

## Compare College Savings Choices

There are many choices for you to consider when charting your child's course to college. The option you choose depends on how many years you have to save, your overall financial goals and your investment preferences. With average college costs continually on the rise, there's no better time to open an account than now.



**KENTUCKY**  
Education Savings Plan Trust

	Kentucky Education Savings Plan Trust	529 Plans General	Independent 529 Plan	529 State Prepaid Plans	Coverdell Education Savings Account (CESA or ESA)	Custodial Accounts (UGMA/UTMA)	Taxable Accounts	Traditional (Classic) IRA	Education Savings Bonds
Federal Tax Treatment	Earnings portion of withdrawals used to pay qualified education expenses are federal income tax free.  Federal income tax-free treatment of qualified withdrawals and other federal tax benefits are permanently in place for 529 plans through the passage of the Pension Protection Act of 2006.	Earnings portion of withdrawals used to pay qualified education expenses are federal income tax-free.  Federal income tax-free treatment of qualified withdrawals and other federal tax benefits are permanently in place for 529 plans through the passage of the Pension Protection Act of 2006.	Neither the account owner nor the beneficiary is subject to federal income tax if a Tuition Certificate is used to pay for tuition at a member institution.  Redemptions of tuition certificates for qualified tuition expenses are federal income tax-free.  Federal income tax-free treatment of qualified withdrawals and other federal tax benefits are permanently in place for 529 plans through the passage of the Pension Protection Act of 2006.	Neither the account owner nor the beneficiary is subject to federal income tax if account is used to pay for tuition at a participating institution.  Federal income tax-free treatment of qualified withdrawals and other federal tax benefits are permanently in place for 529 plans through the passage of the Pension Protection Act of 2006.	Distributions used to pay for qualified education expenses are federal income tax-free.  The law allowing for federal income tax-free qualified withdrawals is set to expire on December 31, 2010. Congress may or may not extend this law beyond that date.	For children under 18, first \$850 of earnings is federal income tax free.  Earnings between \$850 and \$1,700 are taxed at the child's rate. Earnings above \$1,700 are taxed at the parents' rate.  All earnings for children age 18 and older are taxed at the child's rate.	Fully taxable.	Federal income tax deductible (subject to income limits).  Earnings are federal income tax-free until withdrawal at age 59 ½.  Penalty free withdrawals for qualified higher education expenses, but entire withdrawal taxed at owners tax rate.	Interest earned is federal income tax-free if used for qualified higher education expenses.  (Subject to income limits.)
State Tax Treatment	Qualified withdrawals are Kentucky income tax free.	Some states may offer different or additional tax incentives.  State income tax treatment is dependent on state tax law.	Please consult your own tax advisor as to the tax consequences applicable to your particular situation.	Some states may offer different or additional tax incentives.  State income tax treatment is dependent on state tax law.	No state tax deduction.	No state tax deduction.	State income tax treatment is dependent on state tax law.	State income tax treatment is dependent on state tax law.	State income tax treatment is dependent on state tax law.
Federal Tax on Non-Qualified Withdrawals	Earnings subject to income tax and 10% additional tax.	Earnings subject to income tax and 10% additional tax.	Earnings subject to income tax and 10% additional tax.	Earnings subject to income tax and 10% additional tax.	Earnings subject to income tax and 10% additional tax.	No penalties.	No penalties.	Earnings subject to income tax and 10% additional tax.	3 months of interest forfeited if redeemed within first 5 years.

For information on Federal tax treatment, see IRS Publication 970, or consult your financial advisor. For more information on state tax treatment, check with your financial advisor. Participation in Independent 529 Plan does not guarantee admission to any member college or university. Consult the Schedule of Participating Institutions and Tuition Rates (PDF) at [www.independent529plan.org](http://www.independent529plan.org) or call 1-888-718-7878. Information on industry-average fees is based on "Fees and Expenses of Mutual Funds 2006," Fundamentals, Investment Company Institute, Vol. 16, No.2, June 2007

# Compare College Savings Choices



	Kentucky Education Savings Plan Trust	529 Plans General	Independent 529 Plan	529 State Prepaid Plans	Coverdell Education Savings Account (CESA or ESA)	Custodial Accounts (UGMA/UTMA)	Taxable Accounts	Traditional (Classic) IRA	Education Savings Bonds
Fees Assessed	Management fee is less than one percent (ranging from 0.61% to 0.91%) annually.  No other sales charges, enrollment or maintenance fees.	Typically, an asset-based management fee.  Industry average ranges from less than half a percent to slightly over 1 percent per year.  May incur sales charge up to 5.75% if purchased through a broker/advisor.	No fees charged to account owners.  100% of contributions go toward the purchase of tuition.	Varies by state.	Depends upon underlying investment vehicle.  Industry average ranges from less than half a percent to slightly over 1 percent per year.	Depends upon underlying investment vehicle.  Industry average ranges from less than half a percent to slightly over 1 percent per year.	Depends upon underlying investment vehicle.  Industry average ranges from less than half a percent to slightly over 1 percent per year.	Depends upon underlying investment vehicle.  Industry average ranges from less than half a percent to slightly over 1 percent per year.	None.
Qualified Expenses	Tuition, mandatory fees, books, supplies, and equipment required for enrollment or attendance; certain room and board costs, certain expenses for "special needs" students.	Tuition, mandatory fees, books, supplies, and equipment required for enrollment or attendance; certain room and board costs, certain expenses for "special needs" students.	Undergraduate tuition and mandatory fees at any <a href="#">member college</a> at which the beneficiary is admitted and becomes enrolled.	Most plans are designed to cover tuition and fees at in-state colleges and universities.  Some have provision to include room and board.	Post-secondary costs, K-12 costs.	Anything that benefits the minor.  At age of majority (18 or 21 depending on state), account becomes property of the child.	Not applicable, can be used for any purpose.	Unlimited.  Can make penalty free withdrawals for qualified higher education expenses.	Tuition and mandatory fees.  Payments to qualified State tuition programs, 529 Plans or CESAs are also eligible.  Room and board, and books are not qualified expenses.
Investment Control	Kentucky Higher Education Assistance Authority	Registered account owner, program management varies by state.	Registered account owner, program management by the Tuition Plan Consortium Board.	Registered account owner, program management varies by state.	Registered account owner, program management varies by state.	Custodian until child reaches age of majority (18 or 21 depending on state), investment management varies by provider.	Registered account owner, program management varies by provider.	Registered account owner, program management varies by provider.	Registered account owner, program management varies by provider.

For information on Federal tax treatment, see IRS Publication 970, or consult your financial advisor. For more information on state tax treatment, check with your financial advisor. Participation in Independent 529 Plan does not guarantee admission to any member college or university. Consult the Schedule of Participating Institutions and Tuition Rates (PDF) at [www.independent529plan.org](http://www.independent529plan.org) or call 1-888-718-7878. Information on industry-average fees is based on "Fees and Expenses of Mutual Funds 2006," Fundamentals, Investment Company Institute, Vol. 16, No.2, June 2007

# Compare College Savings Choices



	Kentucky Education Savings Plan Trust	529 Plans General	Independent 529 Plan	529 State Prepaid Plans	Coverdell Education Savings Account (CESA or ESA)	Custodial Accounts (UGMA/UTMA)	Taxable Accounts	Traditional (Classic) IRA	Education Savings Bonds
Investment Options	<p>Five investment options; can invest in one or more of the following:</p> <ul style="list-style-type: none"> <li><a href="#">Managed Allocation Option</a></li> <li><a href="#">Active Equity Option</a></li> <li><a href="#">Equity Index Option</a></li> <li><a href="#">Fixed Income Option</a></li> <li><a href="#">Guaranteed Option</a></li> </ul> <p>The Guaranteed Option provides a guarantee of principal and minimum rate of interest to KESPT, but not to account owners or beneficiaries.</p>	Varies by state.	See Program Disclosure Booklet for details on investments.	Varies by state.	Mutual funds and securities.	<p>UGMA: mutual funds, securities.</p> <p>UTMA: mutual funds, securities, real estate, royalties, patents, and paintings.</p>	Investments chosen by the individual.	Investments chosen by the individual.	Series EE bonds issued January 1990 and later, and all Series I Bonds.
Federal Estate Planning and Gift Tax Treatment*	<p>Annual gift tax exclusion of up to \$12,000 per donor per beneficiary.</p> <p>A contribution in excess of annual gift tax exclusion amount up to \$60,000 can be prorated over 5 years and treated as a gift in each of those years.</p>	<p>Annual gift tax exclusion of up to \$12,000 per donor per beneficiary.</p> <p>A contribution in excess of annual gift tax exclusion amount up to \$60,000 can be prorated over 5 years and treated as a gift in each of those years.</p>	<p>Annual gift tax exclusion of up to \$12,000 per donor per beneficiary.</p> <p>A contribution in excess of annual gift tax exclusion amount up to \$60,000 can be prorated over 5 years and treated as a gift in each of those years.</p>	<p>Annual gift tax exclusion of up to \$12,000 per donor per beneficiary.</p> <p>A contribution in excess of annual gift tax exclusion amount up to \$60,000 can be prorated over 5 years and treated as a gift in each of those years.</p>	<p>Annual gift tax exclusion of up to \$12,000 per donor, per beneficiary.</p>	<p>Annual gift tax exclusion of up to \$12,000 per donor, per beneficiary.</p>	N/A	N/A	<p>Annual gift tax exclusion of up to \$12,000 per donor, per beneficiary.</p>
Contribution Limit	<p>No annual limit.</p> <p>\$235,000 maximum account balance limit per beneficiary (total of all KESPT accounts).</p>	<p>No annual limit.</p> <p>Maximum account balance limit per beneficiary may be as high as \$300,000 for some plans.</p>	<p>No annual limit.</p> <p>Maximum account balance limit per beneficiary is cost of 5 years full time tuition at the most expensive member college during the Program Year for a new born, which was \$177,500 for 2007-2008.</p>	<p>No annual limit.</p> <p>Maximum varies by state.</p> <p>Typical range is \$200,000 to \$300,000, which would cover up to 5 years of college costs.</p>	<p>Up to \$2,000 per year, per beneficiary (until beneficiary reaches age 18, unless he/she is a "special needs" beneficiary).</p>	Unlimited.	Unlimited.	<p>2008 Limit:</p> <p>Age 49 and below: \$5,000</p> <p>Age 50 and above: \$6,000</p>	<p>Series EE bond limit of \$30,000 purchase price per year per person.</p> <p>No limit on the amount of bonds that you can accumulate over a lifetime.</p>

For information on Federal tax treatment, see IRS Publication 970, or consult your financial advisor. For more information on state tax treatment, check with your financial advisor. Participation in Independent 529 Plan does not guarantee admission to any member college or university. Consult the Schedule of Participating Institutions and Tuition Rates (PDF) at [www.independent529plan.org](http://www.independent529plan.org) or call 1-888-718-7878. Information on industry-average fees is based on "Fees and Expenses of Mutual Funds 2006," Fundamentals, Investment Company Institute, Vol. 16, No.2, June 2007

# Compare College Savings Choices



	Kentucky Education Savings Plan Trust	529 Plans General	Independent 529 Plan	529 State Prepaid Plans	Coverdell Education Savings Account (CESA or ESA)	Custodial Accounts (UGMA/UTMA)	Taxable Accounts	Traditional (Classic) IRA	Education Savings Bonds
Investment Risk	<p>Subject to market fluctuations.</p> <p>Level of risk will depend upon underlying investment vehicle used.</p> <p>It is possible that returns will be less than the rate of increase in higher education costs.</p> <p>No one can predict returns. There is a risk that any investor could lose part or all of the value of his or her account.</p>	<p>Subject to market fluctuations.</p> <p>Level of risk will depend upon underlying investment vehicle used.</p> <p>It is possible that returns will be less than the rate of increase in higher education costs.</p> <p>No one can predict returns. There is a risk that any investor could lose part or all of the value of his or her account.</p>	<p>Assets held in a qualified trust.</p> <p>Participating institutions bear financial risk of tuition inflation associated with advance payment of tuition.</p> <p>However, if funds are not used for tuition, the return on a refund may be less than the amount that could have been received in another investment.</p>	<p>State agencies typically guarantee the benefit, but not in all cases.</p> <p>Some state-sponsored prepaid plans have closed to new entrants.</p>	<p>Subject to market fluctuations.</p> <p>Level of risk will depend upon underlying investment vehicle used.</p>	<p>Subject to market fluctuations.</p> <p>Level of risk will depend upon underlying investment vehicle used.</p>	<p>Subject to market fluctuations.</p> <p>Level of risk will depend upon underlying investment vehicle used.</p>	<p>Subject to market fluctuations.</p> <p>Level of risk will depend upon underlying investment vehicle used.</p>	<p>Fixed rate, may not keep pace with tuition inflation.</p> <p>Backed by the United States government.</p>
Control of Account	Account Owner, Custodian or Entity.	Account Owner, Custodian or Entity, but may vary by State.	Registered Owner or Custodian.	Registered Owner or Custodian.	Parent/Legal Guardian.  Beneficiary at age of majority (18 or 21 depending on state).	Custodian.  Beneficiary at age of majority (18 or 21 depending on state).	Registered Account Owner.	Registered Account Owner.	Registered Bond Owner.
Federal Financial Aid Impact	<p>If owned by parent, considered a parental asset.</p> <p>Generally assessed at up to 5.6%.</p>	<p>If owned by parent, considered a parental asset.</p> <p>Generally assessed at up to 5.6%.</p>	<p>If owned by parent, considered a parental asset.</p> <p>Generally assessed at up to 5.6%.</p>	<p>If owned by parent, considered a parental asset.</p> <p>Generally assessed at up to 5.6%.</p>	<p>If a parental asset, generally assessed at up to 5.6%.</p> <p>If a student asset, generally assessed at 20%.</p>	<p>Considered student asset.</p> <p>Generally assessed at 20%.</p>	<p>If a parental asset, generally assessed at up to 5.6%.</p> <p>If a student asset, generally assessed at 20%.</p>	<p>IRA assets are not counted as parental assets for federal financial aid.</p>	<p>Considered parental asset.</p> <p>Generally assessed at up to 5.6%.</p>
Income Restrictions	None.	None.	None.	None.	<p>For 2008:</p> <p>Single filers*: \$95,000-\$110,000</p> <p>Joint filers*: \$190,000-\$220,000</p> <p><i>*These are phase-out ranges related to potential tax deduction(s).</i></p>	None.	None.	<p>For 2008:</p> <p>Single filers*: \$53,000-\$63,000</p> <p>Joint filers*: \$85,000-\$105,000</p> <p><i>*These are phase-out ranges related to potential tax deduction(s).</i></p>	<p>Tax benefit eligibility for 2008:</p> <p>Single filers*: \$67,100 - \$82,100</p> <p>Joint filers*: \$100,650 - \$130,650</p> <p><i>*These are phase-out ranges related to potential tax deduction(s).</i></p>

For information on Federal tax treatment, see IRS Publication 970, or consult your financial advisor. For more information on state tax treatment, check with your financial advisor. Participation in Independent 529 Plan does not guarantee admission to any member college or university. Consult the Schedule of Participating Institutions and Tuition Rates (PDF) at [www.independent529plan.org](http://www.independent529plan.org) or call 1-888-718-7878. Information on industry-average fees is based on "Fees and Expenses of Mutual Funds 2006," Fundamentals, Investment Company Institute, Vol. 16, No.2, June 2007