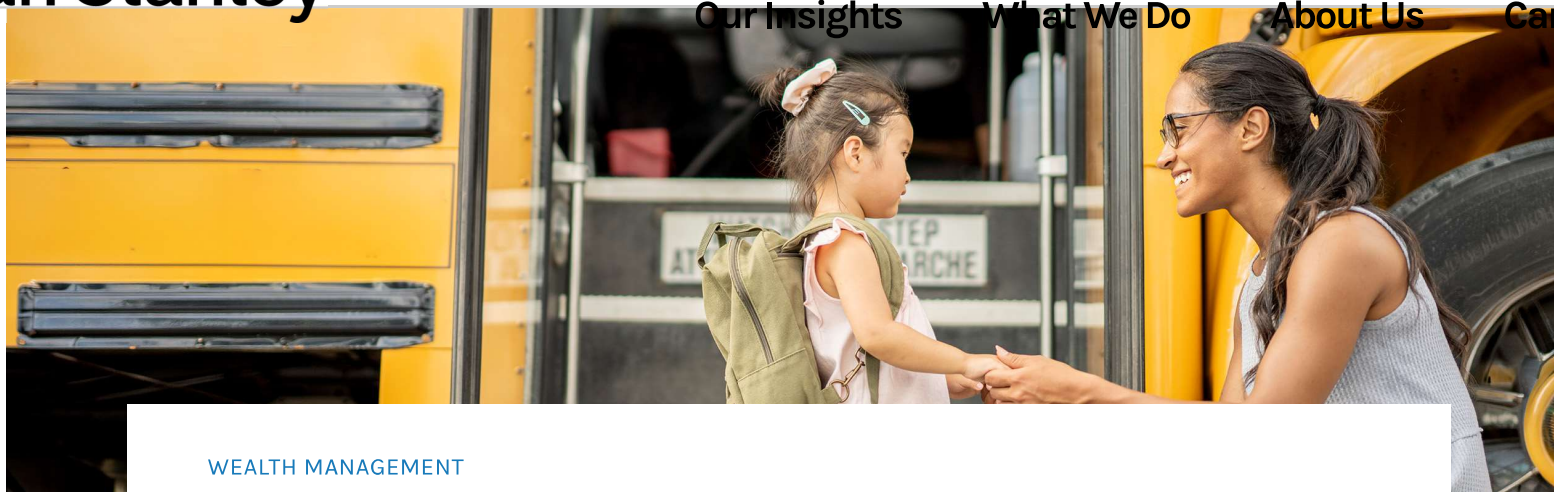




WEALTH MANAGEMENT

6 Smart Ways a 529 Can Help Pay for Education (Not Just College)

Education costs are climbing fast. Here are several ways 529 Plans can help—tax-advantaged growth, expanded qualified expenses and new flexibility that may surprise you.

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Key Takeaways

- Investments in 529 Plans grow tax-deferred, and some states also offer deductions or credits for such contributions.
- You can annually transfer certain unused 529 Plan assets into a Roth IRA without triggering a tax bill or penalty.

Of all the things that keep parents awake at night, looming education costs may be among the most daunting. For the 2025-2026 school year, the average estimated cost of attendance for a full-time, on-campus student at a private nonprofit four-year college was \$65,470 per year, including tuition, fees, housing and food, books and supplies, transportation and other expenses. That amounts to more than \$260,000 to cover a four-year degree. And that's for just one child.¹

With costs so high, many students and parents are taking on significant student loan debt. Roughly half (47%) of students who graduated between 2023 and 2024 from a private university had debt averaging \$29,560.²

Within the context of your financial plan, saving for your loved one's education may be top of mind as you continue to track toward other goals such as retirement. Starting an education savings fund early may limit how much your child, grandchild, niece or nephew may have to borrow in the future. Consider putting those funds into a 529 education savings plan, a tax-advantaged way to invest now, toward future expenses.



Named after Section 529 of the Internal Revenue Code, a 529 Plan is an investment account that offers a convenient, flexible and tax-advantaged way to prepare for future education expenses.

So, how can a 529 Plan actually help your family, today and down the road? Here are six key features you won't want to miss.

1

Tax-advantaged growth for education

A 529 Plan creates an incentive for families to invest toward education costs because earnings in the plan are tax-deferred, with withdrawals being exempt from federal and, in most cases, state income taxes if funds are used for qualified expenses, such as tuition, fees, room and board, and supplies. Many states provide additional benefits, such as creditor protection, scholarships, state tax deductions or tax credits.

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purposes. This can be especially helpful for grandparents and other family members who want to support a loved one's education while also reducing the size of their taxable estate.

3

Owner control and decision-making flexibility

If you open a 529 Plan, as the owner of the account, you can continue to make all the decisions and retain control over the assets. For example, if your daughter earns a scholarship and won't fully draw down the money in the account, you can choose a different beneficiary within the same family, use the funds for your own education needs, or withdraw up to the amount of the scholarship without paying the usual 10% federal penalty. However, income tax may still apply to any investment earnings if the withdrawal is not used for qualified education expenses.³

4

Increased K-12 tuition withdrawals starting in 2026

Under the One Big Beautiful Bill Act (OBBBA), starting in 2026, 529 Plans offer expanded flexibility for education expenses. Plan funds up to \$20,000 per beneficiary per year can be

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Broader set of qualified education expenses

In addition, under OBBBA changes, 529 Plan funds can be used for a broader range of qualified education expenses, helping families support learning at multiple stages.

The K-12 annual limit of \$20,000 covers education expenses beyond tuition. Expanded K-12 uses may include:

- Curriculum materials, books, online educational materials and supplemental learning tools
- Tutoring and test preparation expenses
- Fees to take standardized tests, such as the SAT or ACT
- Dual enrollment fees
- Educational therapy and services for students with disabilities

Career credentialing and eligible job training programs are now also qualified expenses. Examples include:

- Tuition, fees, books, supplies and equipment for recognized credential programs
- Testing fees required to obtain or maintain a credential
- Continuing education, licensing and renewal fees

Separately, under prior law, you may also be able to use 529 Plan money to repay student loans for the 529 account beneficiary and/or a sibling, up to a \$10,000 lifetime limit per individual. Fees, books, supplies and required equipment for Registered Apprenticeship Programs are also available.

6

Potential Roth IRA rollover for leftover funds

If money remains in the account after education expenses are covered, you may be able to move up to \$35,000 into a Roth IRA for the beneficiary, subject to applicable federal rules and annual contribution limits.⁵

Igniting a Movement to Save for Education

Still, many are unaware of 529 Plans and their expanding benefits. Just over a third of families currently use 529 Plan funds to pay for their children's education.⁶ Many people want to save and invest for college, but don't know where to start, says Jennifer Tierney, Executive Director, Morgan Stanley Wealth Management Investment Solutions and Co-Head of Product Development for Traditional Investment Products.



grandchildren's future education expenses," Hickey says. "We encourage them to take a look at 529 Plans, which may not have been on their radar the last time they were looking at how to pay for college."

529 Contribution Limits Are Considered Gifts for Tax Purposes

In 2026, annual contributions to each 529 account of up to \$19,000, or \$38,000 for couples filing jointly, are treated as gifts and qualify for the annual per-beneficiary gift tax exclusion. Additionally, 529 Plans employ a special rule: An upfront contribution in one year of up to \$95,000 for single filers, or \$190,000 for married couples filing jointly—the equivalent of five years' contributions—may be made without any gift tax consequences.⁷

Larger contributions may also be possible, subject to the applicable state plan's aggregate contribution limit, which is about \$500,000, on average. That may require filing a gift tax return and using a portion of your lifetime gift and estate tax exemption. For 2026, the federal exemption is \$15 million per individual and is indexed for inflation going forward.

Investing Early for Future Education Costs

When it comes to investing in a 529 Plan, typically the earlier you can start putting money away, the better to allow for more tax-free compounding.

Still, it's never too late to start saving and investing for education. Money set aside as late as when a child is 16 will still have several years to grow, assuming you use those funds to pay for the latter

Your Financial Advisor can help you choose a 529 Plan and the investment options therein best for you as part of your wealth strategy. They can also offer valuable guidance as it relates to any tax changes and during times of market volatility.

Morgan Stanley offers a robust platform of investment options, including the [Morgan Stanley National Advisory 529 Plan](#), a first-of-its-kind advisory 529 Plan that enables you to benefit from fiduciary oversight of your education funding strategy within the context of your broader portfolio and life goals.

If you have questions or need more information about 529 Plans available through Morgan Stanley, contact your Financial Advisor or Private Wealth Advisor today.

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Why our Financial Advisors are Different

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529 Plans and More: Innovative and Effective Ways to Pay for Education

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5 Things You May Not Know About 529s (But Should)



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What Should I Do With My Money?



Footnotes:

¹ College Board, Trends in College Pricing and Student Aid 2025, published November 2025,

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