College savings options

CollegeChoice**Advisor**
529 SAVINGS PLAN

This chart highlights the differences between four education savings vehicles in terms of tax advantages, the flexibility of using your assets, and the impact of your investment on financial aid.

	CollegeChoice Advisor	UGMA/UTMA (Custodial account)	Coverdell Education Savings Account (ESA)	Qualified Savings Bonds[1]
Who controls the account?	Account Owner	Custodian, until child reaches "age of majority" (as defined by the applicable state law)	Account Owner (or child at age 30)	Bond owner
For what purposes can the proceeds be used?	Any qualified higher education expense (as defined in Section 529 of the Internal Revenue Code), including: tuition, certain room and board costs, fees, computers, books, and supplies at post-secondary educational institutions.	Benefit of the child (not just education)	Any qualified education expense, including: tuition, certain room and board costs, fees, books, supplies and special needs at any eligible K-12 school or post-secondary educational institution.	Anything. However, if used for tuition and fees required for a degree or certificate-granting program by the taxpayer, or the taxpayer's spouse or dependent at an accredited post-secondary educational institution, the interest is free of federal tax as long as other IRS conditions are met regarding income phase-outs, bond purchase year, and bond registration.[3]
Are there income limitations?	No	No	Yes, the maximum contribution amount declines when adjusted gross income exceeds specified amounts.[2]	Yes, tax exclusion benefits are phased out for joint or single filers with modified adjusted gross income that exceeds the limit.[3]
What is the federal income tax impact?	Earnings grow tax-deferred and are free from federal income tax when used for qualified higher education expenses.[4]	Income and capital gains are taxable to the child.[5]	Earnings grow tax-deferred and are free from federal income tax when used for qualified educational expenses.[4]	Interest income may be tax free if the bond proceeds are used for qualified tuition for the bond owner or a dependent; otherwise, taxable income.[3]
Does it offer state tax benefits?	Indiana taxpayers are eligible for a state income tax credit of 20% of contributions to a CollegeChoice Advisor account, up to $1,000 credit per year.[6] Earnings grow tax-deferred and are free from Indiana state income tax when used for qualified higher education expenses.[4]	No	Earnings grow tax-deferred and are free from Indiana state income tax when used for qualified higher education expenses.	Interest income is free from Indiana state income tax.
What is the maximum investment limit per beneficiary?	$450,000	No limit	Total of $2,000 per beneficiary per year (rollover exceptions may apply).	$10,000 face value per year, per owner, per type of bond.

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Can you change beneficiaries?	Yes, to another eligible member of the beneficiary's family.	No, assets are considered an irrevocable gift to the child.	Yes, but only to another member of the current beneficiary's family under the age of 30, or a special needs beneficiary of any age.	Only bond owner can perform change (under certain circumstances).
What is its impact on federal financial aid/ weighting in financial aid formula?	Counts as parent's asset (if the parent opened the account).[7]	Higher weighting: counts as student's asset.[7]	Counted as asset of parent if owner is parent or dependent student.	Counts as bond owner's assets.[7]
What is the federal gift tax treatment?	Contributions treated as completed gifts; may apply contributions of $14,000 (single)/$28,000 (married, filing jointly) as annual gift exclusion or, for five-year election, up to $70,000 (single)/$140,000 (married, filing jointly) without gift tax impact.[8]	Transfers treated as completed gifts; may apply $14,000 ($28,000 for married couples) as annual gift exclusion.	Contributions treated as completed gifts (subject to the annual contribution limit).	Not treated as gift if owned in a parent's name.

Please note: The information presented in this chart is not intended to constitute, nor does it constitute, legal or tax advice. You should consult your legal or tax advisor about the impact of these investments to your individual situation.

[1] Qualified savings bonds are Series EE bonds issued after 1989 and Series I bonds.

[2] The amount that can be contributed to a Coverdell ESA is currently $2,000 if the adjusted gross income of the taxpayer(s) is less than $95,000 for a single filer or $190,000 for a married couple filing jointly. The maximum contribution amount then declines, reaching zero when the adjusted gross income is $110,000 for a single filer or $220,000 for a married couple filing jointly.

[3] For 2016, interest exclusion phases out for incomes between $115,750 and $145,750 (joint filers) or $77,200 and $92,200 (single).

[4] Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to an additional 10% federal tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

[5] For 2016, the first $1,050 of unearned income a child or college student earns will be offset by the $1,050 standard deduction (assuming the child has no earned income), and the next $1,050 of such unearned income will be taxed at the child's tax rate. All of the child's unearned income in excess of $2,100 is taxed at the parent's tax rate.

[6] This credit may be subject to recapture from the account owner (not the contributor) in certain circumstances, such as a rollover to another state's qualified tuition program or a non-qualified withdrawal. Please note that, effective January 1, 2010, the Indiana state income tax credit will no longer apply to rollovers from another state's qualified tuition program or to transfers from the Upromise service into a CollegeChoice Advisor account. All other contributions will continue to be eligible for the tax credit to the extent previously allowable.

[7] For complete information about financial aid eligibility, you should consult with a financial aid professional and/ or the state or educational institution offering a particular financial aid program, since regulations often change.

[8] In the event the donor does not survive the 5-year period, a pro-rated amount will revert to the donor's taxable estate.

For more information about the CollegeChoice Advisor 529 Savings Plan ("CollegeChoice Advisor"), contact your financial advisor, call 1.866.485.9419 or visit www.collegechoiceadvisor529.com to obtain a Disclosure Statement, which includes investment objectives, risks, charges, expenses, and other important information; read and consider it carefully before investing. Ascensus Broker Dealer Services, Inc. ("ABD") is Distributor of CollegeChoice Advisor.

If you are not an Indiana taxpayer, before you invest, consider whether your or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program.

CollegeChoice Advisor is administered by the Indiana Education Savings Authority (Authority). ABD, the Program Manager, and its affiliates, have overall responsibility for the day-to-day operations, including investment advisory, recordkeeping and administrative services, and marketing. CollegeChoice Advisor's Portfolios invest in: (i) exchange-traded funds; (ii) mutual funds; or (iii) an FDIC-insured omnibus savings account held in trust by the Authority at Sallie Mae Bank. Except for the Savings Portfolio, investments in CollegeChoice Advisor are not insured by the FDIC. Units of the Portfolios are municipal securities and the value of the units will vary with market conditions.

Investment returns will vary depending upon the performance of the Portfolios you choose. Except to the extent of FDIC insurance available for the Savings Portfolio, depending on market conditions, you could lose all or a portion of your money by investing in CollegeChoice Advisor. Account Owners assume all investment risks, as well as responsibility for any federal and state tax consequences.

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