistics well before the move-in day. With so much to think about, especially dorm décor, financial planning isn’t always at the top of students' minds. Getting organized early will save stress later.

Want to start your financial journey off right?

We invite college graduates to join our upcoming free webinar:

Starting Your Financial Journey on the Right Foot

Tuesday, June 10th at noon ET

Register here: <https://lp.constantcontactpages.com/ev/reg/cnrfe2d>

Disclaimer: Earnings on 529 plan distributions not used for qualified higher education expenses may be subject to federal income tax and a 10% federal penalty tax. State tax treatment of 529 plans may vary, and some states may not follow federal tax rules regarding qualified distributions for K-12 tuition, registered apprenticeship programs, or student loan repayment. Before investing in or withdrawing from a 529 plan, you should consult with your tax advisor to understand the potential implications based on your specific situation and state of residence.

To learn more or get help planning your financial goals, please email me at gildea@homrichberg.com.

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