

prepaid529SM

Benefits Guide



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Starting on July 1, 2024, Virginia529 rebranded its education savings program as Invest529. This change is part of a larger update to the organization. Prepaid529 accounts are not affected by the rebranding. All terms and conditions, benefits, and services associated with Prepaid529 accounts will remain unchanged. When reviewing your account through statements or the online account portal, Prepaid529 account holders may notice the Invest529 name where the Virginia529 logo or name previously existed.

This guide answers some frequently asked questions about withdrawals, financial aid, scholarships, and tax reporting. For more detailed information, refer to the Prepaid529 Program Description & Master Agreement.

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REQUESTING A WITHDRAWAL

Your Prepaid529 contract is paid-in-full and it's time to request a withdrawal.

When to submit a withdrawal request*:

- If the student is attending a **school in Virginia**, the withdrawal request only needs to be submitted once when the student first enrolls. The school is paid automatically each Fall and Spring semester until benefits are exhausted or otherwise requested.
- If the student attends a **school outside of Virginia**, a new withdrawal request should be submitted for each Fall and Spring semester.
- Any time benefits are being used for Winter and/or Summer semesters.
- Any time a student changes schools during the academic year.

**If your student's school is on a quarter schedule or requests payments outside of the normal semester-to-semester schedule, please contact Customer Service for assistance.*

Submitting a request for the first time or changing schools? To avoid a delay in payment, submit your requests during the following time frames:

- **Fall Semester** – Between March 15 and June 1
- **Spring Semester** – October 15 and December 15

Review your account information

1. Visit [Invest529.com](https://invest529.com) and select **My Account** to sign in or create an online user profile.
2. Select **Profile Page** to access your contact information and make any necessary updates.
To make sure contact information and mailing addresses are current for everyone listed on the account, go **Manage My Accounts** and click on **Manage Other Individuals**.

Submit a withdrawal request

The most convenient way to request a withdrawal is through your online account. Follow the steps below to submit a request.

1. Select **Manage My Accounts**, then **Withdraw Funds**.
2. On the **Withdrawals** page, select **Get Started**.
3. Select the appropriate account, then **Continue**.
4. Enter the requested information about the school that the student is planning to attend.
 - If the student is attending a school outside of Virginia, you will also select a fund recipient and amount.
5. Review the details and submit the request.

Helpful tips

- If the student stops attending school, immediately submit a **Stop Benefits Request** (See [Stopping Benefits section](#)).
- Refundable or non-refundable deposits due to the school upon acceptance are not covered.
- If multiple Prepaid529 contracts are owned for the same student, they will be depleted in the order purchased. Combination contracts (containing both Tier I and Tier II semesters) will be depleted in the order of Tier II first, unless otherwise requested. A new withdrawal request must be submitted once one contract's benefits are exhausted.
- If benefits are used towards Winter or Spring semesters, this could lead to early depletion of a contract.
- View previous withdrawals and the student's enrollment history on the **Withdraw Funds** page.
- All benefits must be used within a 10-year period from the student's projected high school graduation date.

PREPAID529 TIERS

Prior to closing the program, Prepaid529 contracts were made available at two coverage levels, Tier I and Tier II.

Tier I Contracts (formerly known as University Contracts) will cover one semester of Tuition at a Virginia public four-year college or university. Using a Tier I Contract to attend a Virginia public two-year or community college will cover multiple semesters of Tuition.

Tier II Contracts (formerly known as Community College Contracts) will cover one semester of Tuition at a Virginia public two-year or community college. Using a Tier II Contract at a Virginia four-year college or university will cover less than a semester of Tuition.

Use the Prepaid529 Tier Conversion Table below to calculate the conversion factor of your contract tier based on the purchase date.

Contract Purchase Date	Tier I Semester Coverage at Two-Year Colleges	Tier II Semester Coverage at Four-Year Colleges
Prior to Dec. 1, 2012	3.3333	.3000
Dec. 1, 2012 – Nov. 30, 2013	2.6638	.3754
Dec. 1, 2013 – Nov. 30, 2014	2.6466	.3779
Dec. 1, 2014 – Nov. 30, 2015	2.6130	.3827
Dec. 1, 2015 – Nov. 30, 2016	2.6076	.3835
Dec. 1, 2016 – Nov. 30, 2017	2.6077	N/A
Dec. 1, 2017 – Nov. 30, 2018	2.6084	N/A
Dec. 1, 2018 – Nov. 30, 2019	2.6017	N/A

CALCULATION OF EXPECTED BENEFIT

Prepaid529 benefits are calculated prior to the beginning of each academic year and will not estimate your benefits until the following three factors are determined:

- All Virginia public schools have established tuition and mandatory fees for the upcoming academic year, usually by July 1;
- A withdrawal has been requested, identifying school selection (due when you have accepted admission and preferably at least 30 days prior to starting school, or when you are ready to use your benefits); and
- Prepaid529 reasonable rate of return calculations are finalized – typically mid-July.
 - Used to determine benefits when (i) a student attends school outside Virginia, (ii) cancelling a contract or (iii) determining the minimum benefits.

Minimum Benefit

The payout on any Prepaid529 contract cannot be less than the total payments made plus the Prepaid529 reasonable rate of return; this value is known as the minimum benefit. It generally applies if you purchased a Prepaid529 contract for an older student, the student attends a lower cost school, or a school outside of Virginia. For more information, please refer to the description of contract benefits in the Prepaid529 Program Description & Master Agreement.

PREPAID529 BENEFIT PAYOUTS

Although Prepaid529 is a defined benefit program, benefit payouts and payment methods vary based on when you purchased the contract and the type of school the student will attend. School types fall into one of three categories:

Virginia Public College or University (two-year or four-year)

What Prepaid529 covers

Prepaid529 will pay for tuition and mandatory fees for normal full-time course load (12 – 18 credit hours) in a general course of study at Virginia public two or four-year schools. **Additional charges for a specific major, class, program or course of study (e.g., engineering, nursing), often referred to as “Differential Tuition,” are not covered by Prepaid529.**

Helpful tips

- Benefits used for less than a full-time course load (including Winter or Summer semesters) are prorated. Contact Customer Service to discuss how this may affect remaining benefits.
- Winter term (or semester) refers to a consolidated session, which typically occurs between the Fall and the Spring semesters. Note: Virginia Community Colleges do not offer a winter term or intercession.
- If the student is not a Virginia resident at the time benefits are paid, the cost difference between in-state and out-of-state tuition and mandatory fees is the responsibility of the student.
- Students attending community college should do a financial check-in with the school.
- If applicable, when the Minimum Benefit is paid to the school for a semester, it may create a credit balance with the school. If this occurs, it is the student’s responsibility to advise the school of how the excess funds should be applied to the student’s account (See [Qualified Expenses section](#)).

Payment of funds

Prepaid529 funds are paid out directly to Virginia public schools each semester after the school’s add-drop period and upon receipt of an invoice from the school. The school will be paid each Spring and Fall semester until benefits are exhausted or otherwise requested.

Helpful tips:

- Do not pay the Virginia public college or university for tuition and mandatory fees covered by your Prepaid529 account – the school will invoice Invest529.
- Some Virginia community colleges require students using Prepaid529 benefits to notify the college’s office of student accounts at registration. Failure to do so may result in dropped classes.

Virginia Private College or University

What Prepaid529 covers

Prepaid529 will pay the lesser of:

- Contract payments made plus the actual rate of return – **OR** –
- The highest in-state undergraduate tuition and mandatory fees at a Virginia public college or university in the semester in which benefits are used.

Payouts to Virginia private colleges or universities may not cover the full cost of tuition and mandatory fees. However, it will never be less than the minimum benefit which, in most cases, is equal to the total payments made on the contract, plus the Prepaid529 reasonable rate of return.

Helpful tips:

- Virginia private or independent schools include both non-profit and accredited proprietary schools eligible to participate in the federal financial aid program.

Payment of funds

Prepaid529 funds are paid out directly to Virginia private schools each semester after the school’s add-drop period and upon receipt of an invoice from the school. The school will be paid each Spring and Fall semester until benefits are exhausted or otherwise requested.

College or University Outside of Virginia

What Prepaid529 covers

Prepaid529 will pay the lesser of:

- Contract payments made plus the Prepaid529 reasonable rate of return, compounded annually – **OR** –
- The average in-state undergraduate tuition and mandatory fees at Virginia public schools in the semester benefits are used.



However, the payout will never be less than the minimum benefit (See [Minimum Benefit section](#)).

Helpful tips:

- The [Prepaid529 reasonable rate of return](#) currently tracks quarterly performance of the Institutional Money Funds Index (reported in the Money Fund Monitor™ by iMoneyNet).
- The minimum benefit amount will be calculated and made available for withdrawal each semester.

Payment of funds

The account owner is responsible for submitting a new withdrawal request each semester. Funds can be sent to the school, the student, or to reimburse yourself for other qualified higher education expenses.

Helpful tips:

- Invest529 will not directly communicate with an out-of-state school to arrange payment.
- Refer to the [Minimum Benefit section](#) for more details.

STOPPING BENEFITS

If the student stops attending school, immediately submit a **Stop Benefits request**. This is a convenient online process. Follow the steps below to submit a request.

1. Select **View My Accounts**, then **Withdrawal History**.
2. In the **Enrollment** section, locate the appropriate student and school.
3. Click the **Stop Benefits** button.

Helpful tips:

- Payments to the school will no longer be made once the request has been submitted and accepted.
- To begin using benefits again, the account owner should submit a new withdrawal request.

REDEPOSITS

Account owners may redeposit funds that were previously withdrawn from Prepaid529 accounts. The redeposit cannot exceed the amount of the original payout. To avoid certain tax consequences and penalties:

- The funds you wish to redeposit must have been refunded by the student's school and redeposited into a 529 account for that same student.
- Refunds from the school are typically sent directly to the student and must be redeposited within 60 days.
- The portion of the refund you wish to redeposit must be a refund of qualified higher education expenses only.

The Redeposit Request Form can be found at: [Invest529.com/resources/forms](https://invest529.com/resources/forms).

If the school has provided a refund for an overpayment, and you do not wish to redeposit the funds, you can discuss with your school how the funds can be applied towards additional higher education expenses.

FINANCIAL AID AND SCHOLARSHIPS

Impact on financial aid

Funds can be used at any eligible college or university in the U.S. or even the world. This includes graduate schools, community college, technical/vocational schools, or even study abroad programs. Schools must participate in federal student aid programs. These accounts will be assessed at about of 5.64 percent of the value when calculating the Student Aid Index (SAI) for financial aid eligibility.



If the student is a dependent, the 529 account will be considered a parent asset. If the student is not a dependent, the account is considered a student asset. Beginning in 2024–2025, funds withdrawn and sent directly to the student from an account owned by someone other than the parent or student (a grandparent, for example) are not considered reportable income for the student on the FAFSA.

Helpful tips

- Some schools require additional information to determine financial aid awards. Inclusion of 529 accounts owned by someone other than the student or custodial parent depend on the school's requirements.
- The best resource for detailed financial aid information is the student's school's financial aid office or a college access or financial aid advisor in your area.

Completing the Free Application for Federal Student Aid (FAFSA)

Beginning in 2024–2025, only 529 accounts owned by the custodial parent for the student (or student-owned accounts) must be reported on the FAFSA. Funds withdrawn and sent directly to the student from an account owned by someone other than the parent or student do not need to be reported on the FAFSA.

FAFSA requires the total account value as of the date you submit the form. Access your total account by following the steps below:

1. Visit [Invest529.com](https://invest529.com) and select **My Account** to log in or create an online user profile.
2. After signing in, scroll to the **Account Summary** section. The total value of your accounts can be found at the bottom.

Helpful tip

- When submitting the total account value of a Prepaid529 account, report the value of payments made on each contract, plus the Prepaid529 reasonable rate of return earned, less any benefits already paid out. This value is called the "refund value" in your online account summary.

Scholarships and your Prepaid529 account

529 accounts should not affect receipt of merit-based financial aid, like academic or athletic scholarships, and may be used to pay for qualified higher education expenses not covered by a scholarship or retained for future years, for either undergraduate or graduate school expenses. A scholarship refund may also be requested from your Prepaid 529 account, penalty-free, up to the amount of the scholarship, but not more than the minimum benefit amount. Requests for refunds must be submitted each semester and include documentation of the scholarship.

Helpful tips

- Scholarships often cover the same expenses covered by Prepaid529 benefits. Work with the school's financial aid office to coordinate scholarship and Prepaid529 benefits.
- NCAA scholarship rules may impact 529 withdrawals – contact your school to discuss any interplay between your accounts and any NCAA scholarship.

NOTE: Scholarships may include grants awarded to students for academic, athletic, musical or other special abilities, certain tuition remission benefits for children of university employees, and appointments to a U.S. military academy. Scholarships do not include need-based financial aid, including student loans or work-study programs.

QUALIFIED EDUCATION EXPENSES

For students attending a four-year public school in Virginia, in addition to paying for tuition and mandatory fees as described in the Program Description, excess funds may also be used for other qualified higher education expenses, including:

- Non-mandatory fees including but not limited to Differential Tuition
- Meals
- Room & board (the student must be enrolled for at least half the normal full-time course load to qualify)
- Textbooks & supplies
- Other equipment required for attendance, to include special needs services



Helpful tips

- Prepaid529 benefits can be rolled over to an Invest529 portfolio for use toward K-12 tuition, student loan repayment, or registered apprenticeship programs. Request a rollover using the [Change Investments or Move Funds process](#) in your online account.

ELIGIBLE EDUCATIONAL INSTITUTIONS

Prepaid529 funds may be used at any college, university, or vocational school in the U.S. or abroad that participates in federal financial aid programs.

Search for eligible schools or school codes on the U.S. Department of Education's website, Studentaid.gov.

ADDITIONAL RESOURCES

View a webinar about using your Prepaid529 benefits

- Visit Invest529.com/webinars
- Register for a live webinar or view an on-demand video

Read the Program Description

- Visit Invest529.com/prepaid
- Download or view a copy Prepaid529 Program Description & Master Agreement

TAX INFORMATION

Keep accurate records

You are responsible for maintaining documentation of all qualified higher education expenses. No documentation is required to be submitted with a withdrawal request, but should still be retained for your records and tax purposes. This includes copies of tuition invoices, meal plan contracts, documentation of rent if living off campus, receipts for textbooks, and other qualified higher education expenses.



Tax treatment of withdrawals

Earnings on Prepaid529 accounts grow free from federal and Virginia state taxes (for Virginia state taxpayers) and are excluded for income tax purposes when funds are used to pay for qualified higher education expenses.

Non-qualified withdrawals

The earnings portion of non-qualified withdrawals are taxable as ordinary income and, unless an exception applies, are subject to a federal penalty of 10 percent on the taxpayer's federal tax return. Non-qualified withdrawals may result in the recapture of prior Virginia income tax deductions for Virginia taxpayers. Non-Virginia taxpayers should contact their state's department of taxation for more information.

Exceptions to the non-qualified withdrawal rules include a withdrawal made due to the student's death, disability or receipt of a scholarship. Exceptions are not subject to the 10 percent penalty or recapture of income tax deductions, but the earnings portion is taxed as ordinary income.

Reporting withdrawals in your tax returns

It's not required to report withdrawals used for qualified higher education expenses on your federal tax return. An IRS Form 1099-Q (Qualified Tuition Program Payments) will be issued each year in which a withdrawal is made.

- For withdrawals made payable to the account owner, the Form 1099-Q is sent to the account owner. A digital copy can be accessed through your online account.
- For withdrawals made payable to the student or a school, the Form 1099-Q is sent to the student.
- The student may also create an online user profile to view a digital copy. The student needs to have a valid email address on file in order to set up online account access.

NOTE: Account owners will not be able to view the digital copy in their online account; it is only available in the student's online account.

- Non-qualified withdrawals will incur a 10 percent penalty on the earnings portion of that non-qualified withdrawal, and should be reported as income by the Form 1099-Q recipient.

Helpful tips

- The same qualified higher education expense may not qualify for more than one tax benefit (for example, tax-free withdrawals and a federal tax credit).
- For more information, review the [1099-Q Fact Sheet](#).
- For more information on the tax treatment of withdrawals see IRS Publication 970, "Tax Benefits for Education," available at [irs.gov](https://www.irs.gov). You may also call the IRS at 1-800-829-3676 OR consult your tax advisor.

IMPORTANT NOTICE: Individual tax situations vary greatly. Please consult a tax advisor concerning any legal or tax implications arising from using your Prepaid529 account or opening an Invest529 portfolio. Invest529 cannot provide legal, financial or tax advice and the information in this Benefits Guide should not be construed as such with respect to the consequences for any particular individual as a result of contributions to, investment of, or withdrawals from a Prepaid529 account.

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