Career Employer

Series 66 Cheat Sheet

INVESTMENT ADVISOR REGULATION (INCLUDING STATE-REGISTERED AND FEDERAL-COVERED)

A person is defined as someone who is not deceased, a minor, or mentally incapacitated.

Investor advisers (IAs) meet the three-pronged test.

If a person receives compensation for comparing the performance of advisers, they must register as an IA.

Through IA-1092, financial planners, entertainment/sports representatives, and pension consultants were added to the list of who can be considered an IA.

An adviser with an AUM of $110 million or more must register with the SEC as a federal-covered adviser.

It is necessary to register with the state if the AUM exceeds $100 million.

A federally covered adviser must register with the state when their AUM falls below $90 million.

An IA must register with the SEC if it is dealing with investment companies.

The definition of an investment adviser does not apply to engineers, teachers, lawyers, and accountants but it is only incidental advice that they must provide. If they charge for their advice, the exclusion is removed, however.

Under the de minimis, state-registered IAs are exempt. This means they must have 5 or fewer retail clients and no place of business in a state.

No registration is required if the IA does not have a business located in the state and they can have as many institutional clients as they want.

As a result of the snowbird rule, exemption from registration is in effect if dealing with vacationing clients.

Registrations expire on December 31 after their initial registration and must be renewed thereafter. With securities, however, registration is effective for one year no matter what the date of registration was.

Until the renewal date comes about, a BD or IAs successor firm won't need to pay a fee.

A consent to service of process forms part of the registration of all securities professionals.

In order to exercise discretion on a client's account, an IA must have $10,000 net worth or a surety bond.

$35,000 or a surety bond is necessary for IAs that look after the funds or securities of their clients.

When an IA that is state-covered meets the net worth or bonding requirements of their home state, they are automatically eligible to register in any other state without meeting their specific requirements.

The SEC's requirements must be met by federal-covered IAs.

State and federal law consider a person to be in control of an IA if they own 25% or above.

A BD or IA's principal office must maintain a range of company records which have to be kept on hand for a period of three years. Should the business close, these records have to be kept for a period of three years following the closure date.

INVESTMENT ADVISER REPRESENTATIVE (IAR) REGULATION

IARs work for Ias and are also associated with those that supervise IARs.

If an IAR is employed by a state-registered IA they fall under the de minimis exemption.

De minimis exemptions are not available to those who work with a covered IA. The number of clients they have doesn't play a role and they can only register in the state where their place of business is found.

Registration as an IAR is compulsory for any person who receives compensation as a solicitor for an investment advisory firm as per regulations set out in the USA.

According to regulations, the notification method for an IAR working for a state or federal covered adviser is different. If they worked for a federal covered IA, the IAR must inform the administrator, but if they worked for a state-registered IA, it's the task of the IA to do so.

BROKER-DEALER/AGENT REGULATION

Registration is compulsory when a BD holds an office in a state.

A surety bond may be required if a BD holds customer securities and/or funds, or exercises discretion over accounts unless their net capital meets requirements as set out by the SEC.

It is not possible for agents to exercise custody, but if they have discretion, they may be required to post a surety bond.

Cash or securities may be used in place of a surety bond at the administrator's discretion.

For surety bonds to be collectible, they must meet the requirements of the USA.

BDs must issue receipts to customers who deposit securities.

The administrator must be notified when an agent ends their association with a BD. BD must comply with the USA in this regard as well.

Anyone offering or selling securities on behalf of a BD must register.

According to regulations, BD records should be kept for three years. The period for IAs is longer at five years.

BD registration changes must be reported soonest.

REGULATION: SECURITIES AND ISSUER

According to regulations, the following are not securities - IRA and Keogh retirement plans, fixed annuity, term, whole life, modified endowment, and other nonvariable insurance contracts, currencies, collectibles, lived in condominiums as well as commodities.

The sale of nonexempt securities can only begin after the prospectus becomes effective.

Before the effective date, no money or orders are allowed, however, indications are as long as the issue is in registration.

As per the USA, an active review of registration is necessary for a security registered by qualification to become effective.

Common exempt transactions:

- Transactions by fiduciaries
- Isolated nonissuer transactions
- Transactions between underwriter and issuer
- Unsolicited orders
- Transactions with institutions
- Private placements

Agents of BDs need to be registered properly, regardless of whether the transaction or security is exempt.

Registered agents are allowed to accept unsolicited orders for nonexempt unregistered securities because they are exempt transactions.

Administrators have the right to require clients to agree that the order was unsolicited.

ADMINISTRATIVE REMEDIES/PROVISIONS

Under USA terms, within three years of the suspected infraction, a civil suit must be filed within this time frame or within two years of the violation being discovered, whichever comes first. In terms of federal law, however, it is a one-year period following the discovery of the infraction.
Right of rescission involves the offer of returning money, including interest, to a customer. If a sale violates the USA, any income earned is taken off. The client must accept or reject the offer within 30 days of receiving it.

Under the terms of the USA, if the buy or sell offers originate in, are directed to, or are accepted in the state of the administrator, they are subject to their jurisdiction. It is possible for more than one administrator to take action in response to a violation.

Offers, according to the USA, are attempts to sell. However, they are not sales until a transaction takes place.

Nonassessable stock is not considered a gift, while assessable stock is.

Bonuses are regarded as sales if they are given by the BD in the form of a security attached to another purchase, such as other stocks, a car, or a house.

Dividends and splits of stock are not considered sales if there is no cost involved.

Stop orders

In general, this is linked to a securities registration. An appeal against a stop order is possible within a 60-day period of it having been received.

Cease and desist order

It is with or without a prior hearing that a cease and desist order can be issued by an administrator.

A court-imposed injunction can occur if this order is not adhered to.

Summary action

As long as a hearing is held within a 15-day period after receipt of a written request, the administrator can summarily suspend the registration of both a security and a person.

Under the USA, the maximum fine that can be levied is $5,000 while a prison sentence term is three years. Under federal law, it’s $10,000 and/or five years in jail.

COMMUNICATION: CLIENTS AND PROSPECTS

Social media/correspondence

The term "written communication" applies to all electronic communication. When referring to social media, the content matters more than the delivery method.

In order to ensure the safe and effective use of office equipment and personal equipment for business purposes, firms need to train employees. This is true when using social media as well.

An agency cross transaction involves both parties being represented by the same IA, who receives compensation from both for services carried out. An agency cross transaction cannot take place if an IA recommended the transaction to a seller and buyer and they take the role of the IA carrying it out.

It is recommended that 48 hours before entering into a contract, the IA’s brochure (Form ADV Part 2A and supplement Part 2B) must be delivered. Within five business days, clients can terminate without penalty if this doesn’t happen.

ADV Part 2A and Part 2B must be delivered by no later than the commencement of the agreement by federal and state-registered IAs (ADV Part 2A and Part 2B). Within 120 days of the end of the fiscal year, a "summary of material changes" must be provided. It is also necessary to provide the brochure if requested by a client.

The adviser's compensation is specifically asked for in Form ADV. If the adviser's fees are negotiable, he or she can charge a different fee to each client.

"Guaranteed" means that someone other than the issuer guarantees the principal, interest, or dividends according to the USA. This does not apply to capital gains.

Any website a BD might have is advertising according to regulations. It must therefore maintain records for three years. It will also be necessary to keep changes for three years if they are made.

All BD fees and potential conflicts of interest must be disclosed to clients.

BDs are allowed to charge reasonable rates for certain services such as account transfers, appraisals, interest and dividend collections, and safekeeping assets. Free services offered through advertising must not be tied to any hidden obligations.

When using charts in advertisements, a disclaimer about difficulties and limitations must be included, while testimonials cannot be used.

In literature that includes past recommendations' performance, both good and bad outcomes must be included.

In the event that a financial advisor has an undisclosed interest in certain securities, it is unethical for them to recommend trading in them to clients, especially if the value of the securities increases to the adviser's benefit.

FIDUCIARY OBLIGATIONS/ETHICAL PRACTICES

Investment discretion refers to the ability of clients to select assets, amounts, or actions.

If agents are affiliated with the same BD, split commissions are allowed. Clients do not need to be informed in this case.

When a written complaint is received from a customer, it should be forwarded to the appropriate supervisor.

It is possible for an adviser to disclose the names of current clients in response to an IRS or court order. They may also do this with the owner's permission or that of a joint owner.

Third-party research reports are subject to certain rules when it comes to their use. The author should be credited if the work is distributed. However, it is not necessary to mention it if it forms the basis of the IA's report.

In order to receive performance-based compensation, a client must meet certain minimum net worth requirements, hold a certain amount of AUM with an adviser, or be an investment company. If joint assets are to be used, the client must be with his or her spouse.

The USA requires all IA fees to be competitive.

An IA fee is considered unreasonable if it consistently exceeds the portfolio's expected returns.

When an IA buys the same security at different prices for several clients using one order, each client should pay an "averaged" price.

Within three business days of accidentally receiving a stock certificate or money, unless they are authorized to keep custody thereof, an IA should ensure the stock certificate or money should be returned.

In addition, all third-party checks must be passed on within three business days.

When the IA holds clients' funds, quarterly statements must be sent to them. However, any changes in location should be communicated as soon as possible.

Practices that are prohibited include:

- Borrowing money or securities from clients is not permitted unless the client is a BD, an IA affiliate, or a financial institution that lends funds
- Money cannot be loaned to a client unless the IA is a financial institution that makes loans, or the client is an affiliate of the IA
- The same blanket recommendation for security is provided to all clients

Despite being completed by an IA, Form ADV-E must be submitted by an independent accountant every year if the IA keeps client assets or money.

Under the safe harbor provisions of the Securities Exchange Act of 1934, IAs can accept compensation from BDs for research, customer-related software, and seminar registration fees (Section 28 (e)). Reimbursement for travel, transportation, furniture, rent, or computers/software not associated with customers is not covered by this provision.

ANALYTICAL METHODS

It is necessary to know the following in order to calculate future value:

- Current amount invested
- Expected earnings rate
- Length of time money will be invested

Calculating present value requires the following:

- Future amount needed
- Expected earnings rate
- Length of time money will be invested

A measure of the time value of money is the internal rate of return (IRR).

When it comes to common stock, IRR is not practical since the cash flow is uneven and there is no maturity date or price corresponding to the stock.

It is not necessary to include inflation in the computation of net present value (NPV).

1.0 beta stocks mirror the overall market movement. The lower the beta, the less movement there is and vice versa.

A positive alpha is when a stock or portfolio outperforms its predicted beta.

Low-standard-deviation portfolios are the least volatile.

Through correlation, we can measure the movement of one security in relation to another.

0=No correlation. +1.0 = perfect correlation. -1.0 = noncorrelation.

A portfolio that is most diversified has some negative correlation.

Financial ratios are calculated using financial statements, including:

- P/E – price to earning ratio
- Price-to-book value
- Current ratio
- Gross margin

In the acid-test ratio (or quick ratio), inventory is excluded.

RISK TYPES

Market (systematic risk) states that changes in the market could adversely affect individual securities, regardless of the company's overall situation. It is impossible to reduce this risk through diversification.

Securities that are interest-sensitive, such as debt securities and preferred stocks, are at risk of interest rate changes, and this is known as **interest rate risk**. A rise in rates leads to a drop in prices and vice versa. Longer duration increases risk.

A currency unit's i**nflation (purchasing power) risk** is a risk that if its value falls, the principal's purchasing power will decrease when returned to the investor. Securities with fixed income are particularly prone to this.

Each security has its own **unsystematic (nonsystematic) risks.** Business risks associated with the company in which a client has invested are an example. Among other factors, this risk can be caused by management decisions, competition, or even deficiencies in products.

Corporate earnings could be affected by regulatory changes in an industry, resulting in financial distress and this is what **regulatory risk** is all about.

Legislative risk refers to changes in tax laws that lead to increased taxation, for example. The effects thereof can be felt by both corporations and individuals

Investments can be adversely affected by political instability or nationalization of an industry and this is known as **political risk**.

Defaults on debt obligations by governments constitute a **sovereign risk.**

Investing in illiquid assets poses a **liquidity risk** because they are difficult to convert into cash quickly. If they are turned quickly, it's usually at a significant loss.

Foreign exchange rate fluctuations can affect the value of an investment and this is **currency/exchange risk.** Currency risk can be encountered when investing in American depositary receipts.

EQUITY SECURITIES: TYPES AND CHARACTERISTICS

The most important factor for preferred stock investors is the issuer's ability to pay dividends.

Investors in convertible preferred stocks or bonds will sacrifice some income in exchange for some potential appreciation.

An approach to valuing stocks is to calculate the present value (PV) of future dividends assuming a constant dividend rate. This is called the dividend discount model.

Dividend growth models are used to value stock by calculating the present value (PV) of future dividends on a given stock, assuming that they will grow by a specified percentage.

Fundamental analysts and technical analysts can analyze securities. While the first examines the company's books, the second charts price, and volume over time.

FIXED-INCOME SECURITIES: TYPES AND CHARACTERISTICS

This is the priority when it comes to liquidation - secured bondholders, general creditors (of which debentures are included), subordinated debentures, preferred stock, and common stock.

Current yield formula = Interest (bond) or annual dividend (stock) / current market price.

The yield on a bond sold at discount will always be higher than the yield on a bond sold at coupon. In comparison to a coupon bond, a premium bond will have a lower yield. The yield to maturity of a bond selling at a discount is lower than the yield to call of a bond that's selling at discount.

Due to their shorter duration, higher-coupon bonds are less volatile. The duration of zero-coupon bonds is the same as their maturity.

Convexity is an excellent measure of a bond's interest rate sensitivity.

The discounted cash flow method is used to value a fixed-income security by computing its PV. It is possible to achieve this by discounting future cash flows (interest payments and principal returns).

When analyzing a mortgage-backed pass-through security, the average maturities are essential.

In the money market, commercial paper (CP) is traded at a discount.

There is no prepayment penalty on negotiable (jumbo) CS and they are issued at face value.

For short-term interest rates, LIBOR is the most commonly used benchmark.

Usually, demand deposit accounts (DDAs) are checking accounts at banks.

POOLED INVESTMENT: TYPES AND CHARACTERISTICS

Exam questions cover three types of investment companies:

- Face-amount certificates
- Unit investment trusts
- Management companies

Secondary markets, like the NYSE, are where closed-end funds trade, while open-end (mutual) funds don't.

Closed-end funds are not priced on NAV, but on supply and demand.

Portfolio managers change their investment strategies due to net redemptions that can cause negative performance consequences.

Regulations prohibit "breakpoint sales".

12b-1 fees are calculated as a percentage of the fund's net asset value. These fees are used for share distribution.

In addition to CDs and Treasury bills, money market funds also hold certificates of deposit, commercial paper, and repurchase agreements.

Venture fund managers need to identify companies with both a high return (but a high risk) and low liquidity. Usually, this is found in new, promising companies.

A hedge fund often operates as a partnership. Investors and the management invest together.

Regulations require REITs to distribute 90% of their income.

INSURANCE-BASED PRODUCTS

A fixed annuity does not qualify as a security. Consequently, a seminar that only focuses on securities cannot result in securities fraud.

The surrender charges associated with variable securities make them unsuitable for short-term investments.

The variable annuity market provides an investor with a tax-deferred way to make investments in equities.

In comparison with mutual funds with similar objectives, variable annuities' expense ratio is higher.

Participation rates for index annuities are often capped.

Term insurance offers pure protection without any cash value. Renewal increases the premium, however.

A universal life policy offers flexible premiums. It is possible, however, for the policy to lapse if the payments are insufficient.

A separate account, guaranteed minimum death benefit, and non-guaranteed cash value make up variable life policies. Loans of up to 75% of the cash value are available after three years.

A variable life insurance policy also offers the option of exchanging it for a permanent life insurance policy within the first 24 months.

DERIVATIVE SECURITIES: TYPES AND CHARACTERISTICS

Those who hold futures and forward contracts are obligated to comply with this obligation.

If the option holder has a long position, he or she has no obligation.

Short-term option sellers, however, must perform if their positions are exercised.

ALTERNATIVE INVESTMENTS

A DPP has unlimited liability for general partners and limited liability for limited partners.

It is to their basis that a limited partner may suffer loss in a DPP. It includes both funds that have been contributed initially as well as funds that have been committed but are not yet contributed.

Buying and selling life insurance policies on the secondary market is called a life settlement (viatical).

An ETN (ELN) is a debt instrument in reality.

Both leveraged and inverse funds are very speculative.

Investment real estate

- Active role
- No correlation with the stock market generally
- It could be an inflation hedge
- Risk and reward increased due to higher leverage

Commodities

- In general, commodities and the stock market are not correlated
- It could be an inflation hedge
- Popular commodity = agriculture
- Largest spread – precious metals (gold, silver, and platinum)

CLIENT TYPES

Joint accounts fall into three categories: joint tenants with the right of survivorship (JTWROS), tenants in common (TIC), and tenants in entirety (for married couples, consent from both parties is necessary when transactions are carried out).

A TOD designation may be applied to joint or individual accounts (but not to TIC accounts). As a result, the first death is not subject to probate.

Powers of attorney must be in writing and include the following:

- Limited (trading only)
- Full (both trading and money)
- Durable
- Upon death of principal on account, all are terminated

It is possible for a trust's grantor to also be its trustee and beneficiary.

An individual who receives a trust's principal at final distributions is known as a remainderman.

Per stirpes describes how assets are passed down to descendants.

When an IAR is appointed as a trustee and handles the account, a potential conflict of interest must be disclosed.

When someone dies without a will, an administrator in intestacy is responsible for their estate.

Living wills are used to express end-of-life wishes.

CLIENT PROFILE

A surprise inheritance can be used to pay off high-interest debt for clients who have too much debt and a negative net worth.

The balance sheet of a family does not include income or expenses, only assets, and liabilities. A liability must be removed from a balance sheet when it is paid off.

There is no cash value in term insurance, so it cannot be added to the balance sheet.

Instead of selling off income-producing assets to cover estate taxes or final expenses, life insurance can be used to cover them.

For clients who need cash immediately, T-bills and other money market instruments are the best investments.

As far as capital preservation is concerned, insured bank CDs are the best choice.

High-tax bracket investors can invest in municipal bonds. Clients in low tax brackets should not use them as an investment platform.

The life expectancy of a client who is five, ten, or twenty years from retirement is the time horizon.

An analysis of capital needs is used to determine the coverage of future needs without taking market volatility into account.

Social Security payments are increased by 8% if the beneficiary waits until 70 years old.

PORTFOLIO MANAGEMENT

Asset allocation: Minimizes unsystematic risk. Diversification of asset classes

When it comes to **passive management**, it's more strategic than **active management**, which is far more tactical.

Rebalancing: Rebalancing a portfolio to reach the target allocation percentage is a passive strategy used from time to time.

Growth: When trading, the manager of a portfolio tends to look for stocks with a higher price-to-earnings and price-to-book ratio. Growth can be volatile, so there is a need to have a higher tolerance for risk, while earnings momentum is important too.

Value: Stocks with a lower P/E and price-to-book multiple are considered cheaper. Using financial statements to determine which companies pay higher dividends is the focus.

Contrarian: Here, the portfolio does the opposite of what most other managers are doing because he thinks their approach is wrong.

Tangible assets: When included in a portfolio, these assets reduce inflation risk.

Efficient market hypothesis (EMH): According to this hypothesis, security prices will adjust quickly to new information, so markets are always priced properly.

Modern portfolio theory: Under given risk conditions, an efficient or optimal portfolio provides the greatest return.

When calculating the Capital Market Line, standard deviation is an important risk strategy to know.

The term efficient set or efficient frontier refers to a collection of efficient portfolios.

Dollar cost averaging: Here investments using a fixed dollar amount are made regularly with purchases at varying prices.

A call option is the most effective way to protect a short stock position (hedge).

A put option is the most effective way to protect a long stock position (hedge).

CONSIDERATIONS RELATED TO TAX

A trust's distributable net income (DNI) includes interest, dividends, and rent. Reinvested capital gains won't be included in the trust corpus.

In a simple trust, all income must be distributed annually. Complex trusts can retain income, but Form 1041 must be used to report it.

Trusts that last beyond a single generation are called generation-skipping trusts.

For sole proprietorships, Schedule C is used to report business information, while for limited partnerships, LLC members, and shareholders, Schedule K-1 is used. Information about C corporations is reported on Form 1120.

Taxation of gifted stock holds that the donee (or recipient of the gift) gets it at the donor's basis.

Taxation of inherited stock holds that it is a stepped-up cost basis that the beneficiary receives.

Using Form 706, estate taxes must be paid within nine months of death.

Executors can use alternative valuation dates (6 months after death).

SECURITIES TRADING

When trading on margin accounts, leverage is used. It is necessary to sign the margin agreement after completing the initial transaction.

Margin accounts require credit and hypothecation agreements, while loan consents are optional.

A risk disclosure document must be signed before any trading takes place.

Initial margins are covered by Regulation T.

A maintenance call must be made whenever equity falls.

A mixed margin account will contain short and long positions.

With a positive margin, profits are higher than interest costs.

Whenever equity falls below 25%, SRO regulations require clients to receive a maintenance margin call.

Specialist/designated market makers (DMMs): Responsible for processing orders on the NYSE floor as both principals or agents

Market makers (MMs): Work in over the counter markets. They can buy or sell their inventory at their designated bid or asking prices.

Market order: Here the best available price possible sees the order executed immediately. Only this order is guaranteed to be executed.

Limited order: BDs are instructed to buy or sell at or below a particular price for a certain security. This is called the buy limit or sell limit.

Buy stop orders: These orders are used to "stop the loss" on short positions.

The term "block trade" refers to a trade involving 10,000 or more shares.

Institutional algorithmic trading is called high-frequency trading (HFT).

PERFORMANCE MEASURES FOR PORTFOLIOS

Current return (yield): Annual dividend (or interest) / current market price

Yield to maturity (YTM): A bond's internal rate of return (IRR). A coupon reinvestment rate greater than YTM will result in a lower return than the holding period return.

Total returns: Annual dividend (or interest) + appreciation (-depreciation) / original investment

Annualized return: Total return over 12 months

After-tax return: Total return minus taxes

Expected return: This is a combination of different probable outcomes

Real rate of return: Adjusts for inflation levels by taking CPI into consideration.

In the case of Treasury Inflation Protection Securities (TIPS), the inflation adjusted return is always the coupon rate.

Portfolio variability has no relation to total return.

A stock's risk-adjusted return is measured by the Sharpe ratio. To work this out, take off the risk-free (90-day Treasury bill) from the actual return and divide it by standard deviation.

Market capitalization is calculated by multiplying the market value per share by the number of shares outstanding.

Market capitalization

- $300 to $2 billion = small cap
- $2 billion to $10 billion = mid cap
- Over $10 billion = large cap

In order to track small securities, it is best to measure them against the Russell 200.

In order to track mid-cap securities, it is best to measure them against the S&P 400.

To track large cap securities, you need to compare them to the S&P 500.

RETIREMENT PLANS AND OTHER SPECIAL ACCOUNTS

Roth IRAs do not have required minimum distributions (RMDs). The only individual-funded plan with this feature is a Roth IRA.

Roth IRAs contributions are funded with after-tax dollars. Upon meeting certain conditions, the distribution will not be taxed.

IRAs do not allow term or whole life insurance.

An IRA should not contain municipal bonds.

While benefiting from participant or lineal family is not possible, one can invest in real estate.

Proceeds from IRAs can be disclaimed by beneficiaries.

The profit-sharing plan of a company cannot be used by the CEO for a short-term loan.

A deferred compensation plan is nonqualified due to the lack of mandatory funding and the ability to discriminate.

A defined benefit plan does not consider gender, but age, earnings, and retirement years are critical factors.

Catch-up provisions for retirement plans for those over 50 are allowed thanks to the EGTRRA of 2001. It also allows for participants in a government employee 457 plan for rollovers to an IRA.

"Top heavy" tests are performed on 401 (k) plans to ensure that it's not highly compensated employees that benefits and contributions to but instead, to KEY.

A plan that does not have to undergo this testing is a safe harbor 401 (k) plan but only if every employee gets a minimum employersponsored contribution with immediate vesting.

Under Section 404 (c) of ERISA's safe harbor provisions, fiduciaries cannot be held liable if the plan suffers losses due to the selections of investments by the participant in their own account.

It is possible for participants to change their investments every quarter if the plan offers them at least three investment alternatives (but not a high-yield bond). Accounts should also be accessible online and by phone.

Fiduciaries are required to act under the Uniform Prudent Investor Act. A trustee should exercise reasonable skill, caution, and care in order to satisfy this standard. Portfolio management can be delegated, but not distribution amounts and timing.

Investment Policy Statements (IPS) are not compulsory but are recommended.

They should include the following:

- Investment philosophy and objectives
- Performance measurement methods
- How future cash flow needs will be met
- The investment parameters that portfolio managers will follow

An IPS will not include:

- Summary Plan Description (SPD) copy
- Selection of specific securities

Funds from ESA can be used for any level of education.

Section 529 plans may be fully utilized in postsecondary education. The maximum amount per year is $10,000 for K-12.

Contributions to Section 529 plans are not limited by income, while contributions to ESAs are.

Investing in U.S. savings bonds is not possible with Section 529 plans.

The option to switch 529 plans is available every 12 months.

Money from a 529 plan can be used to attend some foreign universities.

- UGMA: only for securities and cash. Transfer occurs at majority
- UTMA: This holds basically any type of asset. Transfer occurs at 21 or over
- The social security number of the minor must be on the account
- One minor – one custodian
- Basics cannot be funded through the fund, for example, food, clothing, or shelter. Vacations, however, can be funded.
- The greatest impact on college aid is from custodial funds

Health savings accounts

- For medical expenses. These allow for tax-deductible contributions
- Contributors are the individual, their employer, or both
- Must also have a high-deductible health plan (HDHP)