

College savings options



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

| | IDEal - Idaho College Savings Program | 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 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, books, and supplies at eligible institutions of higher education | Benefit of the child (not just education) | Any qualified education expense, including: tuition, certain room and board costs, fees, books, and supplies at any eligible K-12 school or post-secondary educational institution | Tuition and fees required for a degree or certificate-granting program at accredited post-secondary educational institutions; room and board and books are not included |
| 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 incomes that exceed 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? | Idaho taxpayers receive a maximum \$4,000 state income tax deduction per individual taxpayer (up to \$8,000 if married, filing jointly) from their State adjusted gross income annually for contributions to IDEal. ⁶ Anyone can contribute to the account and Idaho taxpayers may take a tax deduction. Earnings grow tax deferred and are free from Idaho state income tax when used for qualified higher education expenses ⁴ | No | Earnings grow tax deferred and are free from Idaho state income tax when used for qualified education expenses ⁴ | Interest income is free from Idaho state income tax |
| What is the maximum investment limit per designated beneficiary? | \$350,000 | 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 |

| | IDeal - Idaho College Savings Program | UGMA/UTMA (Custodial account) | Coverdell Education Savings Account (ESA) | Qualified Savings Bonds¹ |
|---|---|--|---|--|
| Can you change designated beneficiaries? | Yes, to another eligible member of the designated beneficiary's family | No, assets are considered irrevocable gift to the child | Yes, to another eligible member of the designated beneficiary's family | 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 ⁷ | Higher weighting: counts as student's asset ⁷ | Counts as parent's asset ⁷ | 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 on 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 2015, 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 2015, 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 Contributions to the IDeal - Idaho College Savings Program are deductible from Idaho state income tax, subject to recapture in certain circumstances, such as a non-qualified withdrawal or a rollover to another state's qualified tuition program in the year of the rollover and the prior tax year.

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 Idaho College Savings Program (IDeal), call 866-433-2533 or visit www.idsaves.org to obtain a Disclosure Statement. The Disclosure Statement discusses investment objectives, risks, charges, expenses, and other important information. Because investing in IDeal is an important decision for you and your family, you should read and consider the Disclosure Statement carefully before investing. Ascensus Broker Dealer Services, Inc. (ABD) is Distributor of IDeal.

If you are not an Idaho taxpayer, consider before investing whether your or the beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program.

IDeal is administered by the Idaho College Savings Program Board (Board). ABD, the program manager, and its affiliates, have overall responsibility for the day-to-day operations, including investment advisory and recordkeeping and administrative services. The Vanguard Group, Inc. (Vanguard) serves as Investment Manager for IDeal. Sallie Mae Bank serves as the Savings Portfolio Manager for IDeal. IDeal's Portfolios invest in either: (i) mutual funds offered or managed by Vanguard; or (ii) an FDIC-insured omnibus savings account held in trust by the Board at Sallie Mae Bank. Except for the Savings Portfolio, investments in IDeal are not insured by the FDIC. Units of the Portfolios are municipal securities and the value of 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, you could lose all or a portion of your money by investing in IDeal, depending on market conditions. Account Owners assume all investment risks as well as responsibility for any federal and state tax consequences.