Future Scholar 529 Plan
Advisor-focused frequently asked questions

Eligibility

Q: What is a 529 plan?

A: A 529 plan is an investment account that can help people save over time for the high cost of education. 529 plans, created under section 529 of the Internal Revenue Code, are sponsored by individual states. These college savings investment vehicles provide tax advantages when funds are used for qualified college expenses.

Q: Who can open an account?

A: The Future Scholar 529 Plan is open to any U.S. citizen or resident alien who has a valid Social Security number (SSN) or Taxpayer Identification Number (TIN). You must have a valid U.S. residential address that is not a post office box. The person on whose behalf you're opening the account (the beneficiary) must also be a U.S. citizen or resident alien with a SSN or TIN. There are no income restrictions or state residency requirements.

Q: Who can use the money in a 529 plan account?

A: Any U.S. citizen or resident alien with a SSN/TIN. An account can be established for a child, teenager or an adult. An account owner can even open an account with themselves as the beneficiary, to help with their own higher educational expenses. The account owner determines how funds will be used.

Q: What are considered qualified expenses under the plan?

A: As defined by the Internal Revenue Code (IRC), and updated in July 2025, with the passage of the One Big Beautiful Bill Act (OBBBA), qualified higher education expenses include:

Higher education:

- Tuition, fees, room and board[1]
- Books, computers, software, Internet access[2]
- Supplies and equipment required for enrollment or attendance[3]
- Expenses for registered apprenticeship programs (books, fees, supplies, equipment)

K-12 education:

- Beginning in July 2025, this now includes curriculum, books, online materials, standardized test fees, dual enrollment tuition, tutoring and educational therapies.
- Beginning in 2026, the annual withdrawal cap for K-12 expenses increased from $10,000 to $20,000 per beneficiary.

Other qualified expenses:

- Now including Professional Credentialing Expenses

- Covers tuition, fees, books, supplies, testing and continuing education
- Applies to credentials recognized by federal/state governments or industry
- Use up to $10,000 to pay off existing student loans.

Q: How does a 529 plan affect financial aid?

A: A 529 plan is treated as the parent's (or account owner's) asset, not the child's, in determining eligibility for federal financial aid.

Only 5.64% or less of the account's value (based on current financial aid formula) is factored in when determining the expected family contribution each academic year.

Making contributions

Q: Who can contribute to a 529 plan account?

A: Any U.S. citizen or resident alien can contribute to a 529 plan account.

Q: Is there a minimum contribution?

A: The initial minimum contribution to establish a Future Scholar Advisor-Sold account is $100 (Waived for Automatic Investment Plan and Payroll) and $25 for subsequent contributions. Accounts held in a firm's name at certain broker/dealers may have different minimum investment requirements.

Q: What is the maximum that can be invested?

A: The current maximum that can be invested in a Future Scholar account for any one beneficiary is $575,000. This maximum may change to reflect the increasing cost of higher education. Contributions can be made to more than one person's 529 account. 529 contribution limits apply to the beneficiary, not the account owner or contributor.

Q: What is "frontloading" and how can it benefit savings?

A: "Frontloading" is an exception to the annual gift tax exclusion limit that is unique to 529 plans. Individuals may contribute up to five-times the annual gift tax exclusion (currently set at $19,000 per donee in 2026) in a single year, for a maximum of $95,000 (or $190,000 for couples) per donee without incurring gift tax, or utilizing their lifetime gift tax exclusion. If the full five-year election is used, additional gifts to the same beneficiary during the five-year period may have gift tax consequences. The donor must file IRS Form 709 to make the five-year election.

Q: What estate-planning benefits do 529 plans offer?

A: Contributions are generally treated as completed gifts to the beneficiary and may reduce the account owner's taxable estate, while the account owner retains control of the account. An exclusive five-year forward gifting election may allow larger contributions to be made without using the donor's lifetime gift and estate tax exclusion. Clients should consult a tax or estate-planning professional.

What are the tax benefits of contributing to the Future Scholar 529 Plan?

Some 529 plan tax benefits include having money in an account that grows free of federal and state income taxes. Withdrawals are also tax-free as long as that money is used for qualified expenses.

Contributors who file a South Carolina tax return, either as a resident or a nonresident, may be eligible for additional tax advantages. Future Scholar account contributions may be tax-deductible, up to the maximum account balance limit of $575,000 per beneficiary (or any lower limit under applicable law).

A number of other states offer 529 state tax benefits for contributions made to any state's 529 plan. A state tax calculator is available on our website: 529 Plan Calculators.

Beneficiary

Q: Who can be the beneficiary of a 529 account?

A: Almost anyone can be a beneficiary of a 529 plan. A beneficiary must have a valid social security number (SSN) or individual taxpayer identification number (ITIN). A beneficiary must be a U.S. citizen or a resident alien. Each 529 account can have only one designated beneficiary at a time.

Q: Can the beneficiary be changed on a 529 account?

A: Yes. A beneficiary may be changed on an account or a portion of the assets transferred to an eligible member of the family of the original beneficiary at any time, income-tax-free.*

Q: Who is included in the Internal Revenue Code's definition of a "member of the family"?

A: A "member of the family" of the designated beneficiary is currently defined for purposes of Section 529 as any person related to the designated beneficiary as follows:

- A son or daughter, or a descendant of either
- A father or mother, or an ancestor of either
- Stepfather or stepmother
- Stepson or stepdaughter
- Brother, sister, stepbrother or stepsister
- Brother or sister of the father or mother
- Brother-in-law, sister-in-law, son-in-law, daughter-in-law, father-in-law or mother-in-law
- Son or daughter of a brother or sister
- Spouse of the designated beneficiary or any of the individuals mentioned above
- First cousin

Q: Can more than one account be opened for different beneficiaries?

A: Yes. An account can be opened for any eligible beneficiary. There are no contribution limits for account owners.

Q: Who controls a 529 account?

A: The account owner controls the account, including investment selections, withdrawals and beneficiary changes. The beneficiary does not control the account unless the beneficiary is also the account owner.

Q: What happens to a 529 account if the account owner dies?

A: Ownership generally passes to the successor account owner named on the account. If no successor is designated, the plan's governing documents determine who assumes ownership. Account owners should keep their successor designation current. A successor owner can be designated at any time.

Withdrawals

Q: What happens if my child decides not to attend college?

A: If the beneficiary decides not to attend college, there are multiple options available:

- Change the beneficiary, income-tax-free, provided that the new beneficiary is a member of the family of the original beneficiary.

- Leave the assets in the existing account for future use.[4]
- Make a nonqualified withdrawal from the account, which generally will be subject to a federally mandated 10% federal penalty on earnings. Additionally, any earnings withdrawn will be taxed at the recipient's current tax rate.
- Rollover leftover funds into a Roth IRA. See the "Rollover" section for details.

Q: What if my child receives a scholarship?

A: If your child receives a scholarship, you have the option of leaving the assets in the account, changing the beneficiary or withdrawing the assets. Withdrawals that do not exceed the amount of the scholarship are not subject to the 10% federal penalty on earnings. Earnings on these withdrawals will be subject to any applicable federal and state taxes at the account owner's current tax rate. Similar rules apply in other situations.

Q: Can 529 funds be used for K-12 expenses?

A: Families may withdraw up to $20,000 a year per beneficiary tax free to cover K-12 tuition at public, private or religious elementary or secondary schools. 529 funds can be used for additional K-12 expenses including: curriculum and curricular materials, books or other instructional materials, online educational materials, tuition for tutoring or education classes outside of the home by a qualified tutor, fees for standardized tests, fees for dual enrollment in an institution of higher education, and educational therapies. Account owners are responsible for monitoring, and complying with, the $20,000 aggregate limit.

Please note, there is not a distinction between K-12 withdrawals and withdrawals to a college or university. Withdrawals are either qualified or nonqualified. All withdrawals are reported annually on IRS Form 1099-Q, and it is the responsibility of the withdrawal recipient to report distributions accurately on their tax return.

Q: Are there any tax implications for withdrawals from a 529 account?

A: If the withdrawal is used for the payment of qualified education expenses, there are no tax implications. However, the account owner or the beneficiary will receive a 1099-Q.

Earnings on withdrawals for expenses other than qualified education expenses will be subject to ordinary income tax and, in most cases, a 10% federal penalty. Consult a tax professional for more information about nonqualified withdrawals and any applicable penalty waivers.

Q: What if money from the account is needed for noneducational purposes?

A: Funds can be withdrawn from the account at any time. However, if the funds are not used to pay for qualified higher education expenses, earnings will be taxed as ordinary income at the recipient's income tax rate. In addition, there is generally a federally mandated 10% penalty tax on earnings for making a nonqualified withdrawal. Withdrawals may also be subject to state income taxation. See a tax advisor for additional information.

Q: What tax documents are generated for withdrawals?

A: All withdrawals from an account are required to be reported to the IRS using the Form 1099-Q.

If all the funds distributed from the account were used for qualified education expenses, the distribution is not taxable and most likely, there is not a need to report anything on a federal or SC state income tax return.

If any portion of the withdrawal is used for nonqualified expenses, ordinary income taxes on the

earnings portion of the withdrawal(s) will be due, and, in most cases, a 10% federal penalty. Consult a tax professional for more information about nonqualified withdrawals and any applicable penalty waivers.

Please note: The 1099-Q will be addressed to the individual receiving the distribution. If the withdrawal was made payable to the account owner, the account owner will receive the 1099-Q form. If the withdrawal was made payable to the beneficiary, or paid directly to the school, the beneficiary will receive the 1099-Q form.

Q: What happens if a student receives a refund of qualified expenses previously withdrawn from a 529 account?

A: If a 529 plan beneficiary receives a refund from an eligible educational institution for tuition or other qualified expenses, the refunded amount will not be treated as a nonqualified distribution as long as it is recontributed to a 529 plan within 60 days. The recontributed refunds must be contributed to a 529 plan for the same beneficiary, but they do not have to be made to the same 529 plan from which they were distributed. Funds may be recontributed to the account electronically or by paper check. The recontribution will appear as any other contribution made to an account, therefore, we recommend account owners maintain a record of the recontribution for their files. Also, note that the total amount of distributions for the year will still appear on a 1099-Q.

If the refund is not recontributed within 60 days, the withdrawal may be deemed nonqualified and the recipient will be responsible for paying federal and (possibly) state income taxes on the earnings portion of the withdrawal. You may also be subject to a 10% federal penalty.

Investing

Q: What investment choices are available within Future Scholar Advisor-Sold?

A: With Future Scholar you have the flexibility to choose an investment strategy that makes sense for your clients' individual needs. Each portfolio provides the benefit of professional investment management from Columbia Threadneedle Investments.

Choose from three different investment options or a mix of any or all of them:

1. Age-based option

- Choose from one of three age-based risk tracks — conservative, moderate or aggressive
- As college approaches, the track will automatically shift over time from more aggressive to more conservative investments

2. Target allocation option

- Choose from seven portfolios ranging from aggressive to more conservative
- Unlike the age-based tracks that shift over time, a target allocation portfolio will remain constant unless changed

3. Single-fund option

- Select from a variety of individual portfolios that invest in a single underlying fund, allowing for a customized portfolio mix

For more information on available investments within Future Scholar Advisor-Sold, please visit https://www.columbiathreadneedleus.com/investment-products/529-plan

Q: How often can investment selections be changed?

A: Current investment selections can be changed twice per calendar year, according to tax law. The allocation of future contributions can be changed at any time.

Q: Are investments guaranteed?

A: No, investments are not guaranteed. Clients should consider the investment objectives, risks, charges and expenses carefully before investing in the Future Scholar 529 College Savings Plan. Visit futurescholar.com for a program description, which contains this and other important information. Read it carefully before recommending investing in the plan.

Q: Where can I find investment performance information?

A: Quarterly performance information for investment options within the Future Scholar 529 Advisor-Sold Plan is available here on our website.

Rollovers

Q: Can assets from another 529 plan be rolled into Future Scholar?

A: Yes. Assets from another 529 plan may generally be rolled into Future Scholar without federal income tax. Only one tax-free rollover for the same beneficiary is permitted within a 12-month period. State tax consequences may apply, so clients should consult a tax advisor.

Q: Can I transfer my UGMA/UTMA account into a 529 plan?

A: You may use money from a Uniform Gifts/Transfers to Minors Act (UGMA/UTMA) account to open an account in the Future Scholar Plan, but keep in mind that the minor may incur capital gains taxes from the sale of the assets currently held in the UGMA/UTMA account. Since any money gifted to a child in an UGMA/UTMA account is irrevocable, the 529 should be opened as a separate UGMA/UTMA 529 account. You should consider opening a separate 529 account for the same child if you wish to make additional contributions of non-UGMA/UTMA money. Any money that you contribute to the UGMA/UTMA 529 account will be considered owned by the child, and you will not be able to change the beneficiary of this account.

With the passage of the SECURE 2.0 Act of 2022, a provision that allows for "leftover" funds from a 529 account to be rolled into a Roth IRA brings an entirely new opportunity for tax-free distributions. Prior to this legislation, the only opportunity for tax-free distributions from 529 accounts was for qualified education expenses; however, starting on January 1, 2024, rollover to a Roth IRA is now available subject to certain conditions:

- The 529 account must have been maintained for a minimum of 15 years.[5]
- Contributions to the 529 account within the last five years, and earnings on them, are ineligible.
- Eligible rollover amount is subject to the annual Roth IRA contribution limit (currently $7,500 for 2026 for ages 50 and under, $8,600 for 50+). Income limits do not apply; however, there must still be earned income of the beneficiary more than the rollover amount.
- Lifetime aggregate limit of $35,000 per individual.
- The rollover must be to a Roth IRA owned by the designated beneficiary and must be a direct trustee-to-trustee transfer of no more than the rollover amount for the beneficiary.

Q: Can I roll my existing Coverdell Education Savings Account (formerly Education IRA) into a 529 plan account?

A: Yes, subject to restrictions. Because 529 plan accounts accept only cash contributions, assets in a Coverdell account must be liquidated to accomplish the transfer. Taking a distribution from your Coverdell account to invest in a 529 plan for the same beneficiary is considered a qualified withdrawal and is not a taxable event for federal tax purposes. Earnings from the CESA become earnings in the 529 account. See your tax advisor for additional information.

Q: How do advisor-sold direct-at-fund accounts differ from omnibus accounts?

A: Direct-at-fund accounts are maintained on the plan's recordkeeping system, while omnibus accounts are maintained through the advisor's brokerage firm. Account opening, servicing, transaction processing, forms and online access may differ by firm. Advisors should follow their firm's procedures.

Advisor resources

Q: What online resources are available to advisors?

- A listing of all investment options available within the plan is available at https://www.columbiathreadneedleus.com/investment-products/529-plan.
- Helpful education savings planning and 529 calculators, including "The world's simplest College Savings Calculator" are available at 529 Plan Calculators | College Savings Plan Cost Estimators | Columbia Threadneedle Investments US.
- Sales-related materials that can be used with clients and the plan's program description are located at Forms and Applications | Columbia Threadneedle Investments US under the "Literature" tab.

What if I have a question that is not listed here?

Call 1-888-244-5674 (toll-free) automated telephone service is available 24 hours a day, 7 days a week. Service representatives are available from 8:00 a.m. to 7:00 p.m. Eastern time, Monday through Friday.

To learn more about college savings planning with a 529 plan, contact your financial advisor.

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* If the new beneficiary is not a family member of the prior beneficiary then the change in beneficiaries will be treated as a distribution to the account owner and applicable taxes and penalties may apply. In addition, if the new beneficiary is in a lower generation than the prior beneficiary, there may be gift tax or generation-skipping transfer tax consequences.

[1] For students who are at least half time.

[2] If used primarily by the beneficiary during the years of enrollment, but not for sports, games or hobbies.

[3] Qualifying apprenticeship programs are those registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act.

[4] Other tax consequences may apply. See your tax advisor for additional information.

[5] IRS guidance is pending on whether a change of beneficiary restarts the 15-year period; consult a tax advisor.

Please consider the investment objectives, risks, charges and expenses carefully before investing. Contact your financial advisor or visit columbiathreadneedle.com for a Program Description, which contains this and other important information about the Future Scholar 529 College Savings Plan. Read it carefully before investing. You should also consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds and protection from creditors that are only available for investments in such state's qualified tuition program.

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