

YEAR 2018 RULES	FEDERAL INCOME TAX	FEDERAL GIFT TAX TREATMENT	FEDERAL ESTATE TAX TREATMENT	MAXIMUM INVESTMENT	QUALIFIED EXPENSES
529 Plan	Non-deductible contributions; withdrawn earnings excluded from income to extent of qualified higher education expenses	Contributions treated as completed gifts; apply \$15,000 annual exclusion, or up to \$75,000 with 5-year election	Value removed from donor's gross estate; partial inclusion for death during a 5-year election period	Established by the program; many in excess of \$300,000 per beneficiary	Post-secondary tuition, fees, books, computers and related equipment, supplies, special needs; room and board for minimum half-time students. Up to \$10,000 in tuition expenses for K-12 schools.
Coverdell Education Savings Accounts	Non-deductible contributions; withdrawn earnings excluded from income to extent of qualified higher education expenses and qualified K-12 expenses also excluded	Contributions treated as completed gifts; apply \$15,000 annual exclusion	Value removed from donor's gross estate	\$2,000 per beneficiary per year combined from all sources	Tuition, fees, books, supplies, equipment, special needs; room & board for min. half-time students; add'l categories of K-12 expenses
Qualifying U.S. Savings Bonds	Tax-deferred for federal; tax-free for state; certain post-1989 EE and I bonds may be redeemed federal tax-free for qualified higher education expenses	No gift as qualifying bonds must be owned by the parent	Value included in bond owner's gross estate	\$10,000 face value per year, per owner, per type of bond	Tuition and fees
Roth IRA	Non-deductible contributions; withdrawn earnings excluded from income after age 59 1/2 – and five years; 10% penalty on early withdrawals waived if used for qualified higher education expenses	No gift involved	Value included in the owner's gross estate	\$5,500 (\$6,500 for taxpayers age 50 and over)	Same as 529 plan
Traditional IRA	Deductible or non-deductible contributions; withdrawals in excess of basis subject to tax; 10% penalty on early withdrawals waived if used for qualified higher education expenses	No gift involved	Value included in the owner's gross estate	\$5,500 (\$6,500 for taxpayers age 50 and over)	Same as 529 plan
UGMA/UTMA	Earnings and gains taxed to minor; first \$1,050 of unearned income is tax exempt; unearned income over \$2,100 for certain children under age 24 is taxed at parents rate	Transfers treated as completed gift; apply \$15,000 annual gift exclusion	Value removed from donor's gross estate unless donor remains as custodian	No limit	No restrictions
Mutual Funds	Earnings and gains taxed in year realized; special lower tax rates for certain dividends and capital gains	No gift involved; direct payments of tuition not considered gifts	Value included in the owner's gross estate	No limit	No restrictions

YEAR 2018 RULES	ABLE TO CHANGE BENEFICIARY	TIME / AGE RESTRICTIONS	INCOME RESTRICTIONS	FEDERAL FINANCIAL AID	INVESTMENTS	USE FOR NON-QUALIFYING EXPENSES
529 Plan	Yes, to another member of the beneficiary's family	None unless imposed by the program	None	Counted as asset of parent if owner is parent or dependent student	Menu of investment strategies as developed by the program	Withdrawn earnings subject to federal tax and 10% penalty
Coverdell Education Savings Accounts	Yes, to another member of the beneficiary's family	Contributions before beneficiary reaches age 18; use of account by age 30	Contributions phase out for incomes between \$190,000 and \$220,000 (joint filers) or \$95,000 and \$110,000 (single)	Counted as asset of parent if owner is parent or dependent student	Broad range of securities and certain other investments	Withdrawn earnings subject to federal tax and 10% penalty
Qualifying U.S. Savings Bonds	Not applicable	Bond purchaser must be at least 24 years old at time of bond issuance	Interest exclusion phases out for incomes between \$117,250 and \$147,250 (joint filers) or \$78,150 and \$93,150 (single)	Counted as asset of bond owner	Interest-earning bond backed by full faith and credit of U.S. government	No penalty; interest on redeemed bonds included in federal income
Roth IRA	Not applicable	Withdraw earnings tax-free only after five years and age 59 1/2	Must have taxable compensation; contribution limit phases out for incomes between \$189,000 and \$199,000 (joint filers) or \$120,000 and \$135,000 (single)	Not counted as asset; withdrawals of principal and interest counted as financial aid income	Broad range of securities and certain other investments	Taxable portion of withdrawal prior to age 59 1/2 also subject to 10% early withdrawal penalty
Traditional IRA	Not applicable	Withdraw without penalty only after age 59 1/2	Must have taxable compensation; amount deductible reduced or eliminated for taxpayers who participate in an employer retirement plan and have income above certain limits	Not counted as asset; withdrawals of principal and interest counted as financial aid income	Broad range of securities and certain other investments	Taxable portion of withdrawal prior to age 59 1/2 also subject to 10% early withdrawal penalty
UGMA/UTMA	No; represents an irrevocable gift to the child	Custodianship terminates when minor reaches age established under state law (generally 18 or 21)	None	Counted as student's asset	As permitted under state laws	Funds must be used for benefit of the minor
Mutual Funds	Not applicable	None	None	Counted as asset of the owner	Mutual funds	No restrictions