

Tax-Wise Investing

No matter where you and your child are on the journey toward higher education, it is never too late to start saving. Your child's education could be one of the biggest investments either of you ever make. If you have more than one child, obviously the financial commitment grows. However, families with a desire to save for education have more options than ever before. Below is a list of these option to help you get started in determining what is best for your family. Planning and saving early can put the cost of higher education within your reach.

	College SAVE 529 Plan	Coverdell ESA* (Education Savings Account)	Qualified Tuition Program (QTP)*	Educational Exception to Additional Tax on Early IRA Distributions*	Education Savings Bond Program*
What is your benefit?	Earnings not taxed – Contributions can be used to reduce your ND taxable income. Up to \$10,000 married filing jointly; up to \$5,000 filing single.	Earnings not taxed	Earnings not taxed	No 10% additional tax on early distribution	Interest not taxed
What is the annual limit?	None <i>Gift tax limits: \$13,000 (\$26,000 joint returns) per beneficiary per year may be contributed without consequences. Special exclusion allows a \$65,000 (\$130,000 joint returns) contribution in a single year as though it were made over five years for tax purposes. \$269,000 lifetime contribution per beneficiary.</i>	\$2,000 contribution per beneficiary	None	Amount of qualified education expenses	Amount of qualified education expenses
What expenses qualify besides tuition and required enrollment fees?	Books, supplies, equipment including computers, software and accessories for education purposes; certain room and board costs; certain expenses for special needs services	Books, supplies, equipment; expenses for special needs services; payments to Qualified Tuition Program Higher Education: Room & board if at least half-time student K-12 Education: Tutoring, room & board, uniforms, transportation, computer access, supplementary expenses	Books, supplies, equipment; room and board if at least half-time student; expenses for special needs services; computer, technology, equipment and Internet access	Books, supplies, equipment; room and board if at least half-time student; expenses for special needs services	Payments to Coverdell ESA; Payments to QTP
What education qualifies?	Undergraduate and graduate	Undergraduate and graduate; K-12	Undergraduate and graduate	Undergraduate and graduate	Undergraduate and graduate
What are some of the other conditions that apply?	In order not to be taxed, contributions must be used for a qualified higher education withdrawal.	Assets must be distributed at age 30 unless special needs beneficiary	None	None	Applies only to qualified series EE bonds issued after 1989 or series I bonds

Information courtesy of www.irs.gov and IRS [Publication 970](#).

* Any nontaxable distribution is limited to the amount that does not exceed qualified education expenses. **CAUTION:** You generally cannot claim more than one benefit for the same education expense. This chart outlines some differences among the benefits. Do not rely on this chart alone. Income limits may apply. Contact a tax specialist or financial advisor to determine your eligibility.