

## 2023 Summary Comparison of 529 Account and Coverdell Education Savings Account

The following table compares the 529 College Savings Plan to the Coverdell Education Savings Account (ESA). The plans vary by ownership, contribution amounts, managers, investment choices, fees, withdrawal requirements, qualified expenses, etc.

*This is only a summary of general information. Refer to the IRS Publication 970 for complete details.*

	529 COLLEGE SAVINGS PLAN	EDUCATION SAVINGS ACCOUNT (Coverdell / Education IRA)
<b>Account Holder</b>	Any adult for the benefit of the student. Can be the parent, grandparent, or other. Be sure to name a successor owner.	An adult is the custodian for the beneficiary. Can be the parent, grandparent or other. The beneficiary must be under the age of 18.
<b>Custodian broker</b>	Plans are sponsored by various states. You do not need to be a resident of the state. Custodian broker varies by state.	Custodied at a broker such as Schwab or TD Ameritrade.
<b>Minimum Initial Contribution</b>	Varies by state plan.	Varies by custodian broker.
<b>Annual Contribution</b>	Up to \$17,000 gift tax-free per person, <i>or</i> Up to \$85,000 gift tax-free if prorated over 5 years (assumes no other gifts to beneficiary during the 5 years)  Contribution can be more, but is subject to gift tax reporting. There is no income limit.  Total value \$300k + depending on state Deadline for gift tax exclusion 12/31	\$2,000 per year, per beneficiary, to age 18. The amount is limited by the Modified Adjusted Gross Income of the person making the contribution.  The phase out range is: MAGI \$190,000 - \$220,000 Married Filing Jointly \$95,000 - \$110,000 Single Contribution deadline is 4/15 of the following year. Can also contribute to a 529 plan
<b>Manager and Investments</b>  <b>529s Vary by State</b>	Mutual funds only. The fund choices vary by state. Expenses vary by manager. Plans may offer: <input type="checkbox"/> "auto pilot" tracks based on risk tolerance and age of child <input type="checkbox"/> static portfolios with various allocations of stock, bond & "cash" mutual funds Investment selection can only be changed twice a year.	Similar to other brokerage accounts, a Coverdell is managed at the account owner's discretion  Broad range of stocks, bonds, mutual funds, etc.  Investments can be changed at any time
<b>Taxation</b>	Qualified withdrawals are tax-free Contributions are deductible in some states – not California	Qualified withdrawals are tax-free
<b>Qualified Withdrawals</b> See IRS Pub. 970 for details	K-12 up to \$10,000* Tuition only & Post-Secondary Qualified Institution if enrolled at least ½ time. Student Loan repayment \$10,00 per student lifetime. * Can Roll into Roth IRA for beneficiary*	K – 12 & Post-Secondary Qualified Institution if enrolled at least ½ time Expenses related/required for attendance - tuition, fees, books, required equipment, room & board Additional items for K-12
<b>Penalties for Non-qualified Use</b>	Earnings taxed as ordinary income + 10% penalty. Some states have a separate fee	Earnings taxed as ordinary income + 10% penalty
<b>Account Ownership</b>	Account holder retains ownership and certain authority over the account. Can be rolled over to another family member or owner. <i>Can be returned to the owner as a non-qualified distribution.</i>	There is an adult custodian – ownership may be transferred to the beneficiary at age 18. Must be distributed by age 30. Beneficiary may be changed to another family member.

Both plans will affect need-based financial aid. This varies according to who owns the account, timing of distributions & the school. \*Some states, including Calif., have **not** approved the \$10,000 for K-12 as a qualified expense for state income tax.

\*Some states do not conform with federal law on 529 being used for student loan repayment. CA did in October of 2021.

\*New law 12/2022 allows up to \$35,000 in 529 to be rolled into a Roth IRA beneficiary – awaiting guidance from IRS