

Potential Advantages Over Other College Investing Vehicles

There are many options available to help you save for higher education expenses. Your Financial Advisor can help you sort through the choices to come up with the best decision for your needs and budget. Consult your tax professional for tax-related advice.

Compare College Savings Options

	IA Advisor 529 Plan	Coverdell ESA	UGMA/UTMA
Control of account	Account owner (usually a parent) has control throughout the life of the account	Trustee or custodian has control until age of majority, then assets belong to child	Custodian has control until age of majority, but assets always belong to child
Uses and restrictions	Qualified expenses include on- and off-campus room and board, equipment and computers at two- and four-year college, technical, vocational and graduate schools as well as tuition at primary or secondary private and religious schools	A broad range of expenses are qualified related to attendance at two- and four-year colleges, technical, vocational and graduate schools as well as primary or secondary private or religious schools	No specific education related requirements; funds must be used for benefit of minor
Contribution limit	Allows \$420,000 per beneficiary	\$2,000 per minor child per year (2019)	Unlimited
Income eligibility	No limits	Phases out for single filers at \$95,000 to \$110,000; for joint filers \$190,000 to \$220,000	No limits
Age restrictions for beneficiary	None	Can only contribute until child reaches 18 and must withdraw funds before age 30	Child takes control of assets at age of majority
Change in beneficiary	Can be transferred to another eligible family member at any time ⁽⁴⁾	Can be transferred to another eligible family member (< 30 yrs. old)	Not permitted since assets are owned by minor child
Federal income tax treatment	Any gains or earnings in your account can be withdrawn federal income tax-free if used for qualified education expenses ⁽²⁾	Federal income tax-free if used for K-12 and qualified higher education expenses before beneficiary reaches age 30	Earnings are taxed at the same rates as trusts and estates, starting at 10% amounts between \$0-\$2,600 and gradually increasing to a rate of 37% for income above \$12,750
Federal estate tax treatment	Value removed from account owner's gross estate	Value removed from donor's gross estate	Value removed from donor's gross estate
Federal gift tax treatment	Contributions treated as completed gifts, subject to \$15,000 annual exclusion, or up to \$75,000 with 5-year accelerated election (\$30,000/\$150,000 respectively for spouses who gift split) ⁽¹⁾	Contributions treated as completed gifts; 2019 annual contribution limit is \$2,000	Transfers treated as completed gifts, subject to \$15,000 annual gift exclusion
Federal financial aid	Counted as parental asset if parent or dependent student is account owner	Counted as asset of trustee or custodian, typically the parent	Counted as student's asset
Federal penalties on non-qualified withdrawals	Ordinary income taxes plus a 10% IRS penalty on earnings	Ordinary income taxes plus a 10% IRS penalty on earnings	None
State tax benefit for Iowa taxpayers	Up to a \$3,387 deduction (adjusted annually for inflation) from Iowa taxable income per beneficiary per year	None	None
State penalties for Iowa taxpayers	If withdrawals are not qualified, the deduction must be added back to Iowa taxable income	None	None