

Area	ESA (Coverdell)	529 Savings Plan
Investment Control	Account owner has control over investments	Account owner has control over how contributions are invested. Some states allow a choice of funds one-time, some once per year, and some allow no choice, simply assigning the contribution to one managed fund.
Investment Options	Virtually unlimited	Limited by the state plan (similar to how a 401k works, though the selection varies dramatically by state)
Account Location	A brokerage / bank of your choice (Scottrade offers these types of accounts)	Account is opened with the state and they act as custodian of the assets
Cost of account	Some institutions may charge a maintenance fee (Scottrade has no fees). Management fees vary by fund if invested in mutual funds or ETFs. Advisor fees apply if managed by an advisor. Trading commissions apply	Some states charge an account maintenance fee. Management fees vary by mutual fund (selection is limited and some states only contain actively managed funds with high annual fees or one time sales loads). Advisor fees apply if managed by an advisor
2007 Contribution Limit	\$2,000	No absolute limit imposed, but gift taxes may apply on contributions over \$12,000. Some state plans have contribution minimums or maximums
AGI Limit to Contribute	Ability to make contributions phases out for single taxpayers at \$95k-110k, \$190k-220k for married joint filers.	
Contribution Eligibility	Single individuals can contribute the full amount if modified adjusted gross income is < \$95,000 (partial contributions are allowed up to \$110,000). \$190,000 and \$220,000 is the phase-out range for joint filers	No income limits
Tax Treatment of Contributions	Contributions are after-tax for federal purposes. Some states may allow a deduction for state tax purposes	Contributions are after-tax for federal purposes. Some states may allow a deduction for state tax purposes
Tax Treatment of Withdrawals	Distributions for qualified educational expenses are tax free. Non-qualifying distributions tax earnings as income + a 10% penalty. Some states may apply additional penalties	Distributions for qualified educational expenses are tax free. Non-qualifying distributions tax earnings as income + a 10% penalty. Some states may apply additional penalties
Qualified Expenses	Virtually any educational expense from an elementary, secondary, accredited post-secondary school, or other institution of higher education. Can be used for tuition, room, board, computers, supplies, books, etc.	Room, board, tuition, and fees for higher education only
Ownership of the Assets	The beneficiary owns the assets. However, until legal age, the parent / guardian has full control	The account owner owns the assets
Ability to Change Beneficiary	Prior to the beneficiary reaching age 18, no limitations. After age 18, since the beneficiary technically owns the funds, some custodians limit the ability to change. After age 30, not applicable as funds are required to be distributed. Beneficiary changes may be treated as a taxable gift depending on the relationship between the old beneficiary and the new beneficiary.	Virtually unlimited. Can change the beneficiary at any time as long as the new beneficiary is a qualifying relative of the old one. Beneficiary changes may be treated as a taxable gift depending on the relationship between the old beneficiary and the new beneficiary.
Age Limitations	Accounts cannot be started and contributions cannot be made for those over age 17. Funds must be distributed by the time the beneficiary reaches age 30	No age restrictions