Education Account Comparison Chart

	529 Savings Plan	529 Prepaid Plan	UGMA/UTMA	Coverdell ESA	Roth IRA
Contributions and Deductions					
Contribution limit	Contributions allowed until you reach maximum account size, varies by program up to $395,000. $70,000 per beneficiary in the first year of a five-year period to avoid gift-tax consequences ($140,000 per married couple).	Varies by type of contract.	No limit, but $14,000 per beneficiary per year to avoid gift tax consequences ($28,000 per married couple).	$2,000 per year per beneficiary; contributions stop when child turns 18.	The lesser of $5,500 or 100% of earned income plus $1,000 for those ages 50+.
Limitations on income to contribute	None	None	None	Single filers: $95-110,000Married filers: $190-220,000	Single filers: $112,000-127,000 Married filers: $178,000-188,000 Account owner must have earned income to contribute.
Age limitation to contribute	None	None	None	Contributions stop when child turns 18.	None
Tax-deductible contributions	No federal deduction; state tax deduction varies by the account owner's state of residence and the plan.	Same as 529 savings plan	No	No	No
Withdrawal and Taxation					
Control of withdrawals	Account owner/participant	Same as 529 savings plan	Transfers to child upon age of majority or later	Account owner/participant;	Account owner

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			if state law permits.	beneficiary has the legal right to be named as account owner at age of majority.	
Use of proceeds	Expenses[1] from any accredited college/post-secondary program in the U.S. and some foreign locations.	Often limited to tuition/fees from in-state post-secondary programs.	Limited to any types of expenses for child's benefit (cannot be used for parents' expenses).	Expenses from any accredited college/post-secondary program in the U.S. and some foreign programs and expenses from elementary and high school[5]	Expenses[1] from any accredited post-secondary program in the U.S. and some foreign programs.
Taxation – account earnings	Tax-deferred	Same as 529 savings plan	Taxable. Kiddie Tax under age 19, any investment income over $2,000 taxed at parent's federal tax rate. Expanded Rule Full-time student under age 24 is now included.	Tax-deferred	Tax-deferred. Tax-free only if the 5-year requirement is met and the withdrawal is for death, disability, attainment of age 59Â½ or first-time homebuyer. If not, earnings and possibly conversion amounts withdrawn are taxable at the account owner's rate.[6] 10% penalty on earnings and any conversion amounts withdrawn unless some other exception[7] to the penalty applies.
Taxation – qualified withdrawals	Federal: tax-free State: varies by the account owner's state of residence.[8]	Same as 529 savings plan		Tax-free	
Taxation – nonqualified withdrawals	Federal and state: distributed earnings (prorata) taxed at account owner's or beneficiary's rate depending on to whom the 529 plan provider directs and reports the distribution.	Same as 529 savings plan		Distributed earnings (prorata) taxed at account owner's rate.	
Penalties – nonqualified withdrawals	10% penalty on earnings	Same as 529 savings plan	None	10% penalty on earnings	
Other					
Ownership and federal financial aid impact	Account owner asset; aid is reduced by 3% to	Same as 529 savings plan	Student asset; aid is reduced by 20% of the	Account owner asset; aid is reduced by 3% to	The taxable portion of a withdrawal for

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	5.6% of the 529 value if the parent is account owner.[2]		UTMA/UGMA value.	5.64% of account value if parent is account owner.[2]	education is treated as income, which could impact financial aid.
Ability to change beneficiary?	Yes[3]	Typically yes. See specific plan rules.	No	Yes[3] (beneficiary must be under age 30)	Yes
Funds removed from the donor's estate?	Yes[4]	Typically yes. See specific plan rules.	Typically yes, unless the donor dies while acting as custodian.	Yes	No
Investment options	Varies per plan; typically portfolios of mutual funds. Fixed income options may also be available depending on the 529 provider.	Tuition units guaranteed to match tuition inflation.	UGMA: cash, bank accounts, stocks, bonds, mutual funds; UTMA options may also include real estate, LPs, fine art, patents and royalties.	Wide range of securities (limit may be set by provider)	Wide range of securities (limit may be set by provider)

1. Tuition, fees, books, supplies and equipment required as a condition of enrollment and room and board (amount set by the institution) as long as the student attends at least half time.

2. In most cases, if the student's grandparent is account owner, the asset will not be included in the financial aid formula, but withdrawals from a grandparent-owned 529 may affect the income portion of the formula. This pertains to the federal student aid formula. Other types of financial aid may have different rules.

3. There are no tax implications as long as the "new" beneficiary is a member of the original beneficiary's family and from the same generation. A family member of a designated beneficiary is a son, daughter, grandson, granddaughter, stepson, stepdaughter, brother, sister, stepbrother, stepsister, father, mother, stepfather, stepmother, niece, nephew, aunt, uncle, first cousin, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law, spouse or the spouse of any of the other foregoing individuals. For this purpose, a child includes a legally adopted child, and a brother or sister includes a brother or sister by half blood. If the new beneficiary is a family member from a younger generation, the transaction may subject the original beneficiary to gift taxes and generation-skipping transfer taxes. The beneficiary may be changed to a non-family member; however, this is not a tax-free transaction.

4. If the contributor front loads the contribution (e.g., $70,000 contribution in a single year), then dies within the five year period, a prorated portion of the contribution may be included in the contributor's estate.

5. Tuition, fees, academic tutoring, special needs services, books, supplies and other expenses which are incurred in connection with the enrollment or attendance at a public, private or religious school and expenses for the purchase of computer technology or equipment or Internet access to be used by the beneficiary during any years the beneficiary is in school.

6. Distributions from a Roth IRA come out of the account in the following order: contributions, conversion amounts, earnings.

7. Exceptions to the 10% penalty are: death, disability, attainment of age 59 1/2, first time home buyer, qualified higher education expenses, substantially equal payments, medical bills greater than 7.5% of AGI and medical insurance premiums after losing a job.

8. Favorable state tax treatments for investing in a Section 529 college savings plan may be limited to investments made in a Section 529 plan offered by your home state.