

# 2024 CLARITY EDUCATION PLAN GUIDE

529 Plans	UTMA/UGMA (Custodial) Accounts
<p><b>Annual Contribution Limits:</b> \$18,000 per individual (\$36,000 if married). There is a special rule for these plans as a \$90,000 contribution can be made in one year (\$180,000 if married) and prorated over a five-year period with the contributor incurring a gift tax liability or reducing one's unified gift and estate tax credit.</p>	<p><b>Annual Contribution Limits:</b> \$18,000 per beneficiary (\$36,000 if married)</p>
<p><b>Maximum Contributions:</b> Varies by plan, but is typically between \$235,000 and \$529,000.</p>	<p><b>Maximum Contributions:</b> No limit as long as not more than \$18,000 (or \$36,000 if married) is contributed each year.</p>
<p><b>Income Limit to Be Eligible to Contribute:</b> None.</p>	<p><b>Income Limit to Be Eligible to Contribute:</b> None.</p>
<p><b>Use of Funds:</b> Qualified education-related expenses, including tuition, fees, room and board, books, and supplies. Funds can be used for post-secondary expenses (unlimited) and up to \$10,000 per year per child for elementary, middle, and high school tuition.</p>	<p><b>Use of Funds:</b> No restrictions as long as they are used for they are used for the child's benefit.</p>
<p><b>Control:</b> Owner maintains control of the assets and how they are invested, decides when distributions will be made, and can change the beneficiary.</p>	<p><b>Control:</b> Beneficiary assumes control at age of majority, typically ages 18 or 21 (age 25 in some states).</p>
<p><b>Investment Options:</b> Varies by plan – some have static portfolios, age-based portfolios, or the option to create a portfolio using a list of specific funds chosen by the plan provider.</p>	<p><b>Investment Options:</b> No limitations.</p>
<p><b>Changes to Investments:</b> They can be changed twice each calendar year or when there is a change to the beneficiary.</p>	<p><b>Changes to Investments:</b> They can be changed anytime, but sale transactions typically result in a taxable event.</p>
<p><b>Tax Treatment:</b> Earnings accumulate on a tax-free basis and withdrawals for qualified education expenses can be accessed tax-free.</p>	<p><b>Tax Treatment:</b> In 2024, the first \$1,300 of a child's unearned income qualifies for the standard deduction. The next \$1,300 is taxed at the child's income tax rate. A child (or young adult's) unearned income beyond \$2,600 is taxed at the parent's tax bracket.</p>
<p><b>Penalties on Non-Qualified Withdrawals:</b> Ordinary income taxes plus a 10% federal tax penalty on earnings.</p>	<p><b>Penalties on Non-Qualified Withdrawals:</b> Not applicable. Funds can be withdrawn at any time for any reason as long as they are for the benefit of the child.</p>
<p><b>Ability to Change Beneficiaries:</b> Yes, to another "member of the family" who are in relation to the existing beneficiary, as long as the plan was not a result of a UTMA/UGMA conversion.</p>	<p><b>Ability to Change Beneficiaries:</b> No</p>
<p><b>Rollovers:</b> Permitted once every 12 months per beneficiary or when beneficiary is changed.</p>	<p><b>Rollovers:</b> Not applicable.</p>

*This material is for informational purposes only as it is not individualized and not intended to serve as the primary or sole basis for your decisions as there may be other factors you should consider. Please contact your financial advisor regarding the application of these issues to your business and individual circumstances.*