

Savings Plan Comparison

Topic	529 Savings Plan	Coverdell ESA	UGMA/UTMA	Series I Bonds
Tax Benefits	<p>Earnings Federal: Tax-free growth State: Either tax-free or Tax-deferred. Varies by state</p> <p>Withdrawal Federal: Tax-free withdrawal. State: Either tax-free or taxed at beneficiary's rate</p>	<p>Earnings Federal: Tax-free growth State: Tax-free growth</p> <p>Withdrawal Federal: Tax-free withdrawal State: Tax-free withdrawal</p>	<p>Beneficiary under age 14 First \$750 of earnings free from federal income taxes, next \$750 taxed at child's rate Earnings above \$1,500 to parents</p> <p>Beneficiary over age 14 Same as above Earnings above \$750 taxed at child's rate</p>	<p>Earnings Federal: Tax-deferred growth State: Tax free Local: Tax free</p>
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, but normally from \$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	Parents assets	Beneficiary's assets	Parents' assets if education expenses are for child. Student's assets if education expenses are for oneself.
Income Restriction	No	Yes	No	No restriction on purchases. However, income restriction for excluding earnings from 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	Money can be withdrawn by the beneficiary when he/she becomes of legal age.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