

[Skip Nav](#)



The header features the FSA logo on the left, which includes a graduation cap and the text 'FSA FEDERAL STUDENT AID We Help Put America Through School'. To the right is the 'U.S. Department of Education Information for Financial Aid Professionals (IFAP) Library' banner. Below this banner is a navigation menu with links: HOME | Help Center | What's New | Schools Portal | Other Links | Feedback | Privacy. A descriptive tagline reads: 'The IFAP online library contains technical publications, regulations, and policy guidance on the administration of the Federal Student Aid programs.' The IFAP logo is also present on the right side of the banner.

Publication Date: January 22, 2004

DCL ID: GEN-04-02

Summary: Treatment of Coverdell Accounts and 529 Tuition Plans

Posted on 01-22-2004

**January 2004**

**Subject: Treatment of Coverdell Accounts and 529 Tuition Plans**

**Summary: This letter provides clarification on the treatment of certain educational savings plans in the determination of a student's eligibility for Federal student aid.**

Dear Colleague:

We are providing clarification to the financial aid community on the federal methodology used to calculate eligibility for federal student. Specifically, the clarification addresses Series EE United States Savings Bonds and assets and income from two types of educational savings instruments - Coverdell Education Savings Accounts (formerly "Education IRAs") and 529 Plans which may be savings plans or prepaid tuition plans.

- Coverdell Education Savings Accounts and 529 College Savings Plans receive equal treatment in the calculation of federal financial aid eligibility. Specifically, both can be regarded as assets of the parent if the parent is the owner of the account, rather than the student, and thereby displace a smaller amount of financial aid.
- Distributions from Coverdell Education Savings Accounts and 529 College Savings Plans that are not subject to federal income tax are not counted as parent or student income in the determination of federal financial aid eligibility. Distributions for qualified educational expenses therefore do not reduce financial aid eligibility.
- The value of a 529 Prepaid Tuition Plan is not counted as an asset of either the owner or the beneficiary. Distributions are applied to the beneficiary's higher education expenses and reduce the cost of attendance.
- Distributions from 529 Prepaid Tuition Plans are not counted as parent or student income in the determination of financial aid.
- The value of Series EE United States Savings Bonds is regarded as an asset of the owner of the bond(s).

Please refer to the U.S. Department of Education Financial Aid Handbook at [www.ifap.ed.gov](http://www.ifap.ed.gov) for more information.

Sincerely,

Sally Stroup  
Assistant Secretary for  
Postsecondary Education

[Home](#) | [Privacy Statement](#) | [FAQs](#) | [IFAP Search Help](#)

Copyright © 2003, IFAP. All rights reserved.