

Your Child Got Into College. Now What? How to Use Your 529 Plan

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The acceptance letter is on the fridge, the sweatshirt is ordered, and the excitement is high. But for parents, that excitement is often followed by a few questions: *“How much is this going to cost?”*, and *“How do we actually use our child’s 529 plan?”*, to *“I haven’t saved for their college expenses yet; can I still use a 529 to help?”*.

As we transition from the "saving phase" to the "spending phase," the strategy you use to withdraw funds is just as important as the strategy you used to grow them. Here are a few key considerations for navigating 529 plan withdrawals as your child enters college.

A 529 plan is one of the most common college savings plans because withdrawals are generally tax-free when used for qualified higher education expenses. Coordinating 529 plan withdrawals with broader [tax planning strategies](#) can help families make the most of those benefits. But once your child begins college, understanding how and when to take 529 plan distributions becomes just as important as the strategy used to save the money.

529 Plan Qualified Expenses: What Can a 529 Plan Pay For?

To keep 529 plan withdrawals tax-free, the funds must be used for qualified higher education expenses. This goes beyond just tuition. In 2026, the list of qualified expenses includes:

- Tuition and Mandatory Fees: The big-ticket items
- Room and Board: If living off-campus, this is limited to the "Cost of Attendance" figure published by the school’s financial aid office
- Technology: Computers, printers, and even internet access qualify if used primarily by the student
- Books and Supplies: Not just textbooks, but lab equipment and required software

- **Special Needs Services:** Any required expenses for a student with special needs.

Bonus Tip: Transportation (flights home, gas) and school-required health insurance are not qualified expenses. Paying these from a 529 could trigger taxes and a 10% penalty on the earnings.

The Golden Rule of 529 Plan Withdrawals: Avoid the Calendar-Year Trap

The most common mistake parents make is a timing mismatch. The IRS tracks 529 plan distributions by calendar year (January–December), not by the academic year.

- **The Trap:** If you pay the spring semester bill in December but don't withdraw the 529 funds until January, those two events are in different tax years.
- **The Solution:** Always ensure your withdrawal occurs in the same calendar year you pay the bill. If you pay the school in 2026, the 529 distribution must happen in 2026.

Should You Spend Your 529 Plan First?

Many families assume they should automatically use 529 funds first when college bills arrive. In reality, the decision may depend on your broader financial plan.

In some situations, it may make sense to spread withdrawals over multiple years to align with qualified expenses, tax credits, or other education funding sources. Families with multiple children may also consider how using funds now affects future education needs.

A thoughtful withdrawal strategy can help families make the most of the tax advantages of a 529 plan while coordinating education costs with [education planning](#) within a comprehensive wealth plan.

Opening a 529 Plan Even After College Acceptance

If you haven't been saving in a 529, you can still benefit from a conduit strategy. Many states offer a state income tax deduction for 529 contributions. At the very least, you will have a dedicated account for major college expenses, which helps track major education expenses.

- Open an account now
- Deposit the tuition money into the 529 plan

- Immediately withdraw it to pay qualified expenses

In the event your state offers a tax benefit for contributions, you're effectively receiving a discount on tuition when funding a 529 account. *(Note: Check your specific state's rules, as some require a minimum holding period.)*

At the end of the day, college acceptance is a momentous achievement for both you and your child. It represents years of hard work and planning. While the logistics of 529 distributions are important, don't let the details overshadow the joy of this moment. You've successfully navigated the path to get here—now it's time to enjoy the journey ahead. With a thoughtful withdrawal strategy in place, you can move forward with confidence, knowing you're making the most of your education savings.

If you have questions about education funding or how 529 plan withdrawals fit within your broader financial plan, an HB Wealth advisor can help evaluate the options available to your family. Schedule a consultation here: <https://hbwealth.com/request-a-consultation/>.

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