Saving for the Next Generation

A side-by-side guide to the main ways to invest in a child's future

Paradigm Advisors, LLC

	529 Plan EDUCATION SAVINGS	Trump Account FEDERAL HEAD-START ACCOUNT	Traditional Trust BESPOKE LEGAL ENTITY	UTMA / UGMA CUSTODIAL ACCOUNT
BEST FOR	**Education at every level**: K-12, college, and credentials	The **$1,000 federal seed** for kids born 2025 to 2028, plus employer dollars, a supplemental head-start	**Control, larger sums,** asset protection, and multi-generational planning	**General-purpose gifting** the child will own outright as an adult
CONTRIBUTIONS	**High limits.** After-tax, with 5-year front-loading up to $95k	**$5,000 annual cap,** including up to $2,500 from an employer. After-tax dollars; $1,000 seed is incremental	**Set by estate planning.** After-tax, funded by the grantor	**No cap.** After-tax gifts; gift-tax rules apply
GROWTH	**Tax-free** if used for qualified education[1]	**Tax-deferred** (not tax-free)	**Tax treatment varies;** non-grantor trusts can reach the top bracket quickly	**Taxable yearly,** “kiddie tax” applies
WITHDRAWALS	**Tax-free** for education; taxed plus 10% penalty otherwise	Taxed as **ordinary income**; 10% penalty before 59½	**Governed by the trust's terms**	**Tax-free** (already taxed); no use restrictions
CONTROL	**Owner keeps control;** can change beneficiary freely	**Locked while it grows;** converts to a traditional IRA at 18	**Trustee controls** per your instructions; the most control	**Custodian controls** until adulthood, then the child owns it
FINANCIAL AID	FAVORABLE Parent asset if parent-owned	LIKELY FAVORABLE Likely a retirement asset; guidance pending	VARIES Depends on how it is structured	LEAST FAVORABLE Student asset; counts more heavily against aid
COST & EFFORT	**Low,** simple to open	**Low,** simple to open	**High,** attorney plus ongoing admin	**Low,** simple to open

START WITH YOUR GOAL

Education	Government deposit	Control & larger transfers	Flexible head-start	Teach them to earn & grow
529 Plan	**Trump Account**	**Trust**	**UTMA / UGMA**	**Custodial Roth IRA**

ONE MORE WORTH KNOWING

Custodial Roth IRA

- **Requires earned income** from a real job, not an allowance
- **Contribute up to what they earned**, so usually modest dollars
- **Tax-free growth** for decades
- **Best for:** working teenagers; establishes the lesson that money is earned first, then left to grow

1. Up to $35,000 in eligible unused 529 funds may be transferred tax- and penalty-free to the beneficiary's Roth IRA, subject to SECURE 2.0 limits.

paradigmadvisors.com · 214-756-6066