

## Investtalk *InfoSheet*: Education Accounts

### There are two basic education accounts.

The Coverdell and the 529 Plan. Both are designed to benefit children or even adults in paying for education. There are large differences in each.

**First the Coverdell.** The maximum you can set aside per year is \$2,000. The money can be invested in almost any kind of instrument. A savings account, CDs, a stock account, mutual funds or bonds. The choices are virtually unlimited. You need to designate a beneficiary usually a son or daughter but you can choose anyone- nieces or nephews or even a spouse or a friend. The beneficiary can be changed at anytime.

**The money can be used not only for college but also any educational facility.** Private high school for instance and the books or the computer you may need for the classes. Also, vocational school tuition can be paid from the Coverdell.

**The 529 plan** is a state sponsored program that is designed to help pay for expenses of accredited colleges only. The investments are limited depending on which state sponsored 529 program you choose. Usually that limitation is a choice of mutual funds. The amount of money that can be contributed each year varies by state but is substantially more than the \$2000 allowed by the Coverdell.

**In both programs the money grows tax free** but the initial investments are not tax free. That is the major benefit. Other benefits are suspect. It is a good way to remind you that you should save for your children's education but \$2,000 per year is not enough in the Coverdell and the 529 plan has restrictions on investments and the use of the money. Still, it is a good way to help you become disciplined about saving.

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