

College Savings Options



YEAR 2023 RULES	529 Plan	Coverdell Education Savings Accounts (ESA)	UGMA/UTMA	529 ABL Plan	Roth IRA	Traditional IRA	Qualifying U.S. Savings Bonds	General Investments
Federal Income Tax - Contributions	Non-deductible contributions	Non-deductible contributions	Non-deductible contributions	Non-deductible contributions	Non-deductible contributions	Deductible or non-deductible contributions	Non-deductible contributions	Non-deductible contributions
Federal Income Tax - Earnings	Earnings and gains are Federal tax-deferred	Earnings and gains are Federal tax-deferred	Earnings and gains taxed to minor; first \$1,100 of unearned income is tax exempt; unearned income over \$2,200 for certain children under age 24 is taxed at rates for estates and trusts	Earnings and gains are Federal tax-deferred	Earnings and gains are Federal tax-deferred	Earnings and gains are Federal tax-deferred	Earnings and gains are Federal tax-deferred	Earnings and gains taxed in year realized; special lower tax rates for certain dividends and capital gains
Federal Income Tax - Distributions	Withdrawn earnings excluded from income to extent of qualified higher education expenses and some qualified K-12 expenses based on State rules	Withdrawn earnings excluded from income to extent of qualified higher education expenses and qualified K-12 expenses also excluded	Earnings and gains taxed to minor;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 \$1,100 of unearned income is tax exempt; unearned income over \$2,200 for certain children under age 24 is taxed at rates for estates and trusts	Withdrawn earnings excluded from income to extent of qualified disability expenses	Withdrawn earnings excluded from income after age 59 1/2 – and five years; 10% penalty on early withdrawals waived if used for qualified higher education expenses	Withdrawals in excess of basis subject to tax; 10% penalty on early withdrawals waived if used for qualified higher education expenses	Certain post-1989 Series EE and I bonds may be redeemed federal tax-free for qualified higher education expenses	Earnings and gains taxed in year realized; special lower tax rates for certain dividends and capital gains
State Income Tax	Owner's or the beneficiary's home state may offer state tax or other benefits that are only available for investments in that state's 529 plan (e.g., New York allows \$10,000 state income tax deduction per married couple annually). Other state benefits may include financial aid, scholarship funds, and protection from creditors.	State rules vary, but most follow Federal	Taxed at child's tax rate	Owner's or the beneficiary's home state may offer state tax or other benefits that are only available for investments in that state's 529 plan. Other state benefits may include financial aid, scholarship funds, and protection from creditors.	Same as federal	State rules vary, but most follow Federal	Interest is state tax-exempt	Earnings and gains taxed in year realized; special lower tax rates for certain dividends and capital gains
Federal Gift Tax Treatment	Contributions treated as completed gifts; apply \$17,000 annual exclusion, or up to \$85,000 with 5-year election	Contributions treated as completed gifts; apply \$17,000 annual exclusion	Transfers treated as completed gift; apply \$17,000 annual gift exclusion	Contributions treated as completed gifts; apply \$17,000 annual exclusion	No gift involved	No gift involved	No gift as qualifying bonds must be owned by the parent	No gift involved; direct payments of tuition not considered gifts
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 unless donor remains as custodian	Upon the death of the beneficiary, the ABL account balance is included in his or her gross estate for federal estate tax purposes. Amounts paid from the account for outstanding qualified disability expenses, and to a state for claims under its Medicaid program, may be deductible for federal estate tax purposes	Value included in the owner's gross estate	Value included in the owner's gross estate	Value included in bond owner's gross estate	Value included in the owner's gross estate
Maximum Investment	Established by the program; many in excess of \$400,000 per beneficiary	\$2,000 per beneficiary per year combined from all sources	No limit	Subject to the individual state and their limit for education-related 529 savings accounts: many in excess of \$400,000. However, only the first \$100,000 is exempt from the SSI	\$6,500 (\$7,500 for taxpayers age 50 and over)	\$6,500 (\$7,500 for taxpayers age 50 and over)	\$10,000 face value per year, per owner, per type of bond	No limit
Qualified 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.	Tuition, fees, books, supplies, equipment, special needs; room & board for min. half-time students; additional types of K-12 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.	No restrictions	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.	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.	Tuition and fees	No restrictions
Ability to Change Beneficiary	Yes, to another member of the beneficiary's family	Yes, to another member of the beneficiary's family	No; represents an irrevocable gift to the child	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Time/Age Restrictions	None unless imposed by the program	Contributions before beneficiary reaches age 18; use of account by age 30	Custodianship terminates when minor reaches age established under state law (generally 18 or 21)	Must be diagnosed with a significant disability before 26 years old, with a condition expected to last at least 12 consecutive months; must also be receiving benefits under SSI and/or SSDI. or be able to obtain a disability	Withdraw earnings tax-free only after five years and age 59 1/2	Withdraw without penalty only after age 59 1/2	Bond purchaser must be at least 24 years old at time of bond issuance	None
Income Restrictions	None	Contributions phase out for incomes between \$190,000 and \$220,000 (joint filers) or \$95,000 and \$110,000 (single filers). No annual inflation adjustment	None	None	Must have taxable compensation; contribution limit phases out for incomes between \$204,000 and \$214,000 (joint filers) or \$129,000 and \$144,000 (single)	Must have taxable compensation; amount deductible reduced or eliminated for taxpayers who participate in an employer retirement plan and have income above certain limits	Interest exclusion phases out for incomes between \$128,650 and \$158,650 (joint filers) or \$85,800 and \$100,800 (single filers)	None
Federal Financial Aid	Counted as asset of parent if owner is parent or dependent student	Counted as asset of parent if owner is parent or dependent student	Counted as student's asset	Account balances of \$100,000 or less are disregarded; would also not be reported as an asset on a sibling's FAFSA	Not counted as asset; withdrawals of principal and interest counted as financial aid income	Not counted as asset; withdrawals of principal and interest counted as financial aid income	Counted as asset of bond owner	Counted as asset of the owner
Investments	Menu of investment strategies as developed by the program	Broad range of securities and certain other investments	As permitted under state laws. UTMA typically allows broad range of assets including real estate, works of art, royalties, and patents.	Menu of investment strategies as developed by the program	Broad range of securities and certain other investments	Broad range of securities and certain other investments	Interest-earning bond backed by full faith and credit of U.S. government	Mutual funds
Use for Nonqualifying Expenses	Withdrawn earnings subject to federal tax and 10% penalty, unless rolled over to student's Roth IRA (SECURE 2.0 Act)	Withdrawn earnings subject to federal tax and 10% penalty	Funds must be used for benefit of the minor	Will result in tax implications and penalties and could affect the beneficiary's eligibility for public benefits	Taxable portion of withdrawal prior to age 59 1/2 also subject to 10% early withdrawal penalty	Taxable portion of withdrawal prior to age 59 1/2 also subject to 10% early withdrawal penalty	No penalty; interest on redeemed bonds included in federal income	No restrictions
Owner	Anyone (e.g., parent, grandparent, friend of the family, student)	Parent	Anyone (e.g., parent, grandparent, friend of the family)	Anyone (e.g., parent, grandparent, friend of the family, student)	Student	Student	Adult (age 24+), usually parent	Anyone

LEGEND
Best Option in Category
Worst Option in Category