

College savings comparison chart

This chart compares several popular college savings options¹. An investor must consider risk when comparing different options. Generally, attaining higher returns involves more risk. The U.Plan offers a low-risk investment with a guaranteed return.

	UPLAN Prepaid Tuition Program	UFUND College Investing Plan (529 Plan)	Custodial Accounts (UGMA/UTMA)	Coverdell Education Savings Account	Taxable Account
Ownership / Control of Account	Owner	Owner	Custodian controls for the minor until age of majority.	Generally parent or legal guardian controls for the beneficiary.	Owner
Guidelines for Use	Locks in tuition and mandatory fees only at 80 participating MA public and private college and universities for undergraduate education.	Qualified higher education expenses (tuition, room, board, books, and required supplies and equipment) at accredited post-secondary schools anywhere in the U.S.	If used before the age of majority, must be used for the benefit of the child. No restrictions on use when under the control of the beneficiary.	Qualified higher education expenses (tuition, room, board, books and required supplies) at qualified elementary, secondary or accredited post-secondary schools by the time beneficiary turns 30.	None
Adjusted Gross Income Limit	None	None	None	Single filer: \$95-\$110k Joint filers: \$190-220k (phased out).	None
Annual Contribution Limit	No annual limit.	No annual limit. Cumulative limit of \$300,000. Gift \$65,000 per donor (\$130,000 per couple) per beneficiary in a single year without incurring Federal gift tax treatment. ³	No limits. Gift up to \$13K/year (\$26K per couple) to a child's UGMA/UTMA account without being subject to Federal gift tax treatment.	\$2000 per designated beneficiary under 18 (scheduled to be reduced to \$500 in 2011). Contributions to the same Coverdell Account can be made by any taxpayer who meets AGI limits.	None
Taxation of Earnings	State and federal tax free with some limitations. ²	Qualified distributions are federal income tax free. Tax free for Massachusetts residents.	At least part of the investment earnings may be exempt from federal income tax and some or all may be taxed at the child's generally lower rate in the year in which earned.	Qualified distributions are federal income tax free. Tax free for Massachusetts residents.	Earnings are taxed in the year realized.
Taxation/Penalty upon Non-Qualified Withdrawal	U.Plan Tuition Certificates are illiquid. Participants should expect to hold to maturity. Certificates pay interest at rate of increase in CPI until maturity date if not used for tuition at participating Massachusetts colleges and universities.	Earnings portion of non-qualified withdrawals taxed as ordinary income to the participant and is subject to a federally mandated 10% penalty tax. Penalty-free (but taxable) withdrawals permitted in the event of scholarship, death/disability of the beneficiary or rollover to another 529 Plan.	N/A	Earnings taxed at account owner's rate and 10% penalty tax on distributions (earnings portion) that exceed or are not used for qualified higher education expenses or (before 2011) qualified primary or secondary education expenses.	N/A
Change of Beneficiary	Can change beneficiary to a member of the designated beneficiary's family tax free and penalty free.	Can change beneficiary to benefit a member of the designated beneficiary's family tax free and penalty free.	Not permitted. Contributions are irrevocable gifts to the child.	Can transfer account balance to another Coverdell Account of family member of designated beneficiary tax free and penalty free.	N/A
Effect on Financial Aid	Treated as a parental asset, if the account owner is a parent or dependent student (up to 5.6% factored into federal financial aid formula).	Treated as a parental asset, if the account owner is a parent or dependent student (up to 5.6% factored into federal financial aid formula).	Treated as the child's asset (20% factored into federal financial aid formula).	Treated as a parental asset, if the account owner is a parent or dependent student (up to 5.6% factored into federal financial aid formula).	Treated as an asset of the account owner (if parent, 5.6% or if student, 20% of assets factored into federal financial aid formula).

¹ In addition to the savings alternatives set forth in the chart, several states have established tax-advantaged prepaid tuition programs under Section 529 of the Internal Revenue Code. Those programs generally provide tuition lock-in features at state colleges and universities located within the sponsoring state. The Tuition Plan Consortium, a non-profit organization, has launched the "Independent 529 Plan", a nationwide prepaid tuition program involving certain private colleges. Prospective purchasers of U.Plan Tuition Certificates may wish to

review available information about such other prepaid tuition programs and assess the relative benefits of such programs and the U.Plan in light of their higher education savings objectives.

² See the Tax Matters section of the Program Description and Offering Statement for further information.

³ Must be prorated over five years to avoid Federal gift tax treatment.