

COVERDELL ESA

Coverdell Education Savings Account

Opening Documents

Documents included:

Cover Page

Welcome Page

Coverdell ESA Agreement (IRS Form 5305-EA)

ESA Beneficiary Designation



Being able to provide for a child's education is a worthwhile goal that many of us have. We are happy that you chose to save for a child's education expenses by opening a Coverdell Education Savings Account (ESA) here at your credit union. By doing so, you have taken an important step in meeting that goal.

You do not have to make a contribution to this ESA every year. Although, we encourage you to make regular contributions in order to save more for educational expenses. You may want to consider setting up a payroll deduction as an easy way to make contributions.

This packet contains the documents necessary to establish an ESA. The IRS Form 5305-EA contains information about the Designated Beneficiary (child) and the Responsible Individual (generally the parent or guardian of the Designated Beneficiary). The ESA Beneficiary Designation form contains information about the death beneficiary(ies) that have been named. If you are not the Responsible Individual, we will send the documents to that individual.

Please contact us if we can be of any further assistance to you. We are here to serve you!

Coverdell Education Savings Custodial Account

(Under section 530 of the Internal Revenue Code)

Do not file
 with the Internal
 Revenue Service

Name of depositor		Depositor's identification number		Check if amendment <input type="checkbox"/>
Name of designated beneficiary		Designated beneficiary's identification number		
Address of designated beneficiary		Date of birth of designated beneficiary		
Name of responsible individual (generally the parent or guardian of the designated beneficiary)				
Address of responsible individual				
Name of custodian		Address or principal place of business of custodian		

The depositor named above is establishing a Coverdell education savings account under section 530 for the benefit of the designated beneficiary exclusively to pay for the qualified elementary, secondary, and higher education expenses, within the meaning of section 530(b)(2), of such designated beneficiary.

The depositor assigned the custodial account _____ dollars (\$ _____) in cash.

The depositor and the custodian make the following agreement:

Article I

The custodian may accept additional cash contributions provided the designated beneficiary has not attained the age of 18 as of the date such contributions are made. Contributions by an individual contributor may be made for the tax year of the designated beneficiary by the due date of the beneficiary's tax return for that year (excluding extensions). Total contributions that are not rollover contributions described in section 530(d)(5) are limited to \$2,000 for the tax year. In the case of an individual contributor, the \$2,000 limitation for any year is phased out between modified adjusted gross income (AGI) of \$95,000 and \$110,000. For married individuals filing jointly, the phase-out occurs between modified AGI of \$190,000 and \$220,000. Modified AGI is defined in section 530(c)(2).

Article II

No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or a common investment fund (within the meaning of section 530(b)(1)(D)).

Article III

1. Any balance to the credit of the designated beneficiary on the date on which he or she attains age 30 shall be distributed to him or her within 30 days of such date.
2. Any balance to the credit of the designated beneficiary shall be distributed within 30 days of his or her death **unless** the designated death beneficiary is a family member of the designated beneficiary and is under the age of 30 on the date of death. In such case, that family member shall become the designated beneficiary as of the date of death.

Article IV

The depositor shall have the power to direct the custodian regarding the investment of the above-listed amount assigned to the custodial account (including earnings thereon) in the investment choices offered by the custodian. The responsible individual, however, shall have the power to redirect the custodian regarding the investment of such amounts, as well as the power to direct the custodian regarding the investment of all additional contributions (including earnings thereon) to the custodial account. In the event that the responsible individual does not direct the custodian regarding the investment of additional contributions (including earnings thereon), the initial investment direction of the depositor also will govern all additional contributions made to the custodial account until such time as the responsible individual otherwise directs the custodian. Unless otherwise provided in this agreement, the responsible individual also shall have the power to direct the custodian regarding the administration, management, and distribution of the account.

Article V

The "responsible individual" named by the depositor shall be a parent or guardian of the designated beneficiary. The custodial account shall have only one responsible individual at any time. If the responsible individual becomes incapacitated or dies while the designated beneficiary is a minor under state law, the successor responsible individual shall be the person named to succeed in that capacity by the preceding responsible individual in a witnessed writing or, if no successor is so named, the successor responsible individual shall be the designated beneficiary's other parent or successor guardian. Unless otherwise directed by checking the option below, at the time that the designated beneficiary attains the age of majority under state law, the designated beneficiary becomes the responsible individual. If a family member under the age of majority under state law becomes the designated beneficiary by reason of being a named death beneficiary, the responsible individual shall be such designated beneficiary's parent or guardian.

Option (*This provision is effective only if checked*): The responsible individual shall continue to serve as the responsible individual for the custodial account after the designated beneficiary attains the age of majority under state law and until such time as all assets have been distributed from the custodial account and the custodial account terminates. If the responsible individual becomes incapacitated or dies after the designated beneficiary reaches the age of majority under state law, the responsible individual shall be the designated beneficiary.

Article VI

The responsible individual may or **may not** change the beneficiary designated under this agreement to another member of the designated beneficiary's family described in section 529(e)(2) in accordance with the custodian's procedures.

Article VII

1. The depositor agrees to provide the custodian with all information necessary to prepare any reports required by section 530(h).
2. The custodian agrees to submit to the Internal Revenue Service (IRS) and responsible individual the reports prescribed by the IRS.

Article VIII

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III will be controlling. Any additional articles inconsistent with section 530 and the related regulations will be invalid.

Article IX

This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the depositor and the custodian whose signatures appear below.

Article X

Article X may be used for any additional provisions. If no other provisions will be added, draw a line through this space. If provisions are added, they must comply with applicable requirements of state law and the Internal Revenue Code.

Depositor's signature	Date
Custodian's signature	Date
Witness' signature	Date

(Use only if signature of the depositor or the custodian is required to be witnessed.)

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Military death gratuity. Families of soldiers who receive military death benefits may contribute, subject to certain limitations, up to 100 percent of such benefits into an educational savings account. Publication 970, Tax Benefits for Education, explains the rules for rolling over the military death gratuity and lists eligible family members.

Purpose of Form

Form 5305-EA is a model custodial account agreement that meets the requirements of section 530(b)(1) and has been pre-approved by the IRS. A Coverdell education savings account (ESA) is established after the form is fully executed by both the depositor and the custodian. This account must be created in the United States for the exclusive purpose of paying the qualified elementary, secondary, and higher education expenses of the designated beneficiary.

If the model account is a trust account, see **Form 5305-E**, Coverdell Education Savings Trust Account.

Do not file Form 5305-EA with the IRS. Instead, the depositor must keep the completed form in its records.

Definitions

Custodian. The custodian must be a bank or savings and loan association, as defined in section 408(n), or any person who has the approval of the IRS to act as custodian. Any person who may serve as a custodian of a traditional IRA may serve as the custodian of a Coverdell ESA.

Depositor. The depositor is the person who establishes the custodial account.

Designated beneficiary. The designated beneficiary is the individual on whose behalf the custodial account has been established.

Family member. Family members of the designated beneficiary include his or her spouse, child, grandchild, sibling, parent, niece or nephew, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law, and the spouse of any such individual. A first cousin, but not his or her spouse, is also a "family member."

Responsible individual. The responsible individual, generally, is a parent or guardian of the designated beneficiary. However, under certain circumstances, the responsible individual may be the designated beneficiary.

Identification Numbers

The depositor's and designated beneficiary's social security numbers will serve as their identification numbers. If the depositor is a nonresident alien and does not have an identification number, write "Foreign" in the

block where the number is requested. The designated beneficiary's social security number is the identification number of his or her Coverdell ESA. If the designated beneficiary is a nonresident alien, the designated beneficiary's individual taxpayer identification number is the identification number of his or her Coverdell ESA. An employer identification number (EIN) is required only for a Coverdell ESA for which a return is filed to report unrelated business income. An EIN is required for a common fund created for Coverdell ESAs.

Specific Instructions

Note: *The age limitation restricting contributions, distributions, rollover contributions, and change of beneficiary are waived for a designated beneficiary with special needs.*

Article X. Article X and any that follow may incorporate additional provisions that are agreed to by the depositor and custodian to complete the agreement. They may include, for example, provisions relating to: definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the custodian, custodian's fees, state law requirements, treatment of excess contributions, and prohibited transactions with the depositor, designated beneficiary, or responsible individual, etc. Attach additional pages as necessary.

Optional provisions in Article V and Article VI. Form 5305-EA may be reproduced in a manner that provides only those optional provisions offered by the custodian.

ESA DESIGNATION OF DEATH BENEFICIARY

Credit Union Name

DESIGNATED BENEFICIARY INFORMATION

Child's Name

Social Security Number

Birth Date

ESA Account Number

NEW OR CHANGED DEATH BENEFICIARY DESIGNATION(S)

I wish to designate the following person(s) or entity(ies) as primary and/or contingent beneficiaries to receive payment as indicated herein. If I have not indicated whether a person or entity is a primary or contingent beneficiary(ies), it will be assumed that I intended to indicate a primary beneficiary. If more than one primary and/or contingent beneficiary is indicated, equal shares will be assumed, unless I have indicated otherwise. (Please attach a separate sheet, if needed.)

Name

Address

Date of Birth

Social Security Number

Relationship

Primary ____ or Contingent ____

Percentage ____

Name

Address

Date of Birth

Social Security Number

Relationship

Primary ____ or Contingent ____

Percentage ____

Name

Address

Date of Birth

Social Security Number

Relationship

Primary ____ or Contingent ____

Percentage ____

Name

Address

Date of Birth

Social Security Number

Relationship

Primary ____ or Contingent ____

Percentage ____

If the Designated Beneficiary lives in a marital or community property state, please complete the following:

Spousal Consent: *As a spouse, I consent to the fact that another primary death beneficiary has been named and hereby transfer (or give up) any community or marital property interest that I have in this ESA into the separate property of my spouse. I assume full responsibility for any adverse consequences that may come about as a result of my consent.*

Signature of Spouse

Date

SIGNATURES

I authorize the credit union to make the death beneficiary designations or changes that I have indicated above. This designation supersedes any and all prior designations that may have been made. The credit union has not provided me with any legal or tax advice. I accept full responsibility for my actions and will not hold the credit union liable for any adverse consequences that may result.

Signature of Responsible Individual

Date

Authorized Signature of Custodian

Date

Coverdell Education Savings Custodial Account**(Under section 530 of the Internal Revenue Code)****Do not file**
with the Internal
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Name of depositor		Depositor's identification number	Check if amendment <input type="checkbox"/>
Name of designated beneficiary		Designated beneficiary's identification number	
Address of designated beneficiary		Date of birth of designated beneficiary	
Name of responsible individual (generally the parent or guardian of the designated beneficiary)			
Address of responsible individual			
Name of custodian		Address or principal place of business of custodian	

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Social Security Number

Birth Date

ESA Account Number

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Name

Address

Date of Birth

Social Security Number

Relationship

Primary _____ or Contingent _____

Percentage _____

Name

Address

Date of Birth

Social Security Number

Relationship

Primary _____ or Contingent _____

Percentage _____

Name

Address

Date of Birth

Social Security Number

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Date of Birth

Social Security Number

Relationship

Primary _____ or Contingent _____

Percentage _____

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Signature of Spouse

Date

SIGNATURES

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Signature of Responsible Individual

Date

Authorized Signature of Custodian

Date