

## HOW DO THE EDUCATION SAVINGS ACCOUNT AND THE §529 PLAN COMPARE?

Issue	Education Savings Account	Section 529 Plan
How much can be contributed?	\$2,000 a year until the child is 18 for years beginning after 12/31/01.	Maximum depends on state plan, age of child and investment chosen. The California ScholarShare program allows lifetime contributions of up to \$174,000 per child. <i>No Fed. limit + can have in multiple plans.</i>
What is the AGI limit?	No contribution allowed when AGI reaches \$110,000 single or head of household, \$220,000 married joint.	None.
Who controls the distribution of the money?	The child has control of the money when he or she turns 18.	The donor retains control until the money is disbursed.
Who controls the investment of the money?	The investment can be moved from one fund to another as investment philosophy changes.	The investment is named when the money is contributed to the plan from a choice provided by the plan manager. The money can be rolled to another investment or plan once each 12 months.
How do gift tax limits apply?	The \$2,000 contribution is counted into the annual \$11,000 gifting limit.	The contribution is counted into the year's total gifts, but special rules allow the donor an election to contribute \$55,000 in one year and use 5 years of annual gifting limits. <i>(If die sooner, pay tax)</i>
What are counted into qualified education expenses?	Can be used for tuition, tutoring, books, supplies, room and board and computer equipment for K through 12 as well as for college.	Can be used only for post secondary expenses. Computer equipment is not included in the definition of qualified education expenses.
How do the funds affect financial aid calculations?	Counts as the student's asset in the financial aid formula.	Counts as the donor's asset in the financial aid formula.