

# COLLEGE SAVINGS ACCOUNT TYPES

	CUSTODIAL ACCOUNTS	529 COLLEGE SAVINGS PLAN	EDUCATION TRUSTS
<b>IRREVOCABILITY</b>	<ul style="list-style-type: none"> <li>non-cash contributions accepted</li> <li>gifts (cash, appreciated assets, etc.) cannot be taken back</li> </ul>	<ul style="list-style-type: none"> <li>only cash is accepted</li> <li>contributions are irrevocable, but beneficiary can be changed</li> </ul>	<ul style="list-style-type: none"> <li>non-cash contributions accepted</li> <li>trust is irrevocable</li> <li>gifts cannot be taken back</li> <li>beneficiary is identified in the trust</li> </ul>
<b>CUSTODIAN/ OWNER/ TRUSTEE'S RESPONSIBILITY</b>	<ul style="list-style-type: none"> <li>accounting, tax filing (minimal)</li> <li>subject to "Prudent man Rule"</li> <li>funds must be used for benefit of the minor</li> </ul>	<ul style="list-style-type: none"> <li>very little accounting responsibility</li> <li>plan and investment selection</li> <li>cashiering requests</li> </ul>	<ul style="list-style-type: none"> <li>asset management</li> <li>tax filing</li> <li>communicating</li> <li>distributing assets per trust terms</li> </ul>
<b>OWNERSHIP AND CONTROL</b>	<ul style="list-style-type: none"> <li>at age of majority, minor becomes the outright owner of the account</li> </ul>	<ul style="list-style-type: none"> <li>owner (parent or grandparent) maintains high degree of control</li> </ul>	<ul style="list-style-type: none"> <li>trustee maintains full control until trust terminates</li> </ul>
<b>TAXABILITY</b>	<ul style="list-style-type: none"> <li>first \$1,050 tax free</li> <li>next \$1,050 taxed at minor's rate</li> <li>remainder taxed at parent's rate ("kiddie tax")</li> </ul>	<ul style="list-style-type: none"> <li>investments grow tax-deferred</li> <li>qualified distributions are tax free</li> </ul>	<ul style="list-style-type: none"> <li>accumulation trusts handle own taxes</li> <li>see-through trusts or IDGTs* are taxed differently</li> </ul>
<b>FINANCIAL AID</b>	<ul style="list-style-type: none"> <li>heavily weighted</li> <li>assets are counted as minor's assets</li> </ul>	<ul style="list-style-type: none"> <li>very little to no weight</li> <li>distributions from non-parent-owned plans count as income</li> </ul>	<ul style="list-style-type: none"> <li>heavily weighted</li> <li>trust assets are counted as beneficiary's (student's) assets</li> </ul>
<b>ESTATE PLANNING</b>	<ul style="list-style-type: none"> <li>great for reducing estate</li> <li>little control over assets</li> </ul>	<ul style="list-style-type: none"> <li>great for reducing estate</li> <li>maintain control over assets</li> </ul>	<ul style="list-style-type: none"> <li>great for "freezing" estate when planned properly and early</li> </ul>
<b>COST</b>	<ul style="list-style-type: none"> <li>very low</li> </ul>	<ul style="list-style-type: none"> <li>low to very low</li> </ul>	<ul style="list-style-type: none"> <li>high</li> </ul>
<b>SIMPLICITY</b>	<ul style="list-style-type: none"> <li>simple</li> </ul>	<ul style="list-style-type: none"> <li>simple to slightly complex</li> </ul>	<ul style="list-style-type: none"> <li>highly complex</li> </ul>

\*Intentionally Defective Grantor Trust

# CUSTODIAL ACCOUNTS

assets become minor's  
outright at age of majority  
(owner maintains little control)

# EDUCATION TRUSTS

expensive and  
highly-involved  
setup

income tax  
implications

highly customizable

heavily weighted  
in financial aid  
considerations  
gifts can be  
non-cash

"prudent man  
rule" applies

irrevocable  
contributions

great estate  
planning tool

trustee/owner  
maintains high  
level of control

simple setup

inexpensive

favorable  
financial aid  
planning tool

beneficiary  
can be  
changed

automated  
rebalancing

# 529 COLLEGE SAVINGS PLANS

cash only  
contributions

qualified  
distributions  
are tax-free