**2024 College Saving Comparison** (add’l information found in: [Publication 970 (2022), Tax Benefits for Education | Internal Revenue Service (irs.gov)](https://www.irs.gov/publications/p970))

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|  | [**529 Saving Plans**](http://www.401kid.com/collegefunding/529plans.php) | [**Coverdell ESA**](http://www.401kid.com/collegefunding/coverdell.php) | [**UTMA**](http://www.401kid.com/collegefunding/ugma.php) | [**Roth IRAs**](http://www.401kid.com/collegefunding/rothira.php) | **Traditional IRA’s** | [**Series EE or I Bonds**](http://www.401kid.com/collegefunding/alternativeoptions/eebonds.php) |
| Tax Treatment | **Contributions:** \*FED Tax: After-tax contribution. No current year deduction. Earnings grow tax-deferred.  \*STATE Tax: Possible deduction for in-state plans (WI: up to $5,000 [2024] per bene, per year). Earnings grow tax-deferred.  \*GIFT Tax: 5-year averaged lump sum contribution of annual exclusion (i.e., $80k)  **Withdrawals:** \*FED: Qualified withdrawals for higher education and K-12 education expenses are Tax-free.  \*STATE: Tax-free for qualified higher education expenses if one invests in one’s state 529 plan. A few states tax withdrawals if one invests in an out-of-state 529 plan. | **Contributions:** \*FED & STATE Tax: After-tax, No deduction.  Earnings grow tax-deferred.  **Withdrawals:** \*FED & STATE Tax Qualified elementary, secondary and higher education expenses are free from income tax on earnings. | **Kiddie Tax Rules (chg 2020)**  **Bene is <18 or FT student <24**  \*2024, the normal tax rates apply to a child’s earned income plus $2,500 of unearned income. A child’s net unearned income (above the amount taxed at the child’s rate) is taxed to the child at his or her parents’ tax rate (assuming that rate is higher than the child’s rate).  Child’s tax on net unearned income is the amount of the child’s share of the “allocable parental tax.”  A parent can sidestep the kiddie tax by reporting a child’s income directly on the parent’s return. This election can be made if:  ●The child’s income is only from interest and dividends (including capital gains distributions).  ●The child’s gross income for the year is more than the minimum standard deduction for dependents ($1,250 for 2024).  ●The child’s gross income is less than ($13,850 for 2024).  ●No estimated tax payments were made for the child and the child’s income was not subject to backup withholding. | **Contributions:**  \*After-tax, not deductible  \*Withdrawals subject to FIFO treatment. After-tax contributions are withdrawn tax-free at any time.  **Withdrawals:** \*Qualified withdrawals of earnings are tax-free (Invested at least 5 years and older than 59.5 at time of W/D)    \*Non-qualified withdrawals are subject to 10% Fed surtax and the account owner’s marginal tax rate  \*Exception for early withdrawal penalty (10% Fed) if used for qualified education purposes. | **Contributions:**  \*Possible tax deduction for active participants in employer plan. **Phase-out** (S) $77k-$87k (MFJ) $123k-$143k (2024)  \*Deduction available for non-participants in employer plan.  **Withdrawals:**  **\***Withdrawals of pre-tax contributions prior to age 59.5 are subject to 10% Fed surtax and ordinary income tax.    **\***Exception for early withdrawal penalty (10% Fed) if used for qualified education purposes.  \*Withdrawals of pre-tax contributions are subject to ordinary income tax at owner’s marginal tax rate. | **Earnings:**  \*Tax deferred until bond redemption.  \*All or portion of interest paid to bond holder at bond redemption is excluded from gross income if used to pay for qualified educ. expenses  **Conditions for Educ:**  \*Form 8815: “Exclusion of interest From Series EE and I Savings Bonds”  **\***Issued after 1989  \*must be at least age 24 at purchase  \*Child cannot be co-owner  \*For own educ, must be registered in own name  \*If married must file jointly (MFJ)  \*Income requirement (below)  \*Educ. Institution must meet Fed. standards for assistance. |
| Is the value of the account excluded from the owner’s taxable estate? | \*Yes | \*Yes | \*No (Minor Owns Account) | \*Yes | \*No | \*No |
| Maximum Investment | \*Varies by state. Wisconsin allows new contributions until balance reaches $567,500 for 2024. | \*Up to $2,000 per beneficiary, per year | \*No Limit | \*$7,000 per year ($8,000 for taxpayers age 50 and over) | \*$7,000 per year ($8,000 for taxpayers age 50 and over) | \*Up to $10,000 per year |

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| Minimum Investment | \*Depends on plan, usually from $25/ month to $50/ month, with some fund companies requiring automatic contributions from bank acct. or payroll | \*Varies by provider/ investment | \*Varies by provider/ investment | \*Varies by provider/ investment | \*Varies by provider/ investment | \*$25 per year |
| Contribution Deadline per year | \*12/31 | \*Due date of contributor’s tax return, without extensions | \*12/31 | \*Due date of contributor’s tax return, without extensions | \*Due date of contributor’s tax return, without extensions | \*12/31 |
| Qualified Higher Education Expenses | **529 Savings plans:** Tuition, room & board, books, supplies, equipment and expenses for special needs services  **529 Prepaid plans:** Tuition & fees only | \*Tuition, room & board, books, supplies, & equipment.  \*Elementary & secondary education expenses also qualify | \*Any Expense | \*Tuition, room & board, books, supplies, & equipment and expenses for special needs services | \*Tuition, room & board, books, supplies, & equipment and expenses for special needs services | \*Tuition & fees only |
| Financial Aid Treatment | \*Parent’s Assets | \*Parent’s Assets | \*Beneficiary’s Assets | \*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 | \*Parent’s assets if education is for child.  \*Student’s assets if education expenses are for oneself. |
| Income Restriction  (Phase-outs) | \*None | \*Yes**. Phase-Outs**:  (S) $95k-110K  (MFJ)$190k-220K  (2024) | \*None | \*Yes, **Phase-outs:**  (S) $146k-161k.(2024)  (MFJ) $230k-240k (2024) | \*None (but may not be tax deductible, see above) | \*No restriction on purchase  (2024) Phase-outs for educ:  (S) $96,800 - $111,800.  (MFJ) $145,200 - $175,200 |
| Flexibility and Characteristics | \*Earnings on non-qualified withdrawals may be subject to federal income tax at the parents’ rate, plus a 10% federal penalty tax, plus any state and local income taxes where applicable.  \*Beneficiary can be changed to family member at any time.  \*Investment choices can be changed 2x/Yr. or at Trans.  \*Rollovers allowed once annually.  \*Investment options limited to those offered by plan  \* (SECURE Act) $10,000 lifetime withdrawal for tax-free loan payment. | \*Earnings on non-qualified withdrawals may be subject to federal income tax at the parents’ rate, plus a 10% federal penalty tax, plus any state and local income taxes where applicable.  \*Beneficiaries may be changed to family member at any time if current bene is under age 30 and new bene is under age 30.  \*No limit on investment changes  \*Rollovers allowed once annually | \*A custodial gift is irrevocable  \*Custodian controls distributions FBO the minor until age of majority (WI age21). Beneficiary can withdraw assets when he/she reaches legal age.  \*Funds held in UTMA can be withdrawn for any purpose not considered a legal obligation of support.  \*Investments may be changed at any time but may be a taxable event.  \*Beneficiary cannot be changed  \*Greater Financial Aid impact | \*Earnings on non-qualified withdrawals may be subject to federal income tax at the parents’ rate, plus a 10% federal penalty tax, plus any state and local income taxes where applicable  \*Investment changes can be made at any time and are not subject to current taxation  (SECURE Act 2) Beginning ’24 Up to $35K may be rolled from own 529 plan to own Roth at a rate not to exceed annual IRA contribution limit. | \*Earnings on non-qualified withdrawals may be subject to federal income tax at the parents’ rate, plus a 10% federal penalty tax, plus any state and local income taxes where applicable  \*Investment changes can be made at any time and are not subject to current taxation | \*Can be redeemed after 6 months. A 3 month earnings penalty applies |

**Sources for 2024-25 College Education FAFSA® and Federal Student Aid:**

<https://youtu.be/o9UFE7xqomI?si=FyLOizD9blRzeg_r>

[7 Key Changes Coming to the 2024–25 FAFSA® Experience – Federal Student Aid](https://studentaid.gov/articles/fafsa-changes-coming/)