

# Education Savings Plan Comparison



A	B	C	D	
	529 College Savings Plan	Coverdell Education Savings Account	Trust	
1	<b>Best Suited For</b>	High income families; Grandparents	Families with income less than \$220,000 and/or families that wish to save for both primary and secondary school expenses	High net worth individuals with wealth transfer concerns
2	<b>Tax Implications for Contributions</b>	Up to \$13,000 gift-tax free <i>or</i> Up to \$65,000 gift-tax free if prorated over 5 years (assumes no other gifts to beneficiary during the 5 years); Tax deferred growth	Considered a gift; Tax deferred growth	Subject to gift tax if over \$13,000 per beneficiary or \$26,000 for a married couple
3	<b>Tax Implications: Withdrawals</b>	Tax-free withdrawals up to qualified education expense	Tax-free withdrawals up to qualified education expense	As defined by trust instrument
4	<b>Contribution Limit</b>	\$146,000-320,000 per beneficiary (varies by state; \$110,000 would apply against the estate tax exemption)	\$2,000	No limitation but subject to the gift tax rules
5	<b>Minimum Opening Contribution</b>	Varies by state from \$0 minimum with automatic withdrawals to \$2,500 lump sum	\$500	None
6	<b>Annual Contribution Limit</b>	Varies	\$2,000 per year until the beneficiary turns 18	\$13,000 per beneficiary or \$26,000 per married couple donor
7	<b>Income Level Limit of Contributor</b>	None	Singles \$95,000 - \$110,000 AGI Couples \$190,000 - \$220,000 AGI	None
8	<b>Investments</b>	Managed by the state or a mutual fund company usually based on age and/or risk tolerance	Self-directed or manager can be hired if preferred	Trustee directed
9	<b>Management Fees</b>	0.25% to 1.5%	Varies, however must be less than \$10	Varies
10	<b>Annual Fee</b>	\$0 to \$45	N/A	N/A
11	<b>Account Ownership</b>	Account owner (contributor) retains ownership and certain authority over the account	Beneficiary at age 21	Income and principal as defined by trust instrument
12	<b>Portability</b>			
	Institution/ Administrator	Allowed	Allowed	Allowed
	Beneficiary	Allowed	Not allowed	As directed in trust instrument
13	<b>Withdrawal Requirements</b>	None	Withdrawals can be made at any time after the account is opened	As directed in trust instrument
14	<b>Time Frame Assets Must Be Used</b>	Varies by state from no time frame to 10 years.	By age 30	As directed in trust instrument
15	<b>Covered Expenses</b>	All higher education expenses and some post-secondary school expenses (varies by state)	All education expenses for primary and secondary education including: tuition, fees, books, supplies, room & board, etc.	As directed in trust instrument
16	<b>Penalties for Non-Qualified Use</b>	Earnings taxed as ordinary income of the owner + 10% federal penalty	Earnings taxed as ordinary income of the beneficiary + 10% penalty	None

As of January 2010.