Compare College Savings Choices

There are many choices for you to consider when charting your child's course to college. The option you choose depends on how many years you have to save, your overall financial goals and your investment preferences. With average college costs continually on the rise, now is a good time to open an account.

	Minnesota College Savings Plan	529 Plans General	529 State Prepaid Plans	Coverdell Education Savings Account (CESA or ESA)	Custodial Accounts (UGMA/UTMA)	Taxable Accounts	Traditional (Classic) IRA	Education Savings Bonds
Federal Tax Treatment	Earnings portion of withdrawals used to pay qualified education expenses are federal income tax-free.	Earnings portion of withdrawals used to pay qualified education expenses are federal income tax-free.	Neither the account owner nor the beneficiary is subject to federal income tax if account is used to pay for tuition at a participating institution.	Distributions used to pay for qualified education expenses are federal income tax-free.	First $950 of earnings is federal income tax free. Earnings between $950 and $1,900 are taxed at the child's rate. Earnings above $1,900 for certain children through age 23 are taxed at the parents' rate.	Fully taxable.	Federal income tax deductible (subject to income limits). Earnings are federal income tax-free until withdrawal at age 59 ½. Penalty-free withdrawals for qualified higher education expenses, but entire withdrawal taxed at owners tax rate.	Interest earned is federal income tax-free if used for qualified higher education expenses. (Subject to income limits.)
State Tax Treatment	Earnings portion of qualified withdrawals are Minnesota income tax-free.	Some states may offer different or additional tax incentives. State income tax treatment is dependent on state tax law.	Some states may offer different or additional tax incentives. State income tax treatment is dependent on state tax law.	No state tax deduction.	No state tax deduction.	State income tax treatment is dependent on state tax law.	State income tax treatment is dependent on state tax law.	State income tax treatment is dependent on state tax law.
Federal Tax on Non-Qualified Withdrawals	Any earnings subject to income tax and 10% additional tax.	Earnings subject to income tax and 10% additional tax.	Earnings subject to income tax and 10% additional tax.	Earnings subject to income tax and 10% additional tax.	No penalties.	No penalties.	Earnings subject to income tax and 10% additional tax.	3 months of interest forfeited if redeemed within first 5 years.
Fees Assessed	With the Minnesota College Savings Plan, there are no sales charges, start-up or maintenance fees. To review the current total annual asset-based fees, which are comprised of the underlying investments expenses for each Investment Option, the Plan Manager fee, and state administration fee, please see fees and expenses.	Typically, an asset-based management fee. Industry average ranges from 0.25% to 0.75% per year. May incur sales charge up to 4.75% if purchased through a broker/advisor.	Varies by state.	Depends upon underlying investment vehicle. Industry average ranges from 0.25% to 0.75% per year.	Depends upon underlying investment vehicle. Industry average ranges from 0.25% to 0.75% per year.	Depends upon underlying investment vehicle. Industry average ranges from 0.25% to 0.75% per year.	Depends upon underlying investment vehicle. Industry average ranges from 0.25% to 0.75% per year.	None.

For information on Federal tax treatment, see IRS Publication 970, or consult your financial advisor. For more information on state tax treatment, check with your financial advisor.

Information on industry-average fees is based on Trends in the Fees and Expenses of Mutual Funds, 2017. ICI Research Perspective 24, no. 3 (April 2018).

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Qualified Expenses	Tuition, mandatory fees, books, supplies, and equipment required for enrollment or attendance; certain room and board costs, certain expenses for "special needs" students. In addition, up to $10,000 annually per student, in aggregate from all 529 plans, can be withdrawn free from federal tax if used toward K-12 school tuition. Please see the state tax treatment of withdrawals used towards K-12 school tuition here.	Tuition, mandatory fees, books, supplies, and equipment required for enrollment or attendance; certain room and board costs, certain expenses for "special needs" students.	Most plans are designed to cover tuition and fees at in-state colleges and universities. Some have provision to include room and board.	Post-secondary costs, K-12 costs.	Anything that benefits the minor. At age of majority (18 or 21 depending on state), account becomes property of the child.	Not applicable, can be used for any purpose.	Unlimited. Can make penalty free withdrawals for qualified higher education expenses.	Tuition and mandatory fees. Payments to qualified State tuition programs, 529 Plans or CESAs are also eligible. Room and board, and books are not qualified expenses.
Investment Control	Minnesota State Board of Investment	Registered account owner, program management varies by state.	Registered account owner, program management varies by state.	Registered account owner, program management varies by state.	Custodian until child reaches age of majority (18 or 21 depending on state, investment management varies by provider.	Registered account owner, program management varies by provider.	Registered account owner, program management varies by provider.	Registered account owner, program management varies by provider.
Investment Options	Eleven Investment Options; can invest in one or more of the following options: • Managed Allocation Option • Aggressive Allocation Option • Moderate Allocation Option • Conservative Allocation Option • International Equity Index Option • U.S. and International Equity Option • U.S. Large Cap Equity Option • Equity and Interest Accumulation Option • 100% Fixed Income Option • Money Market Option • Principal Plus Interest Option	Varies by state.	Varies by state.	Mutual funds and securities.	UGMA: mutual funds, securities. UTMA: mutual funds, securities, real estate, royalties, patents, and paintings.	Investments chosen by the individual.	Investments chosen by the individual.	Series EE bonds issued January 1990 and later, and all Series I Bonds.

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Federal Estate Planning and Gift Tax Treatment Each individual's tax situation will be different. Consult your tax advisor.	Annual gift tax exclusion of up to $15,000 per donor per beneficiary. A contribution in excess of annual gift tax exclusion amount up to $75,000 can be prorated over 5 years and treated as a gift in each of those years.	Annual gift tax exclusion of up to $15,000 per donor per beneficiary. A contribution in excess of annual gift tax exclusion amount up to $75,000 can be prorated over 5 years and treated as a gift in each of those years.	Annual gift tax exclusion of up to $15,000 per donor per beneficiary. A contribution in excess of annual gift tax exclusion amount up to $75,000 can be prorated over 5 years and treated as a gift in each of those years.	N/A	Annual gift tax exclusion of up to $15,000 per donor, per beneficiary.	N/A	N/A	Annual gift tax exclusion of up to $15,000 per donor, per beneficiary.
Contribution Limit	No annual limit. $425,000 maximum account balance limit per beneficiary (total of all Minnesota College Savings Plan accounts). Account can continue to accrue interest.	No annual limit. Maximum account balance limit per beneficiary may be as high as $300,000 for some plans.	No annual limit. Maximum varies by state. Typical range is $200,000 to $300,000, which would cover up to 5 years of college costs.	Up to $2,000 per year, per beneficiary (until beneficiary reaches age 18, unless he/she is a "special needs" beneficiary). Not available to high-income families ($220,000 joint - maximum MAGI, $110,000 single - maximum MAGI)	Unlimited.	Unlimited.	2018 Limit: Age 49 and below: $5,500 Age 50+: $6,500	Series EE bond limit of $30,000 purchase price per year per person. No limit on the amount of bonds that you can accumulate over a lifetime.
Investment Risk	Subject to market fluctuations. Level of risk will depend upon underlying investment vehicle used. It is possible that returns will be less than the rate of increase in higher education costs. No one can predict returns. There is a risk that any investor could lose part or all of the value of his or her account.	Subject to market fluctuations. Level of risk will depend upon underlying investment vehicle used. It is possible that returns will be less than the rate of increase in higher education costs. No one can predict returns. There is a risk that any investor could lose part or all of the value of his or her account.	State agencies typically guarantee the benefit, but not in all cases. Some state-sponsored prepaid plans have closed to new entrants.	Subject to market fluctuations. Level of risk will depend upon underlying investment vehicle used.	Subject to market fluctuations. Level of risk will depend upon underlying investment vehicle used.	Subject to market fluctuations. Level of risk will depend upon underlying investment vehicle used.	Subject to market fluctuations. Level of risk will depend upon underlying investment vehicle used.	Fixed rate, may not keep pace with tuition inflation. Backed by the United States government.
Control of Account	Account Owner, Custodian or Entity, but may vary by State.	Account Owner, Custodian or Entity, but may vary by State.	Registered Owner or Custodian.	Parent/Legal Guardian. Beneficiary at age of majority (18 or 21 depending on state).	Custodian. Beneficiary at age of majority (18 or 21 depending on state).	Registered Owner or Custodian.	Registered Owner or Custodian.	Registered Owner or Custodian.

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Federal Financial Aid Impact	If owned by parent, considered a parental asset. Generally assessed at up to 5.6%. Impact on financial aid can vary by institution. Please contact your institution of interest directly.	If owned by parent, considered a parental asset. Generally assessed at up to 5.6%. Impact on financial aid can vary by institution. Please contact your institution of interest directly.	If owned by parent, considered a parental asset. Generally assessed at up to 5.6%. Impact on financial aid can vary by institution. Please contact your institution of interest directly.	If a parental asset, generally assessed at up to 5.6%. If a student asset, generally assessed at 20%. Impact on financial aid can vary by institution. Please contact your institution of interest directly.	If a parental asset, generally assessed at up to 5.6%. If a student asset, generally assessed at 20%. Impact on financial aid can vary by institution. Please contact your institution of interest directly.	If a parental asset, generally assessed at up to 5.6%. If a student asset, generally assessed at 20%. Impact on financial aid can vary by institution. Please contact your institution of interest directly.	IRA assets are not counted as parental assets for federal financial aid.	Considered parental asset. Generally assessed at up to 5.6%. Impact on financial aid can vary by institution. Please contact your institution of interest directly.
Income Restrictions	None.	None.	None.	For 2018: Single filers: $110,000 Joint filers: $190,000 - $220,000	None.	None.	**Modified AGI limit for traditional IRA contributions increased.** For 2018, if you are covered by a retirement plan at work, your deduction for contributions to a traditional IRA is reduced (phased out) if your modified AGI is: • More than $101,000 but less than $121,000 for a married couple filing a joint return or a qualifying widow(er), • More than $63,000 but less than $73,000 for a single individual or head of household, or • Less than $10,000 for a married individual filing a separate return.	For 2017, the amount of your education savings bond interest exclusion is gradually reduced (phased out) if your MAGI is between $78,150 and $93,150 ($117,250 and $147,250 if you file a joint return). You can't exclude any of the interest if your MAGI is $93,150 or more ($147,250 or more if you file a joint return).

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