



College Savings Plan Comparison Chart

Presented by Tim Weller

Custodial Account	Coverdell Education Savings Account (ESA)	529 Savings Plan	529 Prepaid Tuition Plan
Description			
<p>Account established at a financial institution</p> <p>Managed by parent or another designated guardian</p> <p>Assets must be used for benefit of child.</p>	<p>Savings vehicle that allows assets to accumulate tax deferred</p> <p>Can be established by parents, grandparents, or family friends</p> <p>Maximum contributions of \$2,000 per beneficiary, per year</p>	<p>Investment account that allows money to accumulate tax deferred for K-12 tuition expenses, registered apprenticeship programs, college expenses, as well as to repay qualified student loans</p> <p>Sponsored by a state and managed by various financial institutions</p>	<p>Savings plan designed to increase in value at the same rate as college tuition</p> <p>Can be sponsored by a state or a private college or university</p> <p>Contract plans offer prepurchase of specified number of years of tuition; unit plans offer prepurchase of percentage of tuition costs.</p>
Advantages			
<p>Assets controlled by custodian</p> <p>Income earned is taxed to the child. Kiddie tax rules apply if the child is younger than 19 or younger than 24 if a full-time student.</p> <p>Account costs generally low; no trustee costs</p>	<p>Distributions exempt from federal taxes if used to pay qualified education expenses of beneficiary</p> <p>Can be used to cover elementary and secondary school expenses, as well as college</p> <p>Unlimited investment options</p> <p>Can be rolled over to another ESA for same beneficiary or another family member</p>	<p>Account assets professionally managed</p> <p>Investment choices within plan can be modified for a single beneficiary twice in a single calendar year without tax penalty.</p> <p>Account owners can change the plan beneficiary (if the new beneficiary is a relative of the previous beneficiary).</p> <p>Withdrawals are federally tax exempt if used for K-12 tuition and qualified</p>	<p>Future college tuition costs can be locked in at today's prices.</p> <p>Offers a form of guaranteed return, as account value is designed to increase at pace of tuition cost inflation</p>

		<p>expenses; registered apprenticeship programs fees, books, and required equipment; as well as college expenses, including tuition, room and board, fees, books, and equipment; can be used for qualified distributions for elementary and secondary school expenses, up to \$10,000 per year, per student. (Please note: Not all states recognize these updated federal K–12 provisions. Be sure to check with your state.) Repayment of qualified student loans has a lifetime limit of \$10,000 for a 529 plan beneficiary and additional \$10,000 per sibling of the plan beneficiary.</p>	
--	--	--	--

Trade-offs

<p>Child gains complete access to account at age of trust termination (generally age 18–21, depending on state).</p> <p>Transfers are irrevocable.</p>	<p>Income limitations on donor: Contributions phased out for incomes between \$95,000 and \$110,000 (single filers) and between \$190,000 and \$220,000 (joint filers)</p> <p>Contributions may be made until student reaches age 18.</p> <p>Remaining funds must be distributed to beneficiary at age 30, with earnings taxed as ordinary income plus 10 percent penalty.</p>	<p>No guaranteed rate of return</p> <p>Distributions not used for qualified higher education expenses are subject to federal income tax plus 10 percent penalty; taxes and penalties apply only to earnings in account.</p>	<p>Beneficiary must attend one of the plan’s participating colleges (typically a public college within that state) in order to receive maximum benefit.</p> <p>Covers only undergraduate tuition costs</p> <p>Most plans require all withdrawals be made within 10 years from when student starts college and by age 30.</p> <p>Distributions not used for qualified higher</p>
--	--	---	---

			education expenses are subject to federal income tax plus 10 percent penalty; taxes and penalties apply only to earnings in account.
Financial Aid Impact			
High impact Treated as asset of child	High impact if account is owned by student Low impact if account is owned by parent Treated as asset of account owner Qualified distributions are not considered income of parents or student.	Low impact Treated as asset of account owner (custodial versions of 529 plans treated as parent assets of dependent students) Qualified distributions are not considered income of parents or student.	Low impact Treated as asset of account owner; asset value equals refund value of plan (previously treated as a resource and reduced aid dollar-for-dollar) Qualified distributions are not considered income of parents or student.

The fees, expenses, and features of 529 plans can vary from state to state. A 529 plan involves investment risk, including the possible loss of funds. By investing in a plan outside your state of residence, you may lose any state tax benefits. All 529 plans are subject to enrollment, maintenance, and administration/management fees and expenses.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

Timothy Weller is a financial advisor located at Weller Group LLC, 6206 Slocum Road, Ontario, NY 14519. He offers securities and advisory services as an Investment Adviser Representative of Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. He can be reached at 315-524-8000 or at tim@wellergroupllc.com.

© 2020 Commonwealth Financial Network®

