



FRANKLIN
TEMPLETON

Perspective from
Franklin Templeton
Wealth Planning

Most families don't know the full power of 529 plans

May 13, 2026



Bill Cass, CFP®, CPWA®
Director of Wealth Planning
Franklin Templeton



As 529 plans celebrate their 30th anniversary this year, they remain one of the most powerful, yet often misunderstood, tools for education savings. Originally created to help families prepare for college costs, these tax-advantaged accounts have evolved significantly over the past three decades.

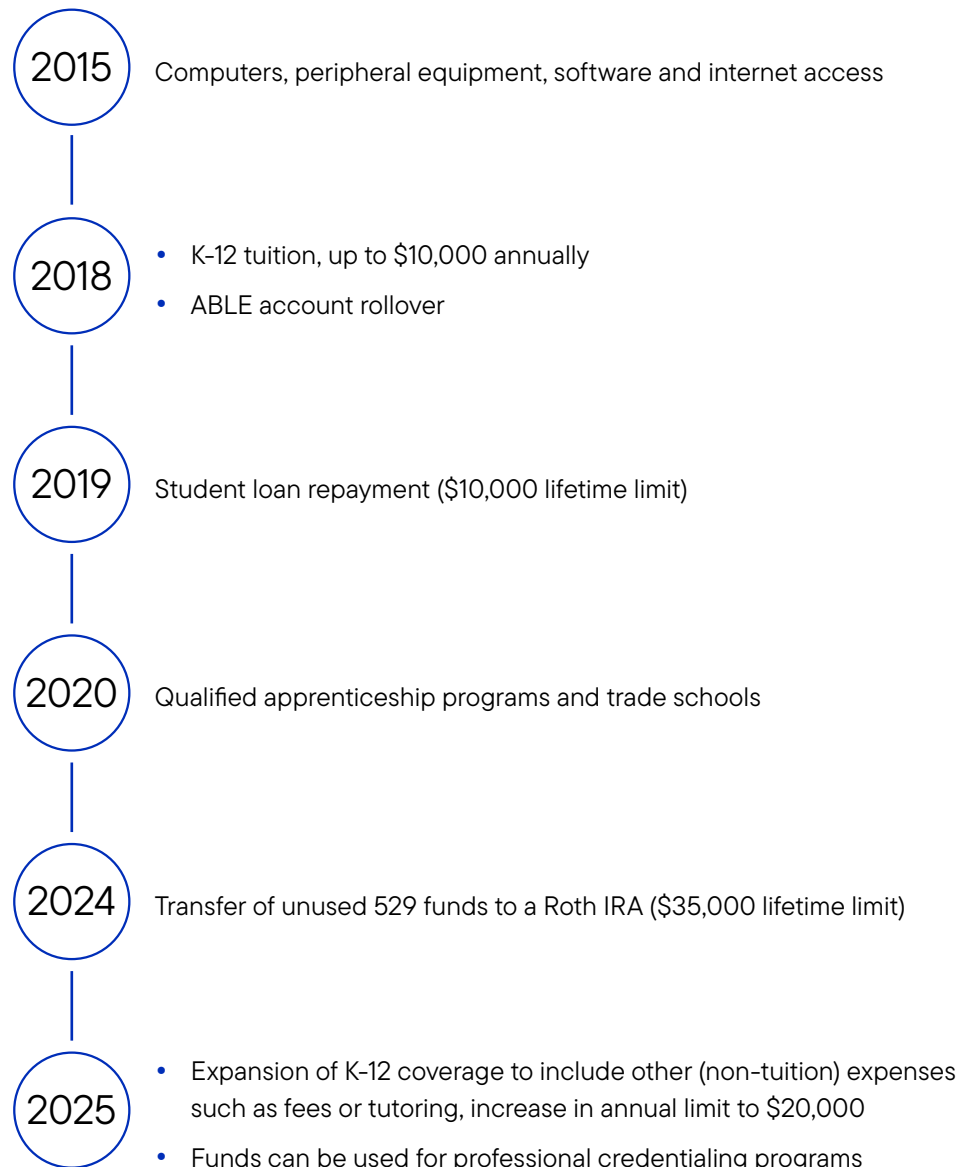
Today, 529 plans support a wide range of educational pathways. In addition to college tuition, funds may be used for K-12 expenses, vocational and technical training, registered apprenticeship programs, continuing education and more. As education itself has evolved, so too have the ways families can put 529 savings to work.

Not FDIC Insured | No Bank Guarantee | May Lose Value

A growing opportunity

In 1996, Congress created the 529 plan as part of the Small Business Job Protection Act. The plans were created to encourage education savings with tax advantages. But their real momentum began in 2001, when qualified withdrawals became tax-free, a change that fueled rapid growth, according to the Federal Reserve. Since then, 529 plans have continued to evolve, expanding well beyond their original college-only focus as policy-makers broadened how and when these funds can be used.

For more than a decade, lawmakers have steadily enhanced the way 529 funds may be distributed.



K-12 education

529 plans can be used to pay for K-12 tuition and other related expenses, up to \$20,000 per year per beneficiary. This makes them a valuable tool for families with younger children. It's important to note that various states have elected not to adopt the federal definition of "qualified educational expense" when it relates to K-12; therefore, 529 owners should be careful to check their state's position on 529 expenditures and whether the distribution could be subject to state tax.

Vocational programs

The increasing demand for workers trained in vocational or technical trades has resulted in an increase in enrollment in these schools. Students in vocational programs can become cosmetologists, plumbers, dental hygienists, radiologic technologists, medical assistants, construction managers, real estate agents, chefs, HVAC technicians, electricians and more. The National Student Clearinghouse reported enrollment in public two-year colleges with a high vocational program grew 14% in the fall of 2024, representing double-digit growth for the second consecutive year. (Source: National Student Clearinghouse Research Center, Current Term Enrollment Estimates: Fall 2024. As of January 23, 2025.)

Students may use 529 funds for qualified vocational training at trade schools, community colleges and certificate programs. Many programs take less than two years to complete and offer a more affordable alternative to a four-year degree.

Savings in 529 plans can be used to cover qualified expenses in these types of programs, including tuition, fees, housing, meal plans, books, supplies, computer technology and/or equipment. To confirm a 529 withdrawal is considered qualified, use the Federal Student Aid search tool to see if the program has a federal school code and contact the school.

Apprenticeships

Families may use also 529 funds to cover qualified expenses for apprenticeship programs, as students prepare for careers in range of industries such as financial services, education, energy, advanced manufacturing, construction, health care, technology and more. Qualified expenses include fees, books, supplies and equipment. To be eligible, apprenticeships must be registered by the Department of Labor (DOL) Those seeking a qualified program may visit the DOL's website and use the "Find an Apprenticeship" tool.

Apprenticeships are paid work experiences that combine academic education and hands-on work experience with a mentor. The programs are industry-driven, and students receive nationally recognized credentials.

Turning unused savings into a head start on retirement

One of the most compelling recent changes is the ability to transfer unused 529 funds into a Roth IRA for the beneficiary. In effect, dollars that were originally earmarked for education can be repositioned to jump-start retirement savings, often decades earlier than most young adults would otherwise begin investing for retirement.

Up to \$35,000 in 529 funds (over a lifetime) can be contributed to a Roth IRA in the name of the 529 beneficiary. The 529 must be open for at least 15 years, and 529 contributions (and related earnings) within the last five years are not eligible for transfer. Amounts may not exceed annual Roth IRA contribution limits (including other IRA contributions), and the beneficiary must have earned income. However, the income restrictions on making Roth IRA contributions do not apply to these contributions. Normally the ability to make a Roth IRA contribution is phased out once modified adjusted gross income exceeds \$153,000 (\$242,00 for married couples filing a joint return).

If invested and left untouched, that early Roth funding could grow significantly by retirement—all from money originally set aside for college. What began as an education strategy could become a retirement accelerator.

In a sense, the 529 plan is no longer just a college savings account. It can serve as:

- An education fund
- A plan for other qualified training or graduate school
- Potentially, a launchpad for long-term retirement security

Seek advice

By expanding the uses of 529 plans, policymakers have transformed them from narrowly focused education tools into more adaptable, long-term family planning vehicles.

Families saving for college may consider meeting with a financial professional to set up a thoughtful strategy for education savings that is part of their overall financial plan.

For more information, speak with your financial professional.

WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal.

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

Franklin Templeton, its affiliated companies, and its employees are not in the business of providing tax or legal advice to taxpayers. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon by any such taxpayer for the purpose of avoiding tax penalties or complying with any applicable tax laws or regulations. Tax-related statements, if any, may have been written in connection with the “promotion or marketing” of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any such taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

IMPORTANT LEGAL INFORMATION

This material is intended to be of general interest only and should not be construed as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy. It does not constitute legal or tax advice. This material may not be reproduced, distributed or published without prior written permission from Franklin Templeton.

The views expressed are those of the investment manager and the comments, opinions and analyses are rendered as at publication date and may change without notice. The underlying assumptions and these views are subject to change based on market and other conditions and may differ from other portfolio managers or of the firm as a whole. The information provided in this material is not intended as a complete analysis of every material fact regarding any country, region or market. There is no assurance that any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets will be realized. The value of investments and the income from them can go down as well as up and you may not get back the full amount that you invested. **Past performance is not necessarily indicative nor a guarantee of future performance. All investments involve risks, including possible loss of principal.**

Any research and analysis contained in this material has been procured by Franklin Templeton for its own purposes and may be acted upon in that connection and, as such, is provided to you incidentally. Data from third-party sources may have been used in the preparation of this material and Franklin Templeton (“FT”) has not independently verified, validated or audited such data. Although information has been obtained from sources that Franklin Templeton believes to be reliable, no guarantee can be given as to its accuracy and such information may be incomplete or condensed and may be subject to change at any time without notice. The mention of any individual securities should neither constitute nor be construed as a recommendation to purchase, hold or sell any securities, and the information provided regarding such individual securities (if any) is not a sufficient basis upon which to make an investment decision. FT accepts no liability whatsoever for any loss arising from use of this information and reliance upon the comments, opinions and analyses in the material is at the sole discretion of the user.

Products, services and information may not be available in all jurisdictions and are offered outside the US by other FT affiliates and/or their distributors as local laws and regulation permits. Please consult your own financial professional or Franklin Templeton institutional contact for further information on availability of products and services in your jurisdiction.

Franklin Templeton, One Franklin Parkway, San Mateo, California 94403-1906, (800) DIAL BEN/342-5236, franklintempleton.com. Investments are not FDIC insured; may lose value; and are not bank guaranteed.

