

Tax-Wise Investing

	College SAVE 529 Plan	Coverdell ESA* (Education Savings Account)	Qualified Tuition Program (QTP)*	Educational Exception to Additional Tax on Early IRA Distributions*	Education Savings Bond Program*
What is your benefit?	Earnings not taxed	Earnings not taxed	Earnings not taxed	No 10% additional tax on early distribution	Interest not taxed
What is the annual limit?	None <i>Gift tax limits: \$13,000 (\$26,000 joint returns) per beneficiary per year may be contributed without consequences. Special exclusion allows a \$65,000 (\$130,000 joint returns) contribution in a single year as though it were made over five years for tax purposes.</i>	\$2,000 contribution per beneficiary	None	Amount of qualified education expenses	Amount of qualified education expenses
What expenses qualify besides tuition and required enrollment fees?	Books, supplies, equipment including computers, software and accessories for education purposes; certain room and board costs; certain expenses for special needs services	Books, supplies, equipment; expenses for special needs services; payments to Qualified Tuition Program Higher Education: Room and board if at least half-time student K-12 Education: Tutoring, room and board, uniforms, transportation, computer access, supplementary expenses	Books, supplies, equipment; room and board if at least half-time student; expenses for special needs services	Books, supplies, equipment; room and board if at least half-time student; expenses for special needs services; computer, technology, equipment and Internet access	Payments to Coverdell ESA; Payments to QTP
What education qualifies?	Undergraduate and graduate	Undergraduate and graduate; K-12	Undergraduate and graduate	Undergraduate and graduate	Undergraduate and graduate
What are some of the other conditions that apply?	None	Assets must be distributed at age 30 unless special needs beneficiary	None	None	Applies only to qualified series EE bonds issued after 1989 or series I bonds
In what income range do benefits phase out?	No phase-out	For single returns \$95,000 - \$110,000 or \$190,000 - \$220,000 for joint returns	No phase-out	No phase-out	For single returns \$69,950 - \$84,950 or \$104,900 - \$134,900 for joint and qualified widow(er) returns
Useful Links	www.collegesave4u.com http://www.finaid.org/savings/529plans.phtml	http://www.irs.gov/pub/irs-pdf/p970.pdf http://www.finaid.org/savings/coverdell.phtml	http://www.irs.gov/pub/irs-pdf/p970.pdf http://www.finaid.org/savings/529plans.phtml	http://www.irs.gov/pub/irs-pdf/p970.pdf http://www.finaid.org/savings/retirementplans.phtml	http://www.irs.gov/pub/irs-pdf/p970.pdf http://www.finaid.org/savings/bonds.phtml

Information courtesy of www.irs.gov (for the 2009 tax year).

* Any nontaxable distribution is limited to the amount that does not exceed qualified education expenses.