

Compare College Savings Choices

There are many choices for you to consider when charting your child's course to college. The option you choose depends on how many years you have to save, your overall financial goals and your investment preferences. With average college costs continually on the rise, now is a good time to open an account.



This Comparison Tool is intended for informational purposes only. The data in this tool should not be relied on to make investment decisions. Consult your legal or tax professional for tax advice.

	Michigan Education Savings Program ¹	529 Plans General	529 State Prepaid Plans	Coverdell Education Savings Account ² (CESA or ESA)	Custodial Accounts ³ (UGMA/UTMA)	Taxable Accounts	Traditional (Classic) IRA ⁴	Education Savings Bonds ^{3,5}
Federal Tax Treatment	Any investment earnings grow tax-deferred, and distributions to pay for the beneficiary's qualified education expenses are federally and state tax-free.	Any investment earnings grow tax-deferred, and distributions to pay for the beneficiary's qualified education expenses are federally and state tax-free.	Neither the account owner nor the beneficiary is subject to federal income tax if account is used to pay for tuition at a participating institution.	Distributions used to pay for qualified education expenses are federal income tax-free.	The "kiddie tax" applies to a beneficiary who is under 19 or a full-time student under 24, but will not apply if the beneficiary has a job earning income for more than half of his or her support. If "kiddie tax" applies: <ul style="list-style-type: none"> • First \$1,100 of unearned income is free from federal income taxes. • Next \$1,100 of unearned income is taxed at child's tax rate. • Unearned income above \$2,200 is generally taxed at the parent's marginal tax rate. Note: The above rules apply to tax year 2021.	Fully taxable.	Federal income tax deductible (subject to income limits). Earnings are federal income tax-free until withdrawal at age 59 ½. Penalty-free withdrawals for qualified higher education expenses, but entire withdrawal taxed at owners tax rate.	Interest earned is federal income tax-free if used for qualified higher education expenses. (Subject to income limits.)
State Tax Treatment	Michigan taxpayers may also be eligible for a Michigan income tax deduction on contributions made to MESP up to \$10,000 for married couples filing jointly or \$5,000 for individuals filing single per year. Amounts transferred from another 529 college savings plan are not eligible for the Michigan income tax deduction. Recapture provisions apply. See the Program Description for details.	Some states may offer different or additional tax incentives. State income tax treatment is dependent on state tax law.	Some states may offer different or additional tax incentives. State income tax treatment is dependent on state tax law.	No state tax deduction.	No state tax deduction.	State income tax treatment is dependent on state tax law.	State income tax treatment is dependent on state tax law.	Savings bonds are exempt from State taxation, except for estate or inheritance taxes.

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Federal Tax on Non-Qualified Withdrawals	Earnings subject to income tax and 10% additional tax.	Earnings subject to income tax and 10% additional tax.	Earnings subject to income tax and 10% additional tax.	Earnings subject to income tax and 10% additional tax.	No penalties apply as contributions are irrevocable and money has to be spent for the benefit of the account beneficiary.	No penalties.	Earnings subject to income tax and 10% additional tax.	3 months of interest forfeited if redeemed within first 5 years.
Fees Assessed	With MESP, there are no sales charges, start-up or maintenance fees. To review the current total annual asset-based fees, which are comprised of the underlying investments expenses for each Investment Option, the Program Manager fee, and state administration fee, please see fees and expenses .	Average annual asset-based management fees range from 0.18%-0.63% for direct sold plans and 0.23%-0.92% for all 529 plans (direct, advisor and fee-based advisor plans). ⁶	Varies by state.	Depends upon underlying investment vehicle.	Depends upon underlying investment vehicle.	Depends upon underlying investment vehicle.	Depends upon underlying investment vehicle.	None.
Qualified Expenses	Tuition, mandatory fees, books, supplies, and equipment or attendance; certain room and board costs, certain expenses for "special needs" students. In addition, up to \$10,000 annually can be used toward K-12 school tuition per student from all 529 plans. Funds may be used for apprenticeship programs and student loan repayment of up to a lifetime limit of \$10,000. Limitations apply. ⁷	Tuition, mandatory fees, books, supplies, and equipment required for enrollment or attendance; certain room and board costs, certain expenses for "special needs" students.	Most plans are designed to cover tuition and fees at in-state colleges and universities. Some have provision to include room and board.	Post-secondary costs, K-12 costs.	Anything that benefits the minor. At age of majority (18 or 21 depending on state), account becomes property of the child.	Not applicable, can be used for any purpose.	Unlimited. Can make penalty free withdrawals for qualified higher education expenses.	Tuition and mandatory fees at colleges, universities, and vocational schools. Rollovers to a section 529 plan are also eligible. Room and board, and books are not qualified expenses.
Investment Control	The Michigan Department of Treasury selected the menu of Investment Options for MESP. The MESP Account Owner makes decisions on which Investment Options are suitable and any changes to the Investment Portfolio.	Registered account owner, program management varies by state.	Registered account owner, program management varies by state.	Registered account owner, program management varies by provider.	Custodian until child reaches age of majority (18 or 21 depending on state), investment management varies by provider.	Registered account owner, program management varies by provider.	Registered account owner, program management varies by provider.	Registered account owner.

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Investment Options	<ul style="list-style-type: none"> • (10) Enrollment Year Investment Options that are based on a future enrollment year and that invest in multiple funds (mutual funds or exchange-traded funds ("ETFs")) and a funding agreement. • (6) Multi-Fund Investment Options that invest in multiple mutual funds based on a target risk level or specific asset classes. • (1) Single Fund Investment Option that invests in a single mutual fund. • (1) Principal Plus Interest Option that invest in a funding agreement. 	Varies by state.	Varies by state.	Investments chosen by the individual.	UGMA/UTMA rules vary by state. Investments are chosen by the individual.	Investments chosen by the individual.	Investments chosen by the individual.	Series EE bonds issued January 1990 and later and all Series I Bonds are backed by the US government.
Federal Estate Planning and Gift Tax Treatment Each individual's tax situation will be different. Consult your tax advisor.	<p>Annual gift tax exclusion of up to \$15,000 per donor per beneficiary.</p> <p>A contribution in excess of annual gift tax exclusion amount up to \$75,000 can be prorated over 5 years and treated as a gift in each of those years.</p>	<p>Annual gift tax exclusion of up to \$15,000 per donor per beneficiary.</p> <p>A contribution in excess of annual gift tax exclusion amount up to \$75,000 can be prorated over 5 years and treated as a gift in each of those years.</p>	<p>Annual gift tax exclusion of up to \$15,000 per donor per beneficiary.</p> <p>A contribution in excess of annual gift tax exclusion amount up to \$75,000 can be prorated over 5 years and treated as a gift in each of those years.</p>	<p>\$2,000 contribution limit is below Annual Limit for Federal Gift Tax Exclusion.</p>	<p>Annual gift tax exclusion of up to \$15,000 per donor, per beneficiary.</p>	N/A	N/A	Annual gift tax exclusion of up to \$15,000 per donor (each spouse can give a gift), per beneficiary.
Contribution Limit	<p>No annual limit.</p> <p>\$500,000 maximum account balance limit per beneficiary (total of all MESP, MET and Michigan Advisor accounts).</p>	<p>No annual limit.</p> <p>Maximum account balance limit per beneficiary may be as high as \$500,000 for some plans.</p>	<p>No annual limit.</p> <p>Maximum varies by state.</p> <p>Typical range could cover 5 years of college costs.</p>	<p>Up to \$2,000 per year, per beneficiary (until beneficiary reaches age 18, unless he/she is a "special needs" beneficiary).</p> <p>Not available to high-income families (\$220,000 joint - maximum MAGI, \$110,000 single - maximum MAGI).</p>	Unlimited.	Unlimited.	<p>2021 Limit:</p> <p>Age 49 and below: \$6,000</p> <p>Age 50+: \$7,000</p>	<p>Purchase limitations are set by the U.S. Treasury: \$20,000 total per year/ per person. Series I and EE Bonds: \$10,000 each per year/per person.</p>

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Investment Risk	<p>Subject to market fluctuations.</p> <p>Level of risk will depend upon underlying investment vehicle used.</p> <p>It is possible that returns will be less than the rate of increase in higher education costs.</p> <p>No one can predict returns. There is a risk that any investor could lose part or all of the value of his or her account.</p>	<p>Subject to market fluctuations.</p> <p>Level of risk will depend upon underlying investment vehicle used.</p> <p>It is possible that returns will be less than the rate of increase in higher education costs.</p> <p>No one can predict returns. There is a risk that any investor could lose part or all of the value of his or her account.</p>	<p>State agencies typically guarantee the benefit, but not in all cases.</p> <p>Some state-sponsored prepaid plans have closed to new entrants.</p>	<p>Subject to market fluctuations.</p> <p>Level of risk will depend upon underlying investment vehicle used.</p>	<p>Subject to market fluctuations.</p> <p>Level of risk will depend upon underlying investment vehicle used.</p>	<p>Subject to market fluctuations.</p> <p>Level of risk will depend upon underlying investment vehicle used.</p>	<p>Subject to market fluctuations.</p> <p>Level of risk will depend upon underlying investment vehicle used.</p>	<p>Fixed rate, may not keep pace with tuition inflation.</p> <p>Backed by the United States government.</p>
Control of Account	Account Owner, Custodian or Entity.	Account Owner, Custodian or Entity, but may vary by State.	Registered Owner or Custodian.	Parent/Legal Guardian. Beneficiary at age of majority (18 or 21 depending on state).	Custodian. Beneficiary at age of majority (18 or 21 depending on state).	Registered Owner or Custodian.	Registered Owner or Custodian.	Bond owner must be at least 24 years old, and the bond must stay in the purchaser's name.
Federal Financial Aid Impact ⁶	<p>If owned by parent, considered a parental asset.</p> <p>Generally assessed at up to 5.64%.</p> <p>Impact on financial aid can vary by institution. Please contact your institution of interest directly.</p>	<p>If owned by parent, considered a parental asset.</p> <p>Generally assessed at up to 5.64%.</p> <p>Impact on financial aid can vary by institution. Please contact your institution of interest directly.</p>	<p>If owned by parent, considered a parental asset.</p> <p>Generally assessed at up to 5.64%.</p> <p>Impact on financial aid can vary by institution. Please contact your institution of interest directly.</p>	<p>If a parental asset, generally assessed at up to 5.64%.</p> <p>If a student asset, generally assessed at 20%.</p> <p>Impact on financial aid can vary by institution. Please contact your institution of interest directly.</p>	<p>UGMA/UTMA assets are owned by the minor and count as a student asset, generally assessed at 20%, for financial aid purposes.</p> <p>Impact on financial aid can vary by institution. Please contact your institution of interest directly.</p>	<p>If a parental asset, generally assessed at up to 5.64%.</p> <p>If a student asset, generally assessed at 20%.</p> <p>Impact on financial aid can vary by institution. Please contact your institution of interest directly.</p>	<p>IRA assets are not counted as parental assets for federal financial aid.</p>	<p>Considered parental asset.</p> <p>Generally assessed at up to 5.64%.</p> <p>Impact on financial aid can vary by institution. Please contact your institution of interest directly.</p>

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Income Restrictions	None.	None.	None.	Individuals (including the beneficiary) whose modified adjusted gross income for the year is less than \$110,000 (\$220,000 in the case of a joint return).	None.	None.	<p>For 2020, if you are covered by a retirement plan at work, your deduction for contributions to a traditional IRA is reduced if your Modified AGI (MAGI) is:</p> <ul style="list-style-type: none"> • More than \$105,000 but less than \$125,000 for a married couple filing a joint return or a qualifying widow(er). • More than \$66,000 but less than \$76,000 for a single individual or head of household, or • Less than \$10,000 for a married individual filing a separate return.⁴ 	<p>No restrictions on purchase. Federal income tax exemption for interest earned on bonds is limited to individuals whose modified adjusted gross income does not exceed applicable limit.</p> <p>For 2020, the amount of your education savings bond interest exclusion is gradually reduced if your MAGI is between \$82,350 and \$97,350 (\$123,550 and \$153,550 if you are married). You cannot exclude any of the interest if your MAGI is \$97,350 (\$153,550 married).</p>

1 Source: MISaves.com

2 Source: investopedia.com/terms/c/coverdelleesa.asp

3 Source: irs.gov/pub/irs-pdf/p970.pdf

4 Source: irs.gov/retirement-plans

5 Source: treasurydirect.gov/indiv/planning/plan_education.htm

6 Source: ISS Market Intelligence 529 College Savings Fee Analysis Q1 2021.

7 Source: Withdrawals for tuition expenses at public, private or religious elementary, middle, or high school, registered apprenticeship programs, and student loans can be withdrawn free from federal taxes, however may be subject to state income tax. You should talk to a qualified advisor about how tax provisions affect your circumstances.

8 Source: Studentaid.gov

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Michigan taxpayers can reduce their state taxable income by up to \$10,000 if married filing jointly (\$5,000 filing single) from contributions made into a Michigan 529 college savings plan.