WEALTH SOLUTIONS GROUP

BAIRD
Private Wealth Management

Education Savings Options Comparison

Compare the unique features of the three most popular investment vehicles used to save for a child's education.

529 College Savings Plans
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Feature	Coverdell Education Savings Account (ESA)	Custodial Account (UGMA/UTMA)	529 College Savings Plan
Contribution Eligibility Income Limits	2018 income limits (MAGI[1]): **Single Filer:** $95,000 or less: Full Contribution $95,001 – $110,000: Partial Contribution $110,001 or more: No Contribution **Joint Filers:** $190,000 or less: Full Contribution $190,001 – $220,000: Partial Contribution $220,001 or more: No Contribution	No income limitations	No income limitations
Contribution Limits	$2,000 per year	Restricted only by impact of gift tax. The annual exemption is $15,000 ($30,000 for married couples filing jointly)	Program specific, but most are over $400,000. Gifting rules apply. $15,000 annual exemption or a lump sum up to $75,000 via 5-year gift averaging
Control of Assets	Responsible individual, as named in application, until beneficiary reaches age of majority (unless otherwise stated in application)	Custodian (until the beneficiary reaches the age of termination)	Owner of account
Change of Beneficiary	Yes. The new beneficiary must be a relative of the current beneficiary	No (except in the case of death or disability)	Yes. The new beneficiary must be a relative of the current beneficiary
Self-Directed Investment	Yes	Yes	No
Requirement to Deplete Account	Account must be depleted or transferred to a new beneficiary by age 30	No depletion requirement. At age of termination, the child becomes owner of the account	None
Qualified Distribution	Elementary, Secondary and Higher education expenses including tuition, fees, books, supplies & equipment, academic tutoring, uniforms, transportation, computer technology, room & board	Can be used for any expenses benefiting the beneficiary	Higher education expenses including: tuition, fees, books, supplies & equipment, computer technology, room & board Up to $10,000 annually for tuition at public, private and religious K-12[2]
Taxation of Withdrawals	Tax and penalty-free if the money is used for qualified education. Non-qualified distributions will be taxed at account owner's rate[2]	Subject to mix of ordinary income and capital gains taxes. Unrealized capital gains taxed at parent's or minor's rate, based on beneficiary's age at time of use	Federally tax-free and penalty-free if the money is used for qualified higher education. Non-qualified distributions will be taxed at recipient's rate[3]
Effect on Federal Financial Aid	LESS. Considered the asset of the account custodian	MOST. Considered the student's assets, which may lower financial aid eligibility by as much as 20%	LESS. The account is the asset of the account owner

[1] Modified Adjusted Gross Income (MAGI) – will be the same as Adjusted Gross Income for most tax payers. See your tax advisor for complete details.
[2] Your state of residence may not conform to this federal change. Check with the 529 Program Manager or your tax advisor prior to taking a distribution for K-12.
[3] The earnings portion of any withdrawal not used for qualified higher education expenses (or not made on account of death, disability or receipt of college scholarship of the beneficiary) is subject to a 10% penalty and the earnings portion will be treated as ordinary income.

Investors should consider the investment objectives, risks, charges and expenses associated with a 529 Plan before investing. This and other information is available in a Plan's official statement. The official statement should be read carefully before investing.

Depending on your state of residence, there may be an in-state plan that provides tax and other benefits such as financial aid, scholarships and creditor protection that are not available through an out-of-state plan. Before investing in any state's 529 plan, you should consult your tax advisor.