

College Funding Vehicle Comparison

	Contribution Levels	Income Tax Breaks	Investment Choice	Use of Money	Control	Financial Aid Implications
Coverdell	\$2,000 maximum subject to earnings limits (\$110,000 single, \$220,000 MFJ*)	Earnings not taxed federally; state varies. 10% penalty plus income tax if not used by age 30	Open	Books, supplies, equipment, tuition, room and board (if at least half-time student) Elementary, secondary, and/or college costs	Any balance left when child turns age 30 will be distributed	Parent owner (up to 5.6%)
UTMA/UGMA	\$12,000 per person gift tax limit	Kids under 18 pay no tax on first \$850 unearned income and 10% on the next \$850. Investment income above \$1,700 taxed at parents' rate.	Open	Any purpose, except parental obligations	Child controls at age of majority	Child owner (up to 35%)
2503c and Crummy Trusts	\$12,000 per person gift tax limit	Trust rates (higher than individual rates)	Open	Specified in the trust document	Trustee can extend control beyond age of majority	Child owner (up to 35%)
Parents' Name	None	Unlimited	Open	Unlimited	Parent controls	Parent owner (up to 5.6%)
IRAs	\$4,000 (\$5,000 if over age 50); must have earned income to contribute Traditional IRA contributions non-deductible if income over \$80,000 MFJ* (\$60,000 single) Ineligible to make Roth IRA contributions if income over \$160,000 MFJ* (\$110,000 single)	No 10% penalty if withdrawal for qualified expenses Roth contributions (not earnings) can be withdrawn without penalty anytime	Open	Tuition, fees, books, supplies	By owner	Contributions treated as untaxed income; assets not counted; withdrawals treated as income
401(k) Plans	\$15,000 (\$20,000 if over age 50)	None; pay tax twice on interest portion of loan repayment	Investment options within the plan	Unlimited	By owner	Assets not counted
Savings Bonds	\$30,000 a year for I-Bonds; \$15,000 a year (face of \$30,000) for EE-Bonds	Tax-exempt income if used for tuition and fees, owner is over age 24, and income is under \$76,200 single (\$121,850 MFJ*)	Savings bond	Tuition and fees	By owner	If child owner (up to 35%), if parent (up to 5.6%)
529 Prepaid Tuition	Varies by state	Earnings not taxed federally; state tax varies Contributions may be state-tax deductible 10% penalty on earnings if withdrawn for nonqualified purpose.	Plan invests money	Tuition and fees	Donor usually controls; may be state variations	Dollar for dollar reduction in aid
529 Savings Plans	Varies by state; can go as high as \$300,000+ depending on the plan; no earnings limit	Earnings not taxed federally; state tax varies Contributions may be state tax deductible 10% penalty on earnings if withdrawn for nonqualified purpose	Choose among plan provided options; can change investment options only once a year	Tuition, fees, books, supplies, equipment, room and board	Donor owns and controls	If parent owns (5.6%); if grandparent owns, earnings withdrawn may count as untaxed income; any non-qualified distributions count as income

* Married filed jointly