COLUMBIA THREADNEEDLE INVESTMENTS

Your success. Our priority.

529 COLLEGE SAVINGS PLANS VS. OTHER INVESTMENT VEHICLES

	529 College Savings Plan	UGMA/UTMA	EE or I Savings Bonds	Coverdell Education Savings Account (formerly Education IRA)	529 Prepaid Tuition Plan	Regular Investment Account
Federal taxation of account earnings	Tax-exempt when used for qualified higher education expenses. The availability of tax or other benefits may be contingent on meeting other requirements.	Taxable	Tax-deferred for federal; certain post-1989 EE and I bonds may be redeemed federal-tax-free for qualified higher education expenses	Tax-exempt when used for qualified education expenses (including primary and secondary education expenses)	Tax-exempt when used for qualified higher education expenses at designated institutions. The availability of tax or other benefits may be contingent on meeting other requirements.	Taxable
Income limits	None	None	Interest exclusion phases out at $92,200 for single filers and $145,750 for joint filers	Eligibility phases out at $110,000 for single filers and $220,000 for joint filers	None	None
Maximum account balance	Depends on state plan	None	$10,000 face value per year, per owner, per type of bond	Limited by $2,000 annual contribution limit	Depends on state plan	None
Control of assets	Account owner retains control of assets and can choose to change the account beneficiary or revoke the assets through a nonqualified withdrawal*	Custodian acts as a fiduciary on the beneficiary's behalf until the age of majority (typically between 18 and 21 depending on the state of residency)	Registered owner controls assets	Controlled by the responsible individual named on the account, but must be used for the benefit of the named minor. Assets will be transferred to the beneficiary at age 30. (Does not apply if the beneficiary is a special needs beneficiary.)	Account owner controls assets	Account owner controls assets
Ability to change beneficiaries	Can be changed, but in order to prevent a nonqualified distribution, the new beneficiary must be a qualified family member of the current beneficiary	No	Can be used for any dependent's education tax-free if other requirements are met	Can be changed to a member of the family of the current beneficiary if the right to do so is established when the account is opened	Can be changed to a qualified member of the family of the current beneficiary without adverse federal tax consequences	Not applicable
Revocability of assets	Assets are revocable* (see below for treatment of nonqualified withdrawals)	Assets are irrevocable	Assets are revocable (see below for treatment of nonqualified withdrawals)	Assets must be used for the beneficiary. Any remaining balance will be transferred to the beneficiary at age 30, subject to taxes and penalty. (Does not apply if the beneficiary is a special needs beneficiary.)	Assets are revocable (see below for treatment of nonqualified withdrawals)	Account owner has discretion over assets
Investment options	Typically, multiple investment options are available, from conservative to aggressive, including both asset allocation and customized portfolio options	Can include any tangible asset or registered security	EE or I bonds	May invest in any registered security except life insurance contracts	Plans offer a tuition contract or prepaid credit units targeted to a future year of attendance	Can invest in any registered security
Penalty for nonqualified withdrawals	Earnings withdrawn are subject to federal and possibly state income tax and a 10% federal penalty tax	Not applicable	Loss of exclusion from federal income tax on earnings if not used for qualified higher education expenses	Earnings withdrawn are subject to federal and possibly state income tax and a 10% penalty	Earnings withdrawn are subject to federal and possibly state income tax and a 10% penalty on earnings	Not applicable
Estate planning benefits	Account assets are generally removed from account owner's taxable estate	Account assets are removed from donor's estate if donor does not act as custodian	None	Account assets are generally removed from donor's estate	Contributions are generally removed from the account owner's taxable estate	None
Impact on federal needs-based student aid	Plans owned by a dependent student or parent are treated as parental assets, which are assessed at a maximum of 5.64% in the financial aid formula	Assets considered to be student's (where student is the beneficiary); assessed at 20%	Treated as assets of the bond owner, not the beneficiary	Treated as assets of the parent (if owner is a parent or dependent student); assessed at 5.64% maximum	Plans owned by a dependent student or parent are treated as parental assets, which are assessed at a maximum of 5.64% in the financial aid formula	Assets in parent's name assessed at 5.64% maximum
Federal gift tax treatment	Qualifies for the annual $14,000 gift tax exclusion and for federal gift tax exclusion up to $70,000 ($140,000 for married couples filing jointly), provided the donor is approved for front-loaded gifting. No other gifts may be given to the beneficiary over the following five years. Donor must survive the ensuing five years or a prorated amount will be included in the donor's taxable estate.	Qualifies for the annual $14,000 gift tax exclusion	No gift; qualifying bond must be owned by parent	Qualifies for the annual $14,000 gift tax exclusion	Qualifies for the annual $14,000 gift tax exclusion and for federal gift tax exclusion up to $70,000 ($140,000 for married couples filing jointly), provided the donor is approved for front-loaded gifting. No other gifts may be given to the beneficiary over the following five years. Donor must survive the ensuing five years or a prorated amount will be included in the donor's taxable estate.	Qualifies for the annual $14,000 gift tax exclusion

*Not applicable for accounts opened under an UGMA/UTMA registration.

Frequently asked questions

What is a 529 college savings plan?
Created under section 529 of the Internal Revenue Code (IRC) and sponsored by individual states, 529 plans are tax-advantaged education savings vehicles. In 2002, changes to the IRC rendered these plans superior to many other savings vehicles in tax treatment of withdrawals used for qualified higher education expenses.

Who is eligible to open a 529 college savings plan?
Any legal U.S. resident can open a 529 plan account, regardless of income or state of residency.

Who can be the beneficiary of my 529 college savings plan?
There are no age or family relationship limits on 529 plan beneficiaries. Any legal U.S. resident can be a beneficiary of a 529 plan account. You can even open an account that names yourself as the beneficiary and use it to help pay your own higher education expenses.

Can a beneficiary have more than one 529 college savings plan?
Yes. Provided that the combined total of all accounts for the same beneficiary in a given state does not exceed that state's maximum contribution limit, a beneficiary can have more than one account under different account owners.

Can I change my plan's beneficiary?
Yes, with certain limitations. A change in beneficiary is permitted and can be done without federal income tax or penalty, provided that the new beneficiary is a qualified member of the current beneficiary's extended family. A change in beneficiary could trigger gift taxation.

Can I open more than one account for different beneficiaries?
Yes. Maximum account balances are imposed per beneficiary rather than per account owner. In other words, each beneficiary is eligible for the maximum account balance.

What expenses are considered "qualified" under the plan?
As defined by the IRC, qualified higher education expenses include tuition, fees, room, board, books, supplies and equipment required for enrollment in or attendance at an eligible educational institution.

What if the beneficiary of my account decides not to go to college?
If the designated account beneficiary elects not to attend college, a new beneficiary can be chosen, provided that the new beneficiary is a member of the current beneficiary's extended family (as defined by the IRC). Any change in beneficiary to a person who is not a qualified family member of the current beneficiary is treated as a nonqualified withdrawal and may be subject to a 10% penalty and ordinary income tax. UGMA/UTMA 529 plan account assets must be used for the benefit of the minor/beneficiary.

What if my beneficiary receives a scholarship or I need the money for expenses other than those related to higher education?
Assets held in a 529 plan can be withdrawn at the discretion of the account owner. However, earnings on withdrawals to cover expenses other than qualified education expenses will be subject to taxes as ordinary income and, in most cases, a 10% federal penalty. In the event the account beneficiary receives a scholarship, the account owner is allowed to withdraw up to the amount of the scholarship without federal penalty, though the earnings on this withdrawal would be subject to federal and possibly state income tax. Remaining funds can be used for educational expenses not covered by the scholarship, or a new beneficiary can be named.

Can my plan beneficiary attend college anywhere in the United States?
Yes. Withdrawals can be used at any eligible institution in the country. Eligible institutions include two- and four-year public and private universities, and graduate, professional and certain vocational programs. A list of eligible institutions can be found at savingforcollege.com.

How does investing in a 529 college savings plan affect the beneficiary's chances of qualifying for financial aid?
Guidance from the U.S. Department of Education says that a 529 plan owned by a parent or dependent student is treated as an asset of the parent in determining eligibility for federal financial aid. Assets held by parents, such as assets in a 529 plan, have less impact on federal needs-based student aid eligibility than assets held in the child's name or in a custodial account.*

To find out more, call **800.446.4008**
or visit **columbiathreadneedle.com/us**
blog.columbiathreadneedleus.com

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* Source: http://ifap.ed.gov/dpcletters/GEN0402.html

Please consider the investment objectives, risks, charges and expenses associated with 529 plan investments before investing. Contact your financial advisor or visit columbiathreadneedle.com/us for a program brochure, which contains this and other important information about the plan. Read it carefully before investing. You should also consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program.

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Not FDIC insured • No bank, state or federal guarantee • May lose value

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