

# 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.

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To learn more or get help planning your financial goals, please email me at [gildea@homrichberg.com](mailto:gildea@homrichberg.com).

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