

Coverdell ESA

Programs	<ul style="list-style-type: none"> • Managed by TIAA-CREF, E*Trade, Scottrade, Buffalo Funds, Capital One Sharebuilder, Inc. and several other institutions • Each has minimum contribution limits, service charges, and portfolio options
Coordination With Other Programs	<ul style="list-style-type: none"> • <i>529 Plan</i>: if 529 Plan and Coverdell ESA distributions exceed eligible educational expenses, allocate between two proportionally and taxed on excess
Contribution Limits	<ul style="list-style-type: none"> • \$2,000 per year, per beneficiary (reduced if couple's modified adjusted gross income between \$190,000-220,000); ineligible to contribute if couple's modified adjusted gross income greater than \$220,000 for year • 6% excise tax on excess contributions • Contributions not deductible by contributor
Eligible Students & Institutions	<ul style="list-style-type: none"> • Beneficiary must be under 18 or have special needs • Expenses from <i>eligible educational institution</i> - college, university, vocational school or other postsecondary educational institution eligible to participate US Department of Education student aid program as well as elementary and secondary educational institutions • Public, private, proprietary (i.e., private, profit-making), and participating foreign educational institutions
Qualifying Expenses	<ul style="list-style-type: none"> • Tuition, fees, books, supplies, equipment and special needs services incurred in connection with enrollment • Room and Board to extent no more than the greater of: <ul style="list-style-type: none"> • Room and Board included in cost of attendance by educational institution for federal financial aid purposes • Actual amount charged to student living in housing owned and operated by educational institution
Distributions	<ul style="list-style-type: none"> • Not income to beneficiary to extent does not exceed <i>adjusted qualified educational expenses</i> (total expenses less tax-free assistance) • Includible excess amounts subject to additional 10% tax (exceptions where excess due to death, disability or scholarship) • Balance of account must be distributed within 30 days of beneficiary turning 30 (unless special needs beneficiary) OR the beneficiary's death • Avoid tax and penalty by rolling over to another qualifying family member
Changing	<ul style="list-style-type: none"> • May change beneficiary on existing plan OR rollover to new plan if for the benefit of same beneficiary of his/her "family" (broadly defined) under age 30 (not applied if special needs) • Assets are <u>irrevocable</u> by contributing party
Coverdell ESA Losses	<ul style="list-style-type: none"> • May take loss on income tax return when loss on investment in Coverdell ESA (i.e., all amounts from account distributed and total distributed was less than total amount contributed into the plan) • Subject to 2% adjusted gross income limit

529 College Savings Plans

California Program	<ul style="list-style-type: none"> •Called "Scholarshare" •Managed by TIAA-CREF with annual management fee between 0.12-0.61% depending on portfolio selected •May select the 529 Plan of another state even if not a resident of that state •CA currently proposing a 20% state tax credit, up to \$500, for contributions by couples with under \$200,000 annual income
Coordination With Other Programs	<ul style="list-style-type: none"> •<i>Coverdell ESA</i>: if 529 plan and Coverdell ESA distributions exceed eligible educational expenses, allocate between two proportionally and taxed on excess
Contribution Limits	<ul style="list-style-type: none"> •No more than necessary for <i>qualified educational expenses</i> •\$28,000 per year, per couple, per beneficiary gift-tax free <ul style="list-style-type: none"> •May fund with 5-years exemption (i.e., \$140,000) up front •\$25 per portfolio minimum, \$371,000 per beneficiary maximum (additional earnings may accrue) •Contributions not deductible by contributor
Eligible Students & Institutions	<ul style="list-style-type: none"> •Beneficiary at least a half-time student •Expenses from <i>eligible educational institution</i> - college, university, vocational school or other postsecondary educational institution eligible to participate US Department of Education student aid program •Public, private, proprietary (i.e., private, profit-making), and participating foreign educational institutions
Qualifying Expenses	<ul style="list-style-type: none"> •Tuition, fees, books, supplies and equipment •Room and Board to extent no more than the greater of: <ul style="list-style-type: none"> •Room and Board included in cost of attendance by educational institution for federal financial aid purposes •Actual amount charged to student living in housing owned and operated by educational institution •Computer technology only if <u>required</u> for enrollment
Distributions	<ul style="list-style-type: none"> •Not income to beneficiary to extent does not exceed <i>adjusted qualified educational expenses</i> (total expenses less tax-free assistance) •Includible excess amounts subject to additional 10% tax (exceptions where excess due to scholarship, veteran or employer-assistance)
Changing	<ul style="list-style-type: none"> •May change beneficiary on existing plan OR rollover to new plan as long as for benefit of same beneficiary of his/her "family" (broadly defined) •May revoke 529 Plan assets, subject to income tax and applicable penalties
529 Plan Losses	<ul style="list-style-type: none"> •May take loss on income tax return when loss on investment in 529 plan (i.e., all amounts from account distributed and total distributed was less than total amount contributed into the plan) •Subject to 2% adjusted gross income limit