

Education Savings Plans Comparison Chart

| | 529 Savings Plan | Coverdell ESA | UGMA/UTMA | Series I Bonds |
|--|---|--|---|---|
| Tax Benefits | Earnings Federal: Tax-free growth State: Either tax free or tax deferred. Varies by state. | Earnings Federal: Tax-free growth State: Tax-free growth | Beneficiary under age 14: First \$750 of earnings free from federal income taxes, the next \$750 of earnings is taxed at child's rate Earnings above \$1500 to parents | Earnings Federal: Tax deferred growth State: Tax-free Local: Tax-free |
| | Withdrawal Federal: Tax-free withdrawal State: Either tax-free or taxed at beneficiary's rate | Withdrawal Federal: Tax-free withdrawal State: Tax-free withdrawal | Beneficiary over age 14: Same as above Earnings above \$750 taxed at child's rate | |
| Is the value of the account excluded from the owner's taxable estate? | YES | YES | NO | NO |
| Maximum Investment | Varies by state. Some states allow lifetime account balances as high as \$305,000 | Up to \$2,000 per beneficiary | No Limit | Up to \$30,000 per year |
| Minimum Investment | Depends on program, normally \$25/month to \$50/month, with some managers requiring auto monthly deduction from bank or payroll | Varies by provider /investment | Varies by provider/investment | \$50 per year |
| Qualified Higher Educational Expenses | Tuition, fees, books, supplies, room and board, and equipment | Tuition, fees, books, supplies, room and board, and equipment. Elementary and secondary education expenses also qualify. | Any expense | Tuition and fees only |
| Financial Aid Treatment | Savings Plans: Parents' assets Prepaid Plans: May reduce aid dollar-for-dollar | Beneficiary's Assets | Beneficiary's Assets | Parents' assets if education expenses are for the child. Student's assets if education expenses are for oneself. |
| Income Restriction | NO | YES | NO | No restrictions on purchases. However, there is an income restriction for excluding earnings from the federal income tax. |
| Flexibility | Earnings on non-qualified withdrawals taxed at distributee's rate plus an additional 10% tax | Earnings on non-qualified withdrawals taxed at distributee's rate plus an additional 10% tax | Money can be withdrawn by the beneficiary when s/he becomes of legal age. Money can be used for any purpose. | Can be redeemed after 6 months. A 3-month earnings penalty applies to redemption within 5 years of issuance. |
| Control of Account | Account Holder | Parent or other responsible individual | Student takes control once custodianship ends | Bondholder |