

# COMPARISON OF: COLLEGE SAVINGS ALTERNATIVES

Helping you make “educated” decisions  
Compare...

	Tax Implications	Flexibility	Maximum Contribution
<b>529 College Savings Plans</b>	<ul style="list-style-type: none"> <li>Contributions made after federal income taxes</li> <li>May be able to deduct all/some of contributions from state income taxes</li> <li>Earnings/withdrawals exempt from federal income taxes if used for qualified higher education expenses</li> <li>If withdrawals used for non-qualified expenses, federal/state tax on earnings + 10% penalty</li> <li>May be able to claim Hope federal income tax credit</li> </ul>	<ul style="list-style-type: none"> <li>For any qualified higher education expense</li> <li>Can change family beneficiary without penalty</li> <li>Can transfer assets from one 529 plan to another for same beneficiary</li> <li>One rollover per 12-month period or beneficiary change.</li> <li>Can redeem Coverdell Education Savings Account tax-free to contribute proceeds to 529 plan</li> <li>Variety of investment options</li> </ul>	<ul style="list-style-type: none"> <li>\$200,000 or more in most states.</li> </ul>
<b>Coverdell Education Savings Account (formerly Education IRA)</b>	<ul style="list-style-type: none"> <li>Contributions made after federal income taxes</li> <li>Earnings exempt from federal taxes if used for elementary, secondary, or qualified higher education expenses</li> <li>If withdrawals used for non-qualified expenses are taxed at beneficiary rate + 10% penalty</li> <li>No state tax deduction</li> </ul>	<ul style="list-style-type: none"> <li>Qualified educational expenses for elementary, secondary, post-graduate</li> <li>Change family beneficiary without penalty</li> <li>Change investments as often as you want</li> </ul>	<ul style="list-style-type: none"> <li>\$2,000 maximum contribution per beneficiary, but, no restriction on total amount of contribution</li> </ul>
<b>Prepaid Tuition Plans</b>	<ul style="list-style-type: none"> <li>Contributions made after federal income taxes</li> <li>Earnings/withdrawals exempt from federal income tax, often exempt from state income tax</li> <li>Favorable state tax status may be limited to state's own plan</li> </ul>	<ul style="list-style-type: none"> <li>Only covers tuition and fees at participating schools</li> <li>Can change family beneficiary without penalty.</li> </ul>	<ul style="list-style-type: none"> <li>Varies by plan</li> </ul>
<b>UGMA/UTMA (Uniform Gifts to Minors/Uniform Transfers to Minors Act)</b>	<ul style="list-style-type: none"> <li>Contributions made after federal income taxes</li> <li>Earnings for children age 18 and older taxed at their federal income tax rate</li> <li>For children under 18, first \$850 in earnings tax-free, earnings of \$850 to \$1,700 taxed at child's rate, earnings over \$1,700 taxed at custodian's top marginal rate</li> </ul>	<ul style="list-style-type: none"> <li>Only covers tuition and fees at participating schools</li> <li>Cannot change beneficiaries</li> <li>Irrevocable gift to the child</li> <li>Can change investments as often as you want, but, may be taxable</li> </ul>	<ul style="list-style-type: none"> <li>No restrictions</li> </ul>
<b>Taxable Investments</b>	<ul style="list-style-type: none"> <li>Contributions made after federal income taxes</li> <li>Dividends and interest taxed as ordinary income to account owner</li> <li>Capital gains taxed at capital gains rates</li> </ul>	<ul style="list-style-type: none"> <li>Can be used for any educational expense</li> <li>No restrictions on recipients</li> <li>Can change investments as often as you want, but, may be taxable</li> </ul>	<ul style="list-style-type: none"> <li>No restrictions</li> </ul>

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	Who Controls Account	Time Period for Withdrawals	Impact on Financial Aid	Limitations on Donor's Income and Recipient's Age	Estate Planning
<b>529 College Savings Plans</b>	<ul style="list-style-type: none"> <li>• Donor/account owner</li> </ul>	<ul style="list-style-type: none"> <li>• No restrictions on using up assets</li> </ul>	<ul style="list-style-type: none"> <li>• Varies by state</li> </ul>	<ul style="list-style-type: none"> <li>• No restrictions on either</li> </ul>	<ul style="list-style-type: none"> <li>• Assets transferred out of estate</li> <li>• Individual can make one-time gift of up to \$60,000 (\$120,000 for married couple) may be contributed every 5 years without triggering gift tax or generation skipping transfer tax</li> </ul>
<b>Coverdell Education Savings Account (formerly Education IRA)</b>	<ul style="list-style-type: none"> <li>• Donor/account owner, beneficiary assumes control at age of majority, 18 or 21 in most states</li> </ul>	<ul style="list-style-type: none"> <li>• Must be transferred before beneficiary is age 30</li> </ul>	<ul style="list-style-type: none"> <li>• Considered child's asset, may significantly reduce financial aid</li> </ul>	<ul style="list-style-type: none"> <li>• Maximum contribution phased out for individuals with modified adjusted gross income of \$95,000 to \$110,000 (\$190,000 to \$220,000 for married couples)</li> <li>• No contributions allowed after beneficiary reaches 18</li> </ul>	<ul style="list-style-type: none"> <li>• Assets transferred out of estate</li> </ul>
<b>Prepaid Tuition Plans</b>	<ul style="list-style-type: none"> <li>• Donor/account owner</li> </ul>	<ul style="list-style-type: none"> <li>• Restrictions on using up assets vary by state</li> </ul>	<ul style="list-style-type: none"> <li>• Considered child's asset, may significantly reduce financial aid (dollar for dollar)</li> </ul>	<ul style="list-style-type: none"> <li>• No restrictions on income</li> <li>• Age varies by state</li> <li>• \$12,000 per child, per year, gift tax free</li> </ul>	<ul style="list-style-type: none"> <li>• Assets transferred out of estate</li> <li>• Individual can make one-time gift of up to \$60,000 (\$120,000 for married couple) for married couples) over a 5-year period without incurring gift tax</li> </ul>
<b>UGMA/UTMA</b>	<ul style="list-style-type: none"> <li>• Donor/custodian until child reaches majority age, 18 or 21 in most states</li> </ul>	<ul style="list-style-type: none"> <li>• No restrictions on using up assets, but becomes child's asset at majority age, 18 or 21 in most states</li> </ul>	<ul style="list-style-type: none"> <li>• Considered child's asset, may reduce financial aid</li> </ul>	<ul style="list-style-type: none"> <li>• No restrictions on using up assets, but becomes child's asset at majority age, 18 or 21 in most states</li> </ul>	<ul style="list-style-type: none"> <li>• Assets transferred out of estate</li> <li>• Annual contributions less than \$12,000 (24,000 for married couples) not subject to gift tax</li> </ul>
<b>Taxable Investments</b>	<ul style="list-style-type: none"> <li>• Donor/account owner</li> </ul>	<ul style="list-style-type: none"> <li>• No restrictions on using up assets</li> </ul>	<ul style="list-style-type: none"> <li>• Considered donor's assets, so may not reduce financial aid</li> </ul>	<ul style="list-style-type: none"> <li>• No restrictions on either</li> </ul>	<ul style="list-style-type: none"> <li>• No benefits</li> </ul>

Participation in a 529 College Savings Plan (529 Plan) does not guarantee that contributions and investment return on contributions, if any, will be adequate to cover future tuition and other higher education expenses or that a beneficiary will be admitted to or permitted to continue to attend an institution of higher education. Contributors to the program assume all investment risk, including potential loss of principal and liability for penalties such as those levied for non-educational withdrawals. Depending upon the laws of the customer's home state, favorable state tax treatment for investing in a 529 Plan may be limited to investments made in a 529 Plan offered by the customer's home state. Assets in a 529 Plan can potentially reduce the beneficiary's ability to qualify for some forms of college financial aid. Customers should consult their tax advisor about any state tax consequences of the investment. Depending upon the laws of the home state of the customer or designated beneficiary, favorable state tax treatment or other benefits offered by such home state for investing in 529 college savings plans may be available only if the customer invests in the home state's 529 college savings plan; any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision; and the customer should consult with his or her financial, tax or other adviser to learn more about how state-based benefits (including any limitations) would apply to the customer's specific circumstances and also may wish to contact his or her home state or any other 529 college savings plan to learn more about the features, benefits and limitations of that state's 529 college savings plan. Consider the place of various education planning vehicles in the context of the overall financial plan with the appropriate professional(s). For more complete information, including a description of fees, expenses and risks, see the offering statement or program description.

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