



TAX UPDATE: WHAT THE SECURE 2.0 ACT OF 2022 MEANS FOR 529 ACCOUNTS

January 3, 2023

Included in Congress' recently passed SECURE 2.0 Act of 2022 (SECURE 2.0) is a noteworthy planning opportunity for those with 529 Accounts. In the past, withdrawals from tax-advantaged 529 Accounts could only be used for qualified education expenses without incurring federal income tax and penalties. While accounts could be rolled over for certain relatives, the options were undesirable for most. Now with the passing of SECURE 2.0, unused money from a 529 Account may be rolled over into a tax free Roth IRA by the beneficiary. This means that the funds rolled over can continue to grow income tax free.

Congress has placed limitations on the transferring of 529 Account funds into a Roth IRA. For example, the 529 Account must have existed for a minimum of 15 years prior to the rollover. Further, the maximum amount of 529 Account funds that an individual may move during his or her lifetime into a Roth IRA is capped at \$35,000.

The passage of SECURE 2.0 provides a great opportunity for beneficiaries of 529s with excess or unspent funds to start planning for retirement.

If you have any questions, please reach out to your Cummings & Lockwood LLC attorney.