

## Saving for College: COMPARE THE OPTIONS

	DC College Savings Plan	Coverdell Education Savings Account	Custodial Account (UGMA/UTMA)	Parents' Investment Account
Income limitations	No	Yes, and contributor's income may further reduce allowable contribution amount.	No	No
Limitations on contributions	No annual limit. Amounts greater than \$65,000 per five-year period may be subject to federal gift tax. Contributions cannot be made once total account balances in DC's 529 Plan for the beneficiary reach \$260,000.	\$2,000 annually in total contributions to any one beneficiary. Contributions cannot be made after beneficiary reaches age 18. Amounts may be subject to federal gift tax.	No annual limit. Amounts greater than \$13,000 per year may be subject to federal gift tax.	No annual limit. Amounts greater than \$13,000 per year may be subject to federal gift tax.
Taxation on earnings	Free from federal income tax (and D.C. income tax for D.C. taxpayers*).	Free from federal income tax* and, in many cases, state income tax.	For children under 19 (or full-time college students under the age of 24 who did not earn at least half the cost of their own support) the first \$950 of taxable investment earnings from all sources is tax free. Such earnings between \$950 and \$1,900 are taxed at the child's rate. Earnings above \$1,900 are taxed at the parents' rate.	Dividends and interest are taxed at account owner's income tax rate. Capital gains are taxed at applicable rates.
Qualified use of withdrawals	Certain expenses at any post-secondary institution accredited by the U.S. Department of Education.	Certain expenses at any school that provides elementary or secondary education as determined by state law or any postsecondary institution accredited by the U.S. Department of Education.	Unlimited, but must be for beneficiary's benefit.	Unlimited
Taxation on withdrawals used for qualified expenses	Free of federal income tax and, in many cases, state income tax.	Free of federal income tax and, in many cases, state income tax, if made before beneficiary reaches age 30.	Not applicable	Not applicable
Taxation on non-qualified withdrawals	Federal income tax and 10% penalty on earnings.	Federal income tax and 10% penalty on earnings.	Not applicable	Not applicable
Control over assets	Account owner maintains control, decides on withdrawals, and can change the beneficiary, or receive refund.	Account owner maintains control, decides on withdrawals, and can change the beneficiary until the beneficiary reaches age 30. Funds may not be refunded.	Beneficiary assumes control at certain age (18 to 21 depending on state and account type). Funds may not be refunded.	Account owner maintains control and decides on withdrawals.
Ownership of assets for financial aid consideration	Account owner	Account owner/custodian	Beneficiary/student	Account owner
Ability to change beneficiaries	Yes, if within same family	Yes, if within same family and to persons under 30 years of age.	No	Not applicable
Contribution deductibility from D.C. income tax	For District of Columbia taxpayers, \$4,000 maximum annually.*	No	No	No
Estate planning features	Assets are transferred out of the donor's estate. (Exceptions for front-loaded 5-year contributions if the donor dies.)	Assets are transferred out of the donor's estate.	Depends upon whether donor is the account custodian.	Assets remain in the parent's estate.

\* Account owners who are District of Columbia taxpayers may deduct up to \$4,000 in plan contributions from their Federal adjusted gross income each year on their D.C. income tax return (up to \$8,000 for married couples filing jointly, if each taxpayer owns an account). If a D.C. taxpayer's contribution amount exceeds \$4,000 in a calendar year, he or she may carry forward the excess amount for deductions for up to 5 years.

**This comparison chart does not address all of the details of each of the options presented. Therefore, individual investors should consult their own tax advisors.**

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