

# Compare College Savings Options



2009	CollegeInvest 529 College Savings Plans	Coverdell Education Savings Account	Uniform Trust/Gift to Minors Act Account (UTMA/UGMA)	Education Bond Program (U.S. Savings Bonds)	Roth Individual Retirement Account	Taxable Account
<b>Description</b>	State sponsored, tax-advantaged education savings vehicles used for qualified higher education expenses.	Tax-advantaged education savings vehicle for qualified K-12 and higher education expenses.	Custodial account managed for the benefit of a minor. The account is an irrevocable transfer of assets in a child's name.	Series EE (issued after 1989) and Series I Savings Bonds may be used to fund qualified higher education expenses.	Tax-advantaged retirement vehicle that may also be used to fund qualified higher education expenses.	Any taxable account.
<b>Income Limits on Who May Invest</b>	No	Individuals must meet the modified adjusted gross income limit. <sup>1</sup>	No	No restrictions on purchase. Federal income tax exemption for interest earned on bonds is limited to individuals meeting the modified adjusted gross income limit. <sup>2</sup>	Individuals must meet the modified adjusted gross income limit. <sup>1</sup>	No
<b>Age Requirements for the Account Owner or Beneficiary</b>	No	<b>Contributions:</b> beneficiary must be under age 18 unless special needs beneficiary. <b>Distributions:</b> beneficiary must use account assets by age 30, unless special needs beneficiary.	Account ownership will transfer to the minor upon reaching age of majority.	No	No	No
<b>Ability to Change the Beneficiary</b>	Yes, to another qualified member of the current beneficiary's family.	Yes, but limited to another member of the current beneficiary's family who is under age 30.	No	Yes, but limited to bondholder, spouse or dependent.	Yes. For future premature withdrawals, earnings portion is subject to 10% penalty unless used for higher education of IRA holder, spouse, child or grandchild.	Not applicable.
<b>Where Can the Funds be Used?</b>	At any eligible college or university, including some schools outside the U.S. <sup>3</sup>	At any eligible college or university, including some schools outside of the U.S. <sup>3</sup> May also be used for public, private or religious school that provides elementary or secondary education (K-12).	There are no restrictions, except funds must be used for the benefit of the minor. At the age of majority the child controls use of funds (doesn't have to be used for higher education).	At any eligible college or university, including some schools outside the U.S. <sup>3</sup>	At any eligible educational institution.	Anywhere
<b>Maximum Contribution Limit</b>	\$280,000 total for all accounts for the same beneficiary. <sup>4</sup>	\$2,000 per year total for all accounts for the same beneficiary. Subject to reduction within an income phase-out range. <sup>1</sup>	Unlimited	Purchase limitations are set by the U.S. Treasury. Paper I Bonds: \$5,000 face value per year/person. Paper EE Bonds:\$5,000 face value per year/per person. (Similar limits for electronic I and EE bonds)	Maximum limit is \$5,000 (\$6,000 for taxpayers age 50 and older) per account. Contribution limit is phased out based on modified adjusted gross income. <sup>5</sup>	Unlimited
<b>Are Contributions State Tax Deductible?</b>	Yes, unlimited for Colorado State residents. <sup>6</sup>	No	No	No	No	No
<b>Federal Income Tax Treatment of Earnings<sup>2</sup></b>	Earnings grow free from federal income taxes while in the account.	Earnings grow free from federal income taxes while in the account.	<b>If "kiddie tax" applies:</b> <sup>7</sup> - First \$900 of unearned income is free from federal income taxes. - Next \$900 is taxed at child's rate. - Unearned income above \$1,800 is taxed at the parent's marginal rate. <b>If "kiddie tax" does not apply" (but child is a dependent):</b> - First \$900 of unearned income is free from federal income taxes. - Unearned income above \$900 is taxed at the child's rate.	Federal taxes can be deferred until redemption or maturity. Earnings grow free from state/local income taxes.	Earnings grow free from federal income taxes while in the account.	Dividends and interest are taxed to the owner at ordinary income rates, and capital gains are taxed at capital gains rate.
<b>Federal Income Tax Treatment of Qualified Withdrawals<sup>2</sup></b>	Qualified withdrawals are free from federal income taxes. <sup>8</sup>	Qualified withdrawals are free from federal income taxes. <sup>8</sup>	Not applicable. See "Federal Income Tax Treatment of Earnings."	You may be able to exclude from your gross income all or part of the interest received on the redemption of certain U.S. Savings Bonds. <sup>9</sup>	If the account has been held for five years and the IRA holder is over age 59 1/2, distributions for education expenses are tax-free and penalty-free. For premature withdrawals, earnings portion taxed as ordinary income, but penalty-free when used for qualified higher education expenses.	Not applicable.
<b>Annual Limit for Gift Tax Exclusion</b>	\$65,000 (or \$130,000 for married couples) per beneficiary in a single year without federal gift tax consequences. <sup>10</sup>	"Maximum Contribution Limit" is below Annual Limit for Gift Tax Exclusion.	\$12,000 (or \$24,000 for married couples) per beneficiary annually without gift tax consequences.	Not applicable.	Not applicable.	No gift involved.

## Important Considerations

- 1 Income limit phase-out for individual tax filers is \$95,000-\$110,000. For married taxpayers, the income phase-out range for joint taxpayers is \$150,000-\$160,000.
- 2 State tax treatments vary by state.
- 3 Higher Education institutions eligible to receive Title IV funds: Colleges, Universities, Graduate Schools, Community College, Vocational and Technical Schools. For complete list of eligible educational institutions, please visit [www.fafsa.ed.gov](http://www.fafsa.ed.gov)
- 4 The combined maximum account balance limit for all Section 529 Programs established and maintained by the State of Colorado for a particular student cannot exceed \$280,000. Although account balances can grow beyond that amount, no additional contributions can be made once the balance reaches \$280,000.
- 5 Roth IRA 2008 income limit phase-out for individual tax filers is \$101,000-\$116,000. For married taxpayers filing jointly, 2008 the income limit phase-out is \$159,000-\$169,000.
- 6 Contributions to the Programs in a tax year are deductible from state income tax up to the extent they are included in your federally taxable income for that tax year, subject to recapture in subsequent years in which nonqualified withdrawals are made.
- 7 The kiddie tax applies to a beneficiary who is under 19 or a full-time student under 24, but will not apply if the beneficiary has a job earning income for more than half of his or her support.
- 8 The earnings portion of a non-qualified withdrawal is subject to federal income taxes and any applicable state income tax, as well as an additional 10% federal tax penalty.
- 9 If the proceeds are used for qualified higher education expenses. If the savings bonds are issued in your name, or jointly with a spouse, and are issued after 1989, the interest may qualify for this exclusion. Income limit phase-out is \$65,600-\$80,600 for individual taxpayers and \$98,400-\$128,400 for married taxpayers filing jointly.
- 10 Contributions between \$13,000 and \$65,000 made in one year can be prorated over a five-year period without incurring gift taxes or reducing your unified estate and gift tax credit. If the account owner dies before the end of the five-year period, a prorated portion of the contribution will be included in his or her taxable estate. If you contribute less than the \$65,000 maximum, additional contributions can be made without incurring gift taxes, up to a prorated level of \$13,000 per year. Gift taxation may result if a contribution exceeds the available annual gift tax exclusion amount remaining for a student in the year given of contribution.

*To learn about CollegeInvest's 529 program, its objectives, risks, charges, limitations, restrictions and qualifications regarding the Plans' benefits and potential tax advantages, please read the Program Disclosure Statements (PDS) available at [www.collegeinvest.org](http://www.collegeinvest.org). Also, check with your home state to learn if it offers tax or other benefits for investing in its own plan. CollegeInvest and the CollegeInvest logo are registered trademarks. Administered and Issued by CollegeInvest.*