

Investment Vehicles - Education

CacheCoach.com

Education	529 College Savings Plan	529 Prepaid Tuition Plan	Coverdell Education Savings Account (Formerly an education IRA)	Yourself
Defintion	Tax-advantaged investment plan designed to encourage saving for future college costs. Can be used for K-12 tuition.	College savings plan that allows for the purchase of units or credits at the participating colleges and universities for future tuition	Savings account that allows an annual non-deductible contribution of up to \$2,000 per year / per person to a specifically designated investment trust account	Educating yourself is one of the best returns on investments
Average Yield / Rate of Return*	2% - 8% depending upon investments	The amount paid is guaranteed to grow at the same rate as college tuition, regardless of its rate of growth over time.	2% - 8% depending upon investments	Continious learning, develop / improve skills, health benefits
Types of Risk	Investment Risk Market fluctuation	State agencies typically guarantee the benefit but not in all cases	Investment Risk Market fluctuation	Low Risk
Liquidity	Can be used for another beneficiary who is a qualified family member such as younger siblings, nieces, nephews, or grandchildren, or even for yourself.	When a child is ready to go to college, the plan transfers funds directly to the institution to cover the tuition. Can be transferred to a sibling.	Funds must be used by the time the beneficiary turns 30	High
Fees	0.10% - 0.70% and may incur sales charges up to 4.75% if purchased through a broker / advisor	Varies by state	0.25% - 0.75%	Many free resources. Some course fees.
Federal Tax	Earnings grow tax deferred and are tax free if used for qualified education expenses	Earnings grow tax deferred and are tax free if used for qualified education expenses	Earnings grow tax deferred and are tax free if used for qualified education expenses.	If a class is required for a certification, could be tax deductible
State Tax	Vary by state, some provide tax deduction for contributions, tax-free earnings growth, tax-free withdrawals for qualified education expenses	Vary by state, some provide tax deduction for contributions, tax-free earnings growth, tax-free withdrawals for qualified education expenses	None	
Requirements	Qualified education expenses for postsecondary education	Tuition and mandatory fees for postsecondary education. Plan may set age or grade limits	Qualified elementary and secondary education expenses or qualified postsecondary education expense. Income phase-out applies for Single and Joint filers.	The capacity, ability and willingness to learn
Annual Maximum Contribution	Varies by plan. Majority permit total contributions in excess of \$250,000 per beneficiary	Fixed by terms of contract purchased	Contributor: \$2,000 per beneficiary / year Beneficiary: \$2,000, doesn't matter how many ESA's set-up	Unlimited
Penalties / Restrictions	Funds withdrawn other than for education subject to 10% penalty and earnings taxed at ordinary income	Funds withdrawn other than for education subject to 10% penalty and earnings taxed at ordinary income	Balances must be withdrawn by the time the beneficiary reaches 30 or transferred to another family member	Not implementing the knowledge or skills learned
Available at	SavingforCollege.com, Financial Advisors, Brokerage Firms	SavingforCollege.com, Financial Advisors, Brokerage Firms	SavingforCollege.com, Financial Advisors, Brokerage Firms	Online, local community, workplace
Resources	savingforcollege.com finra.org	savingforcollege.com finra.org	savingforcollege.com finra.org	Classes, workshops, on the job, trainer, coach, books, podcasts