Corporate-Sponsored 529 Plans

What your employees should know before enrolling in a payroll deduction plan

Before your employees enroll in a company-sponsored 529 plan, they should understand all of the relevant factors. Although the following considerations are not exhaustive and may or may not apply when investing in a 529 college savings plan, it is essential that you disclose to your employees the following information.

Wells Fargo Advisors is providing this information to employers who offer 529 plans to their employees through payroll deduction. Employees should consider all of the following before choosing to contribute to a 529 plan.

State Tax and Financial Aid Implications of investing in a 529 College Savings Plan

There are potential tax implications of purchasing a 529 Plan not sponsored by an employee's state of residence. Some states give residents certain tax advantages on their state tax bills for contributions to 529 College Savings Plans sponsored by their state and there may be certain advantages to obtaining state-sponsored financial aid. If an individual selects an out-of-state plan, they may forgo certain tax benefits made available to them in the plan sponsored by their state of residence. Furthermore, if the employee's state of residence offers a 529 Plan, there may be higher expenses in an out-of-state plan.

Rollover to a 529 College Savings Plan

Federal law allows an individual to transfer assets among different states' 529 College Savings Plans once every 12 months (or when the individual makes certain beneficiary changes), although some states may restrict transfers, charge a transaction fee, and/or recapture state tax benefits.

UGMA/UTMA Account Transfer to a 529 College Savings Plan

Assets from a custodial account can be moved into a 529 College Savings Plan, only under the following terms and conditions:

- The custodial assets are owned by the child and are irrevocable gifts. All assets that are moved into a 529 Plan from a custodial account must be accounted for as the child's assets and cannot be transferred to another person or family member by the custodian.
- When transferring assets from a custodial account to a 529 College Savings Plan, the account continues to be governed by the UGMA / UTMA rules under which the original custodial account was established.
- A 529 College Savings Plan can only be funded with cash; therefore the assets of the UGMA / UTMA account will need to be liquidated and this may be a taxable event.

Where to refer employees

For more information, refer employees to the 529 Plan Offering Document and A Guide to Investing in 529 Savings Plans (the "Guide"). The Offering Document will help them better understand the investment objectives, risks changes and expenses of the 529 Plan before investing. The Guide can help them better understand features and costs associated with the Plan, share classes of mutual funds in the 529 Plan as well as how the Financial Advisor and Wells Fargo Advisors are compensated when they invest in 529 Plans. The Guide can be found online at **wellsfargoadvisors.com/disclosures**.

Distributions and Withdrawals in a 529 College Savings Plan

- Money withdrawn for reasons other than qualified higher education expenses may be subject to federal income tax and a 10% IRS penalty on any plan earnings. In addition, there may be state tax consequences.

Employees should consult a tax attorney or tax advisor in connection with the tax consequences of contributing to a 529 Plan.