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How 529 plans can unlock a range of education opportunities

Make Your Plan

Key Insights

- Since the pandemic, the pursuit of a traditional four-year college education immediately following high school has become less common than in previous decades.
- As the labor market continues to evolve, apprenticeships and vocational schools are likely to remain integral components of a diverse and adaptable educational landscape.
- By leveraging the tax advantages, flexibility, and long-term growth potential of a 529 plan, individuals can invest in the personal and professional growth of their loved ones (or themselves) beyond traditional higher education.

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Following the pandemic, a noticeable shift has occurred in the educational landscape, with fewer individuals opting to pursue a traditional college education immediately following high school. In fact, although overall undergraduate enrollments were up 3% between 2023 and 2024, the number of 18-year-old freshmen enrollees dropped 6%—with public and private nonprofit four-year institutions seeing the largest declines.[1] These data suggest that while students are still pursuing postsecondary education, they are doing so on their own timelines and/or opting for less traditional educational pathways (including associate and certificate degree programs).

There has also been a resurgence in the popularity of vocational schools and apprenticeships (such as automotive training, plumbing, or electrician programs) as viable and affordable alternatives to traditional higher education. As individuals seek practical and focused training in areas with industry demand, apprenticeships and vocational schools offer distinct advantages, such as job-ready skills, affordability, career advancement opportunities, real-world experience, and competitive pay.

What does this mean for families saving in 529 college savings accounts?

Though 529 accounts are perhaps most well known for helping to cover expenses associated with a traditional four-year undergraduate degree program, the aforementioned shifts in the educational landscape have led to a broadened range of qualified uses for 529 funds. Whether you already own a 529 account or are considering setting one up, you might be surprised to learn that qualified 529 distributions can be used to pursue a variety of educational, enrichment, and

[1] nscresearchcenter.org/stay-informed

career advancement paths beyond just a traditional bachelor's degree. Here are several of the ways a 529 plan be utilized before college, in lieu of college, during and after (or in conjunction with) college, and in adulthood—as well as options for making the most of leftover 529 funds down the road.

Before college:

K–12 tuition

Individuals can use 529 funds for tuition expenses at K–12 public, private, and religious schools. The distribution maximum is $10,000 per year, per beneficiary. While qualified distributions from 529 plans for K–12 tuition expenses are federally tax-free, state tax treatment will vary and could include state income taxes assessed, the recapture of previously deducted amounts from state taxes, and/or state-level penalties.

In lieu of college:

Vocational school

Vocational schools (commonly referred to as trade or technical schools) offer specialized skills training for a particular career, such as plumber, electrician, HVAC technician, dental hygienist, radiologic technologist, air traffic controller, construction manager, and chef, among many others. Students can typically complete their respective program in two years or less and at a fraction of the cost of a four-year college. According to BestColleges, the average cost to complete a trade school program is $15,000—far less than the current $41,540 average annual cost for tuition and fees at a private, nonprofit four-year college.[2]

Students can use a 529 plan to pay for qualified expenses associated with trade school programs that are eligible for Title IV federal student aid. To search for eligible trade schools, you can use the **Federal School Code Lookup Tool**.

Registered apprenticeship

Registered apprenticeships offer participants an opportunity to "earn while they learn." While some programs prefer applicants with a relevant vocational certificate/degree or a set number of technical training hours, others may only require a high school diploma or GED and the passing of a proficiency test in math or English. While working on the job, apprentices receive one-on-one full-time training from a skilled craftsperson and are paid according to a progressive pay scale. The programs cover a wide range of industries—from health care and engineering to manufacturing and transportation. According to the U.S. Department of Labor (DOL), registered apprenticeships have risen sharply from about 360,000 in 2015 to over 667,000 in 2024.[3] Additionally, 93% of apprentices who complete a registered apprenticeship program retain employment, with an average annual salary of $77,000.[4]

Though registered apprenticeships are paid (so no tuition is involved), 529 plan assets can be used to cover fees, equipment, and supplies needed to pursue the program. Keep in mind that all apprenticeships must be registered with the U.S. Department of Labor to qualify. You can use the DOL's **Occupation Finder** to identify approved Registered Apprenticeship program occupations and explore program options.

In conjunction with college:

Community college

If a 529 plan account beneficiary would like to pursue a bachelor's degree but wants to save money in the process (or simply take some time to mature), they might consider earning an associate degree. An associate degree program allows students to earn up to two years of undergraduate credits at a community college or online university before transferring to a four-year college. As long as the credits are earned through an **eligible institution**, 529 funds can be used to cover expenses and could help to cut down on the overall expense incurred while working toward a four-year undergraduate degree.

Study abroad program

A semester studying abroad has become a common enrichment option for third-year undergraduate students. Luckily, in many cases, 529 plan assets can be used to cover qualified expenses associated with a study abroad program, provided it is approved for credit by the student's home (U.S.-based) college or university. Room and board during the study abroad program may also be considered qualified as long as the student is enrolled at least half time. The U.S. Department of Education maintains a **database** of eligible institutions, including some foreign universities.

Graduate school

Most graduate and professional programs are eligible for qualified use of 529 funds, as long as they are offered by an accredited public or private U.S. college or university. International schools that are eligible to accept U.S. federal student aid would be eligible as well. You can use your savings to pay for qualified expenses.

State tax treatment may vary for any of the distribution types described.
[2] savingforcollege.com/article/average-cost-of-college
[3] apprenticeship.gov/data-and-statistics/apprentices-by-state-dashboard
[4] apprenticeship.gov/sites/default/files/dol-industry-factsheet-apprenticeship101-v10.pdf

529 plans managed by T. Rowe Price

With more than 80 years of financial experience in varying market environments, T. Rowe Price is focused on and committed to helping you choose the right path for one of the most important investment decisions families face today. Our 529 plans offer benefits such as:

- Investment options including enrollment-based portfolios and portfolios that are fixed or static. Enrollment-based portfolios change automatically as the target year is approached, while fixed portfolios do not change their investment mixes over time.[1]
- Automatic contributions
- Powerful online tools to help chart your family's saving strategy
- College savings specialists who are standing by and ready to answer any questions that you may have

[1] Enrollment-based portfolios with a longer time horizon emphasize stock mutual funds for their growth potential and then shift to an emphasis on bond investments as the enrollment year is approached. Fixed portfolios with greater allocations to stock funds generally carry higher risk and the opportunity for higher returns, while portfolios with more bond and money market funds generally offer less risk and lower return potential.

Student loan repayment

If you incur student loan debt in pursuit of your bachelor's or graduate degree, tax-free 529 plan distributions can be used for repayment of principal and interest on qualified education loans for beneficiaries or even their siblings. This is limited to a $10,000 lifetime cap per eligible individual.

In adulthood:

Continuing education

Many professionals—such as teachers, lawyers, engineers, accountants, financial planners, and doctors (among others)—are required to complete continuing education courses to maintain their credentials. 529 plan assets can be used to cover any qualified continuing education coursework offered through an eligible institution with a Federal School Code. Keep in mind that in order for an adult professional to use a 529 plan to cover qualified continuing education costs, they must be the beneficiary of the plan. This may require a beneficiary change on all or a portion of the assets, if the 529 plan was originally held in their child's name, for instance.

Rollover of unused funds to a Roth IRA

As a result of the SECURE 2.0 Act of 2022, starting in 2024, remaining funds in a 529 account that has been open for at least 15 years may be **eligible to be rolled over to a Roth individual retirement account (IRA) for the benefit of the beneficiary**.

Major qualified expense status for college and beyond

(Fig. 1) Here's a helpful guide for several of the major expense categories that could be considered qualified for use of 529 funds. Some expenses are not included here, so if you have questions about your specific situation and qualified expense status, consider speaking with a tax professional.

	K–12	Vocational School	Registered Apprenticeship	Community College, Four-Year University, and Graduate School	Continuing Education
Tuition (or online/ classroom instruction)	Yes†	Yes*	No	Yes*	Yes*
Books, equipment, and supplies	No	Yes*	Yes	Yes*	Yes*
Fees	No	Yes*	Yes	Yes*	Yes*
Room and board	No	Yes*‡	No	Yes*‡	Yes*‡

*At/through an **eligible institution**.
†Up to $10,000 per year on tuition at an elementary or secondary public, private, or religious school.
‡If enrolled at least half time at an **eligible institution** and pursuing a certificate, degree, or other recognized credential. Additionally, off-campus students are limited to the allowance reported by the college in its "cost of attendance" figures. Any amount above the allowance is considered a nonqualified 529 plan expense. **Note that many continuing education programs are not at least half time.**

This transfer is subject to various rules, including that the annual rollover amount (combined with other IRA contributions) cannot exceed the greater of 100% of the beneficiary's earned income for the year OR the annual IRA contribution limit of $7,000 (for individuals under age 50 in 2025). Also, any contributions (and associated earnings) made to the 529 account within the past five years of the rollover date may not be considered in the rollover amount, and there is a $35,000 lifetime maximum for 529-to-Roth rollovers.

Tax-free beneficiary transfer

As mentioned previously, plans offer unlimited, tax-free beneficiary transfers of 529 assets to family members of the initial beneficiary. So if you own a 529 account with leftover funds that the beneficiary doesn't need or want to use in other ways, you might consider transferring the account to an eligible beneficiary who will put the funds to positive and qualified use. Fortunately, the IRS's definition of a family member is broad and offers you a lot of flexibility for unused funds.

The benefits of using a 529 plan for alternative applications

The versatility of a 529 savings plan makes it an attractive option for those exploring beyond a traditional college path. By leveraging a 529 plan, individuals can invest in their nontraditional educational endeavors and unlock opportunities for professional growth.

Some of the benefits of using a 529 plan for noncollege paths include:

- **Tax advantages:** Just like traditional college expenses, qualified distributions from a 529 plan for noncollege paths are generally federally tax-free. In addition to any earnings being tax-deferred (and potentially tax-free), many states offer a full or partial state tax deduction for your 529 contributions.
  - For instance, if you live in Arizona, Arkansas, Kansas, Maine, Minnesota, Missouri, Montana, Ohio, or Pennsylvania, contributions to any 529 plan (not just the state's sponsored 529 plan) may be eligible for the state's income tax deduction.[5]
  - Check with your state tax professional for additional details and to determine what documentation, if any, is required when filing. In most cases, contributions must be made by December 31 of the tax year to qualify for that year's tax deductions, but in some states, you will have until the April tax filing deadline.
- **Flexibility and control:** 529 plans provide account owners with control over their investment and distribution decisions. This flexibility enables individuals to adapt their savings to fit their unique educational goals and aspirations.
- **Long-term growth potential:** By investing in a 529 plan early on, individuals can take advantage of potential long-term growth and maximizing their savings over time. This can be especially beneficial for those pursuing noncollege paths that require ongoing education and skill development.
- **Financial aid considerations:** While 529 plan assets may affect financial aid eligibility, the impact is typically more favorable compared with other types of savings. Proper planning and understanding of financial aid requirements can help individuals navigate this aspect effectively.

> "As attitudes toward higher education and career opportunity have shifted, so have the options for qualified distributions from 529 plans.
>
> – Lindsay Theodore
> Thought Leadership Senior Manager

There are many benefits to saving in a 529 plan, and luckily, even if your child forges a path that doesn't involve a four-year college, there are options to ensure that you still make the most of those savings.

The way we learn continues to evolve, and fortunately, 529 plans do, too. With the benefit of up-front tax incentives, flexibility, and tax-free growth potential, 529 plans can enable you to invest in lifelong learning and career advancement opportunities for your loved ones.

Next steps

Learn more about **college savings plans**.

Contribute to your child's college savings plan via the **Ugift®** gifting portal.

[5] List of tax-parity states as of December 2024. If you have questions about your specific situation, please speak with a state tax professional.
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T. Rowe Price identifies and actively invests in opportunities to help people thrive in an evolving world, bringing our dynamic perspective and meaningful partnership to clients so they can feel more confident.

Important Information

Be sure to review any 529 college savings plan offered by your home state or your beneficiary's home state, as there may be 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 plan. Please note that the plan's disclosure document includes investment objectives, risks, fees, charges and expenses, and other information that you should read and consider carefully before investing.

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