



## Education Savings Account Scorecard

Use our scorecard for in-depth information on individual education savings account plans, their contribution maximums, uses for the investments, and other ways to protect your education-earmarked dollars.

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### Educational Savings Balances - How much can you accumulate?

<b>529 Plans</b>	Maximum annual contribution – \$11k – \$55k can be contributed in 1 year (uses up 5 years at once) Each plan has a maximum balance above which no further contributions are permitted (usually over \$100k)
<b>529 Prepaid Plans</b>	Maximum annual contribution – \$11k – \$55k can be contributed in 1 year (uses up 5 years at once) Each plan has a maximum balance above which no further contributions are permitted (usually over \$100k)
<b>Coverdell ESA</b>	Maximum annual contribution \$2k
<b>Series I Bonds</b>	Maximum annual purchase \$30k
<b>UGMAs and UTMAs</b>	No limit to contributions
<b>Ordinary savings</b>	No limit on savings

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## Not Going to College? What else can you do with the money?

<b>529 Savings Plans</b>	Must be used for higher education expenses, or tax penalties apply – beneficiary can be changed
<b>529 Prepaid Plans</b>	Must be used for higher education expenses, or tax penalties apply – beneficiary can be changed; if used outside the state where established, rate of return may be significantly reduced
<b>Coverdell ESA</b>	Must be used for higher education (or elementary or secondary) expenses, or tax penalties apply – beneficiary can be changed
<b>Series I Bonds</b>	Must be held for five years to avoid redemption penalty. No restrictions on use
<b>UGMAs and UTMAs</b>	Can be used for any purpose
<b>Ordinary savings</b>	Can be used for any purpose

## How large are after-tax investment returns?

<b>529 Plans</b>	Contributions not income tax deductible (in MA) Withdrawals of principal and return are free from Federal and MA tax if used for higher education* (otherwise penalties apply)
<b>529 Prepaid Plans</b>	Contributions not income tax deductible (in MA) Tuition benefits are free from Federal and MA tax if used for higher education* (otherwise penalties apply)
<b>Coverdell ESA</b>	Greatest tax advantages <ul style="list-style-type: none"> <li>– Contributions tax deductible (phased out for family incomes \$190k - \$220k) <b>[Rick, check this &amp; adjust chart and text above to reflect]</b></li> <li>– Earnings income tax free if used for higher education expenses (otherwise penalties apply)</li> </ul>
<b>Series I Bonds</b>	Returns limited – intermediate term bond, inflation-indexed Earnings state tax free, federal tax deferred [federal tax free if used for higher education expenses (for family incomes <\$117k)]
<b>UGMAs and UTMAs</b>	Small tax advantage (\$1500 income tax free annually) until children are 14 Once children are 14, income taxed at their rate
<b>Ordinary savings</b>	Earnings taxed at ordinary income or capital gains rates

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## Whose money is it?

<b>529 Plans</b>	Owned by donor, who can withdraw the money Owner can change beneficiaries at will
<b>529 Prepaid Plans</b>	Owned by donor, who can withdraw the money Owner can change beneficiaries at will
<b>Coverdell ESA</b>	Owned by child Parent can change beneficiaries, but not withdraw the money
<b>Series I Bonds</b>	Owned by parents
<b>UGMAs and UTMAs</b>	Owned by child once age 18 is reached Used only for child's benefit
<b>Ordinary savings</b>	Owned by parents

## Financial Aid Pitfalls - How does it count in assessing financial aid?

<b>529 Plans</b>	Parents' asset
<b>529 Prepaid Plans</b>	Parents' asset – but committed as tuition payment
<b>Coverdell ESA</b>	Parents' asset
<b>Series I Bonds</b>	Parents' asset
<b>UGMAs and UTMAs</b>	Student's asset
<b>Ordinary savings</b>	Parents' asset

### About Sensible Financial Planning

Sensible Financial Planning and Management, LLC is an independent financial management company specializing in investing, advising, and long term planning. Located in Cambridge, Massachusetts, Sensible Financial offers low cost, high quality financial advice to clients ranging from those just starting a savings program to investors with more substantial portfolios seeking a structured approach to planning and investing. Foundations and endowments can also benefit from Sensible Financial's emphasis on efficiency and stable investment policy based on client objectives.

For more information, call 617-444-8677 or visit us on the Web at [www.sensiblefinancial.com](http://www.sensiblefinancial.com).

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