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Law opens new avenue to pay down student debt

SECURE Act expands use of 529 funds for student loan payments, apprenticeships

(Salt Lake City) Your my529 account just got more versatile, thanks to new federal legislation that allows people to use 529 funds to pay down student loans.

The SECURE (Setting Every Community Up for Retirement Enhancement) Act, signed into law on December 20, 2019, expands qualified higher education expenses to include repayment of qualified education loans. It also permits 529 funds to cover registered apprenticeships.

The 529 provisions in the SECURE Act are retroactive to January 1, 2019. Account owners at my529, Utah's educational savings plan, can now withdraw my529 funds for these purposes.

Student Loan Repayment

The new law approves the use of account funds for the repayment of qualified education loans—including amounts paid as principal or interest—for the beneficiary, or a sibling of the beneficiary. Beneficiaries can use no more than \$10,000 in withdrawals from all 529 accounts to pay down the loans. Distributions from 529 accounts to a sibling also have a \$10,000 limit.

However, using my529 money to repay student loans will limit any income tax deductions for student loan interest.

Registered Apprenticeships

Apprenticeships must be registered and certified with the U.S. Secretary of Labor under Section 1 of the National Apprenticeship Act to be considered a qualified expense.

529 qualified higher education expenses also include tuition, fees, books, room and board (for students attending at least half time), computers and internet access, among others.

“Expanding the uses of 529 funds,” said Richard Ellis, my529 executive director, “adds flexibility to plans at every stage of the education path, from K-12 to higher education and now, loan repayment.”

my529 has been heralded as one the best college savings plans in the country, after achieving the Analyst Rating™ of Gold for the past nine years from Morningstar, an independent investment research firm. The plan has also earned the confidence of the public with more than \$15 billion in assets under management, making the Utah plan the third-largest direct-sold 529 plan in the United States.

A my529 account offers federal and state tax benefits, including tax-free earnings if withdrawals are used for qualified expenses and the benefit of compound growth. Utah account owners can earn a state income tax credit for contributions. Student beneficiaries can use their 529 money to attend any eligible educational institution in the United States or abroad that is qualified to participate in federal student aid programs.

Ellis also said that education attainment has changed, and that the traditional four-year university program is no longer the default plan for many students. Trade and technical education, as well as one- and two-year certificates, yields a variety of opportunities.

"A postsecondary degree is still the best way to increase wage potential after graduation. Higher education—whether a technical or professional path—helps to build a skill and change people's lives," said Ellis. "Saving in a my529 account is an option that can help families achieve their education goals."

About my529

my529, Utah's official nonprofit 529 educational savings plan, is highly rated by Morningstar Inc.

Accounts are free to open, and my529 requires no minimum deposit or account balance. my529's user-friendly website, my529.org, makes it easy to open, manage, and contribute to an account online.

To learn more, visit my529.org, call toll-free at 800.418.2551, or email info@my529.org.

Important Legal Notice

Investing is an important decision. Read the Program Description in its entirety for more information and consider all investment objectives, risks, charges, and expenses before investing. For a copy of the Program Description, call 800.418.2551 or visit my529.org.

Investments in my529 are not insured or guaranteed by my529, the Utah State Board of Regents, the Utah Higher Education Assistance Authority or any other state or federal agency. Your investment could lose value. However, Federal Deposit Insurance Corporation (FDIC) insurance is provided for the FDIC-insured accounts. Please read the Program Description to learn about the FDIC-insured accounts.

The state in which you or your beneficiary pay taxes or live may offer a 529 plan that provides state tax or other benefits, such as financial aid, scholarship funds, and protection from creditors, not otherwise available to you by investing in my529. You should consider such benefits, if any, before investing in my529.

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