

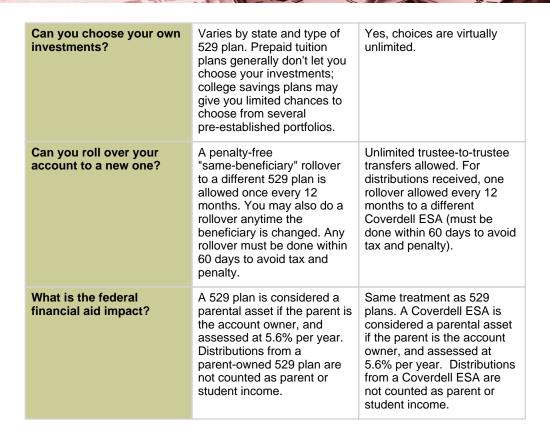
529 Plans vs. Coverdell Education Savings Accounts



529 Plans vs. Coverdell Education Savings Accounts

Question	529 Plan	Coverdell ESA
What is the maximum contribution limit?	Varies by state. Lifetime contributions are typically over \$300,000.	\$2,000 per year
Is your ability to contribute based on your adjusted gross income (AGI)?	No	Single filers can make a full contribution if modified adjusted gross income (MAGI) is less than \$95,000 (a partial contribution is allowed if MAGI between \$95,000 and \$110,000). Joint filers can make a full contribution if MAGI is less than \$190,000 (a partial contribution is allowed if MAGI between \$190,000 and \$220,000).
Can the account stay open indefinitely?	Varies by state and type of 529 plan. Prepaid tuition plans usually have a limit; most college savings plans don't.	No, cannot exist for any beneficiary 30 or older, unless the beneficiary is a special needs child. Also, contributions aren't allowed after the beneficiary turns 18, unless the beneficiary has special needs.
Do you get a federal income tax deduction for contributions?	No	No
Are qualified withdrawals (those used for the beneficiary's education expenses) exempt from federal income tax?	Yes	Yes. Qualified education expenses also include elementary and secondary school expenses.
Are withdrawals subject to federal income tax and penalty if not used for qualified education expenses?	Yes (earnings portion only) ¹	Yes (earnings portion only) ¹
Do contributions have federal gift tax consequences?	No, for contributions up to the annual gift tax exclusion. ² Additional gifts made to the beneficiary outside the 529 plan may trigger gift tax.	No, maximum contribution allowed per year is less than the annual gift tax exclusion. However, additional gifts made to the beneficiary outside the Coverdell ESA may trigger gift tax.
Are you free to change the beneficiary?	Yes, if you are the account owner. No penalty applies if the new beneficiary is a qualified member of the prior beneficiary's family. ³	Depends on trustee's policies, but generally yes. No penalty applies if the new beneficiary is a qualified member of the prior beneficiary's family and is not over age 30 when the change is made.





¹A 10% federal penalty is assessed on the earnings portion of all nonqualified withdrawals from a 529 plan and a Coverdell ESA. The penalty generally doesn't apply to nonqualified withdrawals made due to the beneficiary's death, disability, or receipt of a tax-free scholarship (to the extent of the scholarship's value).

²The annual gift tax exclusion is currently \$14,000. However, you may contribute up to \$70,000 to a 529 plan in one year (for the same beneficiary) and not owe gift tax if you elect to spread the gift over a five-year period and you make no additional gifts to the beneficiary during that period.

³Qualified family members include children and their descendants, stepchildren, siblings, stepsiblings, parents, stepparents, nieces, nephews, aunts, uncles, first cousins, and in-laws of the original beneficiary.

Note: Investors should consider the investment objectives, risks, charges and expenses associated with 529 plans carefully before investing. More information about 529 plans is available in the issuer's official statement, which should be read carefully before investing. Also, before investing, consider whether your state offers a 529 plan that provides residents with favorable state tax benefits. As with other investments, there are generally fees and expenses associated with participation in a 529 savings plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated.

The availability of the tax or other benefits mentioned above may be conditioned on meeting certain requirements.



IMPORTANT DISCLOSURES

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, or legal advice. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.

American Private Wealth 781-300-7777 www.AmericanPrivateWealth.com



