

College Savings Chart



	529 College Savings Plan	529 Prepaid Tuition Plan	Coverdell Education Savings Account	UGMA/UTMA Custodial Accounts	U.S. Savings Bonds	Mutual Funds	Roth IRA/ Traditional IRA	Permanent Cash Value Life Insurance
Ownership	Contributor	Contributor	Contributor	Custodian until child reaches age of majority	Contributor	Contributor	Contributor	Contributor
Investments	Plans provide several mutual fund investment options, including stock, bond, and target-date mutual funds	None	No restrictions	As permitted under state laws	Interest-earning bond backed by full faith and credit of U.S. government	Mutual Funds	Broad range of securities and certain other investments	Insurance policies with fixed-rate interest and/or equity components
Contribution Limits	No annual limit; however each state has an aggregate contribution limit	Fixed by terms of contract purchased	\$2,000 per beneficiary per year combined from all sources	No limit	\$10,000 face value per year, per owner, per type of bond	No limit	\$6,500 (\$7,500 for taxpayers age 50 and over)	Up to non-MEC federal tax law limits
Income (Phase-Out) Restrictions	None	None	MAGI ¹ \$190,000-\$220,000 (joint filers) or \$95,000-\$110,000 (single filers) - no annual inflation adjustment	None	Interest exclusion phases out MAGI \$137,800-\$167,800 (joint filers) or \$91,850-\$106,850 (single filers)	None	Must have taxable compensation Roth IRA: MAGI \$218,000-227,999 (joint filers) or \$138,000-152,999 (single) Traditional: Amount deductible reduced or eliminated for taxpayers who participate in an employer retirement plan and have income above certain limits	None

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Age Restrictions	None	Plan may set age or grade limits	Contributions before beneficiary reaches age 18; use of account by age 30. After age 30 the remaining balance will be paid out within 30 days subject to tax on the earnings and the additional 10% penalty tax.	Minor child; custodianship terminates when minor reaches age of majority established under state law (generally 18 or 21)	Bond purchaser must be at least 24 years old at time of bond issuance	None	<p>Roth: Contributions withdrawn without tax or penalty at any time. Earnings withdrawn penalty free for qualifying education expenses while student is in school. Ordinary income tax is still payable on withdrawals of earnings if Roth IRA holder is under age 59½ and account has been held less than five years.</p> <p>Traditional: Penalty-free withdrawals permitted for qualifying education expenses while student is in school. Ordinary income tax is still payable on withdrawals of deductible contributions and earnings.</p>	Typically, issue age 18 to 75 or 80; varies by insurance provider
Able to change beneficiary	Yes, to another member of beneficiary's family; Effective after December 31, 2023, Secure Act 2.0 allows beneficiaries to make tax- and penalty-free annual rollovers to a 529 plan up to the IRA contribution limits, with a lifetime maximum of \$35,000; 529 plan must have been open at least 15 years to qualify	Yes, most plans allow transfer to a sibling; if cancelled, most plans will only return original investment	Yes, to another member of the beneficiary's family	No; represents an irrevocable gift to the child	N/A	N/A	N/A	Yes

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Qualifying Educational Expenses	College tuition, fees, books, computers and related equipment, supplies, special needs; room and board for minimum half-time students. Up to \$10,000 in tuition expenses for K-12 schools. Up to \$10,000 in student loan repayment	With a few exceptions, only tuition and mandatory fees for post-secondary education are covered	Tuition, fees, books, supplies, equipment, special needs; room & board for min. half-time students; additional types of K-12 expenses	No restrictions on types of expenses	Tuition & fees	No restrictions	College tuition, fees, books, computers and related equipment, supplies, special needs; room and board for minimum half-time students	No Restrictions
Federal Income Tax Advantages	Nondeductible contributions; withdrawn earnings excluded from income to extent of qualified higher education expenses	Earnings grow tax-deferred and are tax free if used for qualified education expenses	Nondeductible contributions; withdrawn earnings excluded from income to extent of qualified higher education expenses and qualified K-12 expenses also excluded	Earnings and gains taxed to minor; first \$1,250 of unearned income is tax exempt; unearned income over \$2,500 for certain children under age 24 is taxed at the parent's marginal tax rate	Tax-deferred for federal; tax-free for state; certain post-1989 Series EE and I bonds may be redeemed federally tax free for qualified higher education expenses	Earnings and gains taxed in year realized; special lower tax rates for certain dividends and capital gains	Roth: Nondeductible contributions; withdrawn earnings excluded from income after age 59½ – and five years; 10% penalty on early withdrawals waived if used for qualified higher education expenses Traditional: Deductible or nondeductible contributions; withdrawals in excess of basis subject to tax; 10% penalty on early withdrawals waived if used for qualified higher education expenses	Nondeductible contributions (premiums); tax deferral on earnings; (tax-free loans/withdrawals against cash value; tax-free death benefit) ²
State Income Tax Advantages	Varies by state, but some states provide tax deduction for contributions, tax-free earnings growth and tax-free withdrawals for qualified education expenses	Varies by state, but some states provide tax deduction for contributions, tax-free earnings growth and tax-free withdrawals for qualified education expenses	None	None	None	Interest income on municipal bond funds are federally tax free and generally exempt from state income tax for residents of the issuing state	Varies by state	None

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Federal Gift Tax Treatment	Contributions treated as completed gifts; may apply \$17,000 annual exclusion, or up to \$85,000 with 5-year election	Contributions treated as completed gifts; may apply \$17,000 annual exclusion	Contributions treated as completed gifts; may apply \$17,000 annual exclusion	Transfers treated as completed gift; may apply \$17,000 annual gift exclusion	No gift as qualifying bonds must be owned by the parent	No gift involved; direct payments of tuition to the college are not considered gifts	No gift involved	If the policy is owned by the parent, no gift tax due when premiums paid
Federal Estate Tax treatment	Value removed from donor's gross estate; partial inclusion for death during a 5-year election period	Value removed from donor's gross estate	Value removed from donor's gross estate	Value removed from donor's gross estate unless donor remains as custodian	Value included in bond owner's gross estate	Value included in owner's gross estate	Value included in owner's gross estate	Value included in owner's gross estate
Federal Financial Aid	Asset of parent if owner is parent or dependent student; effective 2024-2025 school year, nonparent (e.g. grandparents, godparents, aunts, uncles, etc.) sources no longer reportable on Free Application for Federal Student Aid (FAFSA ¹)	Asset of parent if owner is parent or dependent student	Asset of parent if owner is parent or dependent student	Asset of student	Asset of bond owner	Asset of the owner	Not counted as asset; withdrawals of principal and interest counted as financial aid income	Not counted as an asset; does not offset Hope Scholarship or Lifetime Learning Credit
Use for Nonqualifying Expenses	Withdrawn earnings subject to federal tax and 10% penalty	Earnings are taxed as ordinary income and may be subject to 10% penalty	Withdrawn earnings subject to federal tax and 10% penalty	Funds must be used for benefit of the minor	No penalty; interest on redeemed bonds included in federal income	No restrictions	Taxable portion of withdrawal prior to age 59½ also subject to 10% early withdrawal penalty	Nondeductible contributions (premiums); tax deferral on earnings; (tax-free loans/withdrawals against cash value; tax-free death benefit) ²

¹ Modified Adjusted Gross Income

² Tax law permits a policy owner to withdraw life insurance policy cash values up to the policy owner's basis or investment in the contract without income tax consequences. Withdrawals and loans will reduce the available death benefit. Withdrawals beyond basis may be taxable income. Excess and unpaid loans will reduce policy value and may cause the policy to lapse. If a policy lapses, unpaid loans are treated as distributions for tax purposes.

Source: finra.org/investors/learn-to-invest/types-investments/saving-for-education/college-savings-comparison-chart and www.savingforcollege.com/compare_savings_options/.

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