2019 College Saving Comparison (additional information found in IRS.gov/publications/p970)

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| Page 1: | **EDUCATION** | | **GIFTING** | **OTHER** | | |
|  | [**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 3,200 per bene, per year). Earnings grow tax-deferred.  \*GIFT Tax: 5-year averaged lump sum contribution of annual exclusion (i.e., $75k)  **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**  **Beneficiary under 18:**  \*First $1,050 of unearned income is free from Federal taxes, next $1,050 taxed at the child’s tax rate  \*Unearned income above $2,200 is taxed marginal rates for Trusts.  **Beneficiary under 19 or Full-time students aged 19-23 whose earned income is <1/2 of full support:**  \*First $1,050 of unearned income is free from federal taxes, the balance is taxed at child’s rate  \*May utilize $15,000 annual gift exclusion.  \*Shifts some income from producing asset to child ($2,200)  \*Shifts potential future asset appreciation to child to reduce estate size | **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 After-tax contributions are withdrawn tax-free at any time.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) $64k-$74k (MFJ) $103k-$123k.  \*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:**  **\***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 $500,000. | \*Up to $2,000 per beneficiary, per year | \*No Limit | \*$6,000 per year ($7,000 for taxpayers age 50 and over) | \*$6,000 per year ($7,000 for taxpayers age 50 and over) | \*Up to $10,000 per year |
| 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 |
| **Page 2:** | [**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) |
| 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 | \*None | \*Yes. Phase-Outs:  (S) $95k-110K  (MFJ)$190k-220K | \*None | \*Yes, Phase-outs:  (S) $122k-137k;  (MFJ) $193k-203k | \*None (but may not be tax deductible) | \*No restriction on purchases.  \*Phase-outs for educ:  (S) $81,100 - $96,100;  (MFJ) $121,600 - $151,600 |
| 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 related party annually.  \*Investment choices can be changed annually  \*Rollovers allowed once annually  \*Investment options limited to those offered by plan | \*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 related party at any time.  \*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 | \*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 |