SUN GROUP
WEALTH PARTNERS

Comparing College Savings Options

529 PLAN ACCOUNTS

NO INCOME RESTRICTIONS

HIGH CONTRIBUTION LIMIT

Can front-load the 529 by contributing five years of the gift-tax maximum at one time ($75,000 per person for each beneficiary/account) without paying gift taxes. Established by the program; many in excess of $400,000 per beneficiary

TAX FREE

Contributions and earnings grow tax-free.

- *There are no taxes on withdrawals used for qualified education expenses.*

NO AGE RESTRICTION

You can switch beneficiaries and use some of the money to pay off college loans.

FLEXIBILITY

If the original beneficiary doesn't use the money for education, you can change beneficiaries to family members, including yourself.

USE FOR NON QUALIFYING EXPENSES

Earnings are subject to income tax and a 10% penalty if the withdrawal is not spent on qualified education expenses.

* Prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's qualified tuition program. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary. Please consult with your tax advisor before investing.

COVERDELL EDUCATION SAVINGS ACCOUNTS

INCOME RESTRICTIONS

The income limit for making a maximum contribution now stands at $190,000 for married couples filing joint tax returns, and contributions phase out at $220,000 in 2021.

USE FOR NON QUALIFYINGEXPENSES

Earnings are subject to income tax and a 10% penalty if the withdrawal is not spent on qualified education expenses.

GROWS TAX FREE

The contributions to a Coverdell ESA are not tax deductible, but money deposited in the account will grow tax-free until distributions are taken.

AGE RESTRICTION

Amounts remaining in the account must be distributed when the beneficiary reaches age 30.

LOW CONTRIBUTION LIMIT

A Coverdell has an annual cap on contributions; you can only invest $2,000 a year in your plan.

NOT FLEXIBLE

For a Coverdell, all saving for a specific child needs to be done by that child's 18th birthday, even if they are still in high school at the time.

It needs to be used for the child designated as the beneficiary, though, and must meet the qualifying expenses guidelines.