

# Understand your options with our savings comparison.

Key Questions	Bright Directions College Savings Program (529 Plan)	Coverdell Education Savings Account (CESA)	UGMA/UTMA Custodial Accounts	Parents' Taxable Investments	U.S. Savings Bonds for Education (Series EE or I)
Are contributions tax deductible?	Yes. Contributors who are Illinois residents or tax filers can receive an annual state income tax deduction of up to \$20,000 for married couples filing jointly or \$10,000 for individuals. <sup>1</sup>	No	No	No	No
Is there a contribution limit per beneficiary?	Currently \$320,000 in aggregate across all Illinois 529s. <sup>2</sup>	Yes. \$2,000 per individual per year.	No	No	No
How are distributions for education-related expenses taxed?	Withdrawals for qualified higher education expenses <sup>3</sup> are tax-free (federal and Illinois state income tax-free).	Withdrawals for qualified higher education expenses are federal and may be state income tax-free.	Income and earnings are taxed each year at the child's rate (special rules apply for children under the age of 24 in certain situations).	Income and earnings are taxed at the account owner's tax rate.	Typically, there is no federal tax on earnings until the bond is cashed in, and if certain requirements are met, interest may be tax-free.
Can you change the beneficiary of the account?	Yes. A transfer to another eligible member of the beneficiary's family is permitted.	Yes. A transfer to another eligible member of the beneficiary's family is permitted.	No. This is an irrevocable gift to the child.	Not applicable	Not applicable
Are there any income limits restricting who is eligible to contribute?	No	Yes. Eligibility begins to phase out at \$95,000 Adjusted Gross Income (AGI) for single filers and is completely phased out at \$110,000 (\$190,000–\$220,000 AGI phaseout range for taxpayers filing jointly).	No	No	None for the initial purchase, but to liquidate savings bonds and move proceeds to a 529 tax-free, the bonds must have been issued after 1989 to an individual who was age 24 or older and meets certain income and other requirements.
How can contributions and earnings be used?	Funds can be used at a variety of eligible schools. Withdrawals for qualified higher education expenses such as tuition, books, and supplies are federal and Illinois state income tax-free. Room and board is considered a qualified expense as well when the student is enrolled on at least a half-time basis.	Funds can be used for qualified higher education expenses and for eligible K–12 expenses. Withdrawals for qualified higher education expenses receive favorable tax treatment. The earnings portion of a nonqualified withdrawal may be subject to income tax and an IRS penalty.	The account must be used for the minor's benefit. When the child attains the age of majority, the child controls the funds.	For any purpose	For any purpose
How is the account treated for estate tax purposes?	The value of the account is removed from the account owner's estate. <sup>4</sup>	Contributions are treated as a completed gift from the contributor to the beneficiary.	The value of the account may be included in the minor's or custodian's taxable estate.	The value of the account is included in the account owner's taxable estate.	The value of the bond is included in the account owner's taxable estate.



Alexi Giannoulas

Illinois State Treasurer

Trustee & Administrator



### College Savings Program

[www.brightdirections.com](http://www.brightdirections.com) 866-722-7283

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No Bank Guarantee



Program Manager

1) Individuals who file individual Illinois state income tax returns can deduct up to \$10,000 per tax year (\$20,000 if filing jointly) for their total, combined contributions to the Bright Directions College Savings Program, the Bright Start College Savings Program, and College Illinois! during that tax year. The \$10,000 (individual) and \$20,000 (joint) limit on deductions will apply to total contributions made without regard to whether the contributions are made to a single account or more than one account. **You should be aware that other states may sponsor their own qualified tuition plans and may offer a state tax deduction or other benefits that are limited to residents who invest in that plan. You should consult with a tax advisor about state and local taxes.**

2) The combined maximum account balance limit for the Bright Directions College Savings Program and all other Section 529 programs established and maintained by the State of Illinois (including the Bright Start College Savings Program and College Illinois!) for a particular beneficiary cannot exceed \$320,000. Although account balances can grow beyond that amount, no additional contributions can be made once the balance reaches \$320,000.

3) Withdrawals used to pay for qualified higher education expenses are income tax-free (federal and State of Illinois). Qualified higher education expenses include tuition, fees, books, supplies, and equipment required for enrollment at a qualified institution of higher education. Room and board is considered a qualified higher education expense if the student is enrolled on at least a half-time basis.

4) If the donor dies before the end of the five-year period, the portion of the contribution allocable to years after the donor's death will be includable in the donor's estate for federal estate tax purposes.