

## Comparing 529 Plans to other College Savings Vehicles

	529 Plans	ESAs <sup>1</sup>	UGMA/UTMAs <sup>2</sup>
Eligibility	<ul style="list-style-type: none"> <li>No income adjustments</li> </ul>	<ul style="list-style-type: none"> <li>Full contribution allowed for single individuals up to \$110,000 in adjusted gross income – for married filing jointly up to \$220,000 in AGI</li> </ul>	<ul style="list-style-type: none"> <li>No income adjustments</li> <li>Must be set up for a minor</li> </ul>
Control / Ownership	<ul style="list-style-type: none"> <li>Owner has control which extends beyond age 18</li> </ul>	<ul style="list-style-type: none"> <li>Donor has control until child reaches age 30, although assets are in child's name</li> </ul>	<ul style="list-style-type: none"> <li>Custodian has control</li> <li>Custodian transfers the acct. at age of termination up to age 21 (depending on state)</li> </ul>
Contribution Limit	<ul style="list-style-type: none"> <li>Individual may give up to \$55,000 (a married couple, up to \$110,000) in first year<sup>3</sup></li> <li>Depends on state sponsor</li> </ul>	<ul style="list-style-type: none"> <li>Up to \$2,000 annually per donor</li> <li>Up to \$2,000 annually per beneficiary</li> </ul>	<ul style="list-style-type: none"> <li>Maximum of \$11,000 per donor per year subject to annual exclusion for gift tax</li> <li>Amounts over \$11,000 may be subject to gift tax</li> </ul>
Tax Advantages	<ul style="list-style-type: none"> <li>Federal income tax free growth</li> <li>Qualified withdrawals are free from federal income taxes when used for qualified higher education expenses</li> </ul>	<ul style="list-style-type: none"> <li>Qualified withdrawals are free from federal income taxes when used for qualified education expenses</li> </ul>	<p>Under age 14:</p> <ul style="list-style-type: none"> <li>First \$750 in earnings not taxed</li> <li>Next \$750 in earnings taxed at child's rate</li> <li>Over \$1,500 in earnings taxed at parent's highest marginal rate (kiddie tax)</li> </ul> <p>Over age 14:</p> <ul style="list-style-type: none"> <li>Taxed at child's rate</li> </ul>
Control of Investments	<ul style="list-style-type: none"> <li>Owner may not direct investments</li> <li>Investment management generally provided by Plan vendor and based on investment choice</li> </ul>	<ul style="list-style-type: none"> <li>Parent may direct investments – stocks, bonds, money markets, CD, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Custodian may direct investments – stocks, bonds, money markets, CD, etc.</li> </ul>
Use of Distribution	<ul style="list-style-type: none"> <li>Qualified expenses of post-secondary institutions tax free</li> <li>Taxed on gains when distributions not used for college may be subject to penalty</li> </ul>	<ul style="list-style-type: none"> <li>Qualified expenses of primary, secondary, or post-secondary expenses</li> <li>Distributions may be used for public, private, or religious schooling</li> </ul>	<ul style="list-style-type: none"> <li>Distributions must be used for the child's benefit</li> <li>May be used to cover any child-related expenses</li> </ul>
Financial Aid	<ul style="list-style-type: none"> <li>Treated as asset of owner for financial aid purposes</li> </ul>	<ul style="list-style-type: none"> <li>Treated as asset of the child for financial aid purposes</li> </ul>	<ul style="list-style-type: none"> <li>Treated as asset of the child for financial aid purposes</li> </ul>
Gifting/Estate Tax Advantages	<ul style="list-style-type: none"> <li>Gift tax waiver to allocate five years of \$11k gifts up front for a total \$55,000 gift up-front</li> <li>Potential estate tax savings from large sums of money removed from Owner's estate</li> </ul>	<ul style="list-style-type: none"> <li>Estate tax savings since contributions are considered complete gift to the child</li> </ul>	<ul style="list-style-type: none"> <li>Estate tax savings since contributions are considered complete gift to the child</li> </ul>

<sup>1</sup> ESAs are the Coverdell Education Savings Accounts formerly known as the Education IRAs.

<sup>2</sup> UGMAs/UTMAs are the Uniform Gift to Minor's Act/Uniform Trust for Minor's Act.

<sup>3</sup> This requires that no further gifts are made to the Beneficiary over the five-year period, and that the gift is treated as a series of five equal annual gifts on the next federal gift tax return after the gift is made. If the Participant dies within the five-year period, any gifts allocated to future years will revert back to his or her estate.

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	529 Plans	ESAs	UGMA/UTMAs
Ability to fund through systematic investments	✓	✓	✓
Ability to defer or avoid child taking control of assets beyond age of majority	✓	✓	
Flexibility to change the Beneficiary	✓	✓	
Tax-free growth of money used for qualified expenses	✓	✓	
Ability for Owner to use the assets for emergency purposes (with potential tax and penalty implications)	✓	✓	
Avoid classification of assets as child's' for financial aid qualification	✓		
Ability to fund education beyond age 30	✓		
Possible estate reduction above \$11,000 gift limit	✓		
Ability for owner or advisor to direct investments		✓	✓
Flexibility to use for non-education expenses w/out penalty			✓
Private primary and secondary school tuition funding		✓	

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