How do college savings options compare?

There are many investment accounts you can use to help save for a child's education, which differ in features and benefits. Here are 3 types of accounts many families consider:

	529 College Savings Plan	**UGMA/UTMA** Uniform Gifts to Minors Act/Uniform Transfers to Minors Act accounts	**Coverdell Education** Savings Account
	These tax-advantaged accounts are designed to pay for qualified education expenses. They can be used for a student of any age.	Custodial accounts invested in the child's name, these accounts can be used for any expense for the benefit of the child.	Custodial account established for paying qualified education expenses for the designated beneficiary of the account.
Any earnings grow tax-deferred, and qualified distributions are federal income tax-free	✓	Part of investment earnings may be tax-exempt	✓
Annual gift-tax-free transfers	2022: Up to $80,000 per beneficiary in a single year ($160,000 per married couple) 2023: Up to $85,000 per beneficiary in a single year ($170,000 per married couple)	2022: Standard $16,000 annual ($32,000) per couple) 2023: $17,000 annual ($34,000 per couple)	$2,000 annual account contribution limit
Beneficiary can be changed	✓	✗	✓
Participant (account owner) maintains control over distribution of assets	✓	Distributions must be used for minor	✓
Contributions not limited by the income of the participant (account owner)	✓	✓	Cannot contribute if AGI is over $110,000 (for single) or $220,000 (for joint filer)
No age limit for the beneficiary (child)	✓	The minor gains control of thee assets at age 18 or 21, depending on state law	Balances must be disbursed by age 30 to beneficiary to avoid penalties/taxes
Low impact on financial aid	✓	✗	✓
Choice of investments	Choice of portfolios is managed by a professional fund manager	Owner researches and chooses investments	Owner researches and chooses investments