

Custodial vs 529 Savings Plan

Below highlights the key differences between a Custodial account and 529 Savings Plan.

	Custodial	529 Savings Plan
Asset Ownership	Beneficiary (Minor)	Custodian (Adult)
Beneficiary Switch	No (irrevocable)	Yes
Contribution Limit	None	\$235,000 - \$550,000 (varies by state)
Investment Flexibility	Any	Limited
Qualified Expenses	Any	Education Student Loan Repayment only (up to \$10,000 lifetime)
Tax Advantages	Contributions: Gift Tax exempt if up to \$15,000 per donor per annum Distributions: Subject to kiddie tax ¹	Contributions: Gift Tax exempt if up to \$15,000 per donor each year (or <i>superfunding</i> up to \$75,000 lump sum) Distributions: Tax-exempt
Tax-Free Transfer	Yes (to a 529 Plan)	—
Financial Aid Impact	Yes (up to 20% of asset value)	None
Income Restrictions	None	None
Age Restrictions	Under 18 – 25 (varies by state)	Any

¹ The first \$1,100 in earnings is tax free, the next \$1,100 in earnings is taxed at the beneficiary's rate assuming no additional income, and the remaining earnings are taxed at the custodian's rate.