

College Savings Overview

	529 Savings Plan	529 Prepaid Plan	Coverdell	Traditional IRA	Roth IRA
Owner	Donor	Donor	Donor	Donor who must have taxable compensation	Donor who must have taxable compensation
Use	Tuition, fees, books, supplies, equipment, room and board	Tuition, fees, books, supplies and equipment	K-12 and Tuition, fees, books, supplies, equipment (K-12 set to be removed in 2011)	Tuition, fees, books, supplies, equipment, room and board	Tuition, fees, books, supplies, equipment, room and board
Contribution Limit	Typically around \$200,000, but varies by plan	Varies based on plan and age of student	\$2,000 (Reduced to \$500 in 2011)	\$4,000 in 2007 (\$5,000 for taxpayers 50+)	\$4,000 in 2007 (\$5,000 for taxpayers 50+)
Tax-Deductible Contributions	Most states allow partial or complete deductions	Some states allow partial or complete deductions	No	Federal deductible and non-deductible contributions	No
Tax Benefit	Earnings grow tax-free if used for qualified expenses	Earnings grow tax-free if used for qualified expenses	Earnings grow tax-free if used for qualified expenses	Pre-tax contributions only	Earnings grow tax-free
Can Beneficiary Be Changed?	Yes	Yes	Yes	Not Applicable	Not Applicable
Restrictions to be Aware of	Nonqualified withdrawal will be taxed as earning and incur a 10% penalty	If your child decides to attend a college outside of the plan, the value of the investment may be cut	Beneficiary must be under age 18 when contributions are made	Ordinary income tax will be due on distributions	Withdraw earnings tax-free only after 5 years and age 59 1/2