



# Self-Directed IRA Application Packet

Coverdell Education  
Savings Account



**Office**  
100 Concourse Parkway  
Suite 170  
Birmingham, AL 35244

P: (205) 985-0860

**Mailing**  
P.O. Box 360750,  
Birmingham, AL 35236

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750 Old Hickory Road,  
Building Two, Ste 150  
Brentwood, TN 37027

(615) 794-8961



## Would you like more investment choices for your retirement funds?

With an IRA INNOVATIONS self-directed IRA, you are in full control of the investments in your retirement account. You choose what you want to invest in from a wide range of permissible assets.

At IRA INNOVATIONS, our goal is to provide our customers with the most complete and accurate information regarding the full range of investments choices available within your retirement plan.

We specialize in the record keeping and administration of all truly self-directed qualified retirement plans and in educating our clients on the unique investments that are a part of them.

Here are some of the investment options that our current clients have taken advantage of:

- Real Estate – apartments, single family homes, commercial property or undeveloped land
- Limited Liability Companies
- Private Limited Partnerships
- Secured and Unsecured Notes
- Mortgages/Deeds of Trust
- Partnerships and joint ventures
- Private stock
- Publicly traded stocks, bonds, mutual funds
- Other investments
- Judgments/Structured Settlements
- Tax Sale Certificates
- Car Paper
- Factoring
- Accounts Receivable
- Commercial Paper
- Equipment Leasing

The new tax laws affecting retirement plans can be confusing and complicated. And depending upon your financial situation, your future goals and whether you might have an employee-sponsored plan available, you will need to choose between several alternatives.

Consult with your tax advisor or financial planner on the best course of action. If you decide that a self-directing your retirement investments is for you, IRA INNOVATIONS is here to help.

Call IRA Innovations at (205) 985-0860 and get started on your self-directed IRA today.

***We are never in conflict with your investment decisions because we do not endorse or sell any investment products.***



## What's included in this packet?

<b>Application form</b>	Use this form to open a Traditional or Roth IRA
<b>Fee Schedule</b>	This document outlines the fees associated with a self-directed IRA.
<b>Transfer form</b>	Use this form to move your cash directly from your existing IRA to your Innovations self-directed IRA <b>without taking receipt of the funds</b> . Do not use this form to make a direct rollover.
<b>Rollover form</b>	This form is intended to document the roll over of your money and/or asset from your previous 401k to your IRA Innovations account. IRA Innovations does not initiate the roll over. To rollover your money and/or asset, <b>please contact your current IRA holder and indicate that you would like to move your money and/or assets from your existing IRA account to your Innovations IRA</b> . For multiple transactions, please use a separate form for each. Use this form to: <ul style="list-style-type: none"> <li>• Document your rollover contribution to IRA Innovations (<b>take receipt of the assets for up to 60 days before reinvesting in a new retirement plan</b>).</li> <li>• Document your direct rollover contribution (move assets directly from your <b>qualified retirement plan to a new retirement plan</b>).</li> </ul>
<b>5305-EA Coverdell Education Savings Custodial Account</b>	The 5305-EA defines the eligibility, contributions and other requirements and provisions for establishing an Education Savings Account. Please retain this for your records.

## Before you fill out the form, you'll want to make sure you have:

- Your social security number
- Your beneficiary information

If you have a current IRA or 401(k) and you'd like to roll over or transfer funds into your account with IRA Innovations, you'll also need:

- Your employer address
- Your employer phone number
- Your account number

## Once you've completed this form, please send it to:

**IRA Innovations**  
**P.O. Box 360750**  
**Birmingham, AL 35236**  
 Fax: (205) 985-8674  
 Email: [info@irainnovations.com](mailto:info@irainnovations.com)



## Application Checklist

Once you've completed your application, use this checklist to make sure you have not missed anything:

- Have you included a clear, legible copy of your photo ID (where you can identify the person in the photo clearly)? Please make sure that the copy of the photo ID is clearly readable and legible.***
- Have you included your account set up fee, if applicable?
- Have you indicated which fee option you would prefer? Have you signed the fee option page?
- Have you completed the application?
- Have you indicated the type of account that you'd like to open?
- Have you indicated how you would like to fund your account?
- Have you documented your beneficiaries, including their Social Security Numbers?
- If applicable, have you signed your name?
- If you're married, have you reviewed the beneficiary section of the application?
- If so, has your spouse signed this section?
- Have you signed the application?

*This is a PDF fillable form. To complete the form, click in an area and type.*

## 1. Personal Information All information is required.

Mr.  Ms.  Mrs.  Dr. Legal Name \_\_\_\_\_

Legal Address (no P.O. Box allowed) \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Mailing Address (optional) \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Date of birth (MM/DD/YYYY)

		/			/				
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Social Security Number (Required)

			-			-			
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Home phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Cell: \_\_\_\_\_

Occupation: \_\_\_\_\_ Industry: \_\_\_\_\_

*(If retired, please also state former occupation and industry.)*

County of Residence: \_\_\_\_\_ Marital Status:  Single  Married

Email: \_\_\_\_\_

From what office did you learn about IRA Innovations?  Alabama  Tennessee

## 2. Account Type Please select one.

Traditional IRA  Roth IRA  Health Savings Account Type:  Self-only coverage  Family coverage

SEP IRA (Please attach 5305 SEP form.) Name of Business: \_\_\_\_\_

Simple IRA (Please attach 5305 SIMPLE form.) Name of Business: \_\_\_\_\_

Beneficiary IRA Original IRA Holder Name: \_\_\_\_\_

Type:  Traditional  Roth  SEP  SIMPLE

## 3. Application Fee Please note there is a \$60 application fee to open an account.

Credit Card Type:  Visa  Mastercard  Discover  American Express  Check *(made payable to IRA Innovations LLC)*

Credit Card Number: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Expiration Date: \_\_\_\_\_ / \_\_\_\_\_ Card Identification Number \_\_\_\_\_  
*(Amex - ID on card front. All others, last three digits on back of card.)*

## 4. How You Heard About Us

Internet  Radio  TV  Article  Event \_\_\_\_\_

Referred by \_\_\_\_\_  Other \_\_\_\_\_

## 5. Indicate Beneficiaries If designating a Trust as the beneficiary, please include a copy of the Trust Abstract.

I designate the persons named below as the Primary and/or Contingent Beneficiaries of this account. A beneficiary shall be deemed to be a Primary Beneficiary if the Primary or Contingent box is not selected for said beneficiary. In the event of my demise, Primary Beneficiaries who survive me shall receive the assets of the account in equal shares (or in the specified shares, as designated). If all Primary Beneficiaries pre-decease me, Contingent Beneficiaries who survive me shall receive the assets of the account in equal shares (or in the specified shares, as designated). A Primary or Contingent beneficiary's interest and the interest of such beneficiary's heirs shall terminate completely, in the event that the aforementioned beneficiary does not survive me. In such cases, the share for any remaining Primary or Contingent Beneficiary shall be increased on a pro rata basis. In the event that there are no surviving Primary or Contingent Beneficiaries, remaining assets of the account shall be distributed to my estate in accordance with the plan provisions. This section is to be completed if your legal residence is in a Community Property State and your spouse has not been designated as your Primary Beneficiary with 100% share.

***I understand that I may change or add beneficiaries at any time by completing and delivering the proper form to the Administrator.***

*Please initial.*

Primary  Contingent

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

Address: \_\_\_\_\_ Relationship: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Share: \_\_\_\_\_ %

If I named a Beneficiary which is a Trust, I understand I must supply a copy or abstract of the Trust.

Primary  Contingent

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

Address: \_\_\_\_\_ Relationship: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Share: \_\_\_\_\_ %

If I named a Beneficiary which is a Trust, I understand I must supply a copy or abstract of the Trust.

Primary  Contingent

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

Address: \_\_\_\_\_ Relationship: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Share: \_\_\_\_\_ %

If I named a Beneficiary which is a Trust, I understand I must supply a copy or abstract of the Trust.

Primary  Contingent

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

Address: \_\_\_\_\_ Relationship: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Share: \_\_\_\_\_ %

If I named a Beneficiary which is a Trust, I understand I must supply a copy or abstract of the Trust.

## 6. Spousal Consent (only required if your spouse is not the primary beneficiary-see note below).

The consent of spouse must be signed only if all of the following conditions are present:

- a. Your spouse is living;
- b. Your spouse is not the sole primary beneficiary named

I am the spouse of the account holder listed above. I hereby certify that I have reviewed the Beneficiary Designation and I understand that I have a property interest in the account. I hereby acknowledge and consent to the above Beneficiary Designation other than, or in addition to, myself as primary beneficiary. I further acknowledge that I am waiving part or all of my rights to receive benefits under this plan when my spouse dies.

I, \_\_\_\_\_ hereby consent to the above Beneficiary Designation.

Spouse Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## 7. Appointment of Custodian, Investment Direction and Important Disclosures.

Your signature is required. Please read before signing. The account holder shown on the front of this application must read this agreement carefully and sign and date this part. By signing this application, you acknowledge the following:

**Custodian and Administrator:** The Custodian for my account is Empire Trust Inc. (ETI) and the Administrator for my account is IRA Innovations, LLC. I understand that the Custodian and the Administrator may resign by giving me written notice at least 30 days prior to the effective date of such resignation. I understand that if I fail to notify the Administrator of the appointment of a successor trustee or custodian within such 30 day period, then the assets held by the Custodian in my account (whether in cash or personal or real property, wherever located, and regardless of value) will be distributed to me, outright and free of trust, and I will be wholly responsible for the tax consequences of such distribution.

**No Tax, Legal or Investment Advice:** I acknowledge that the Custodian and the Administrator do not provide or assume responsibility for any tax, legal or investment advice with respect to the investments and assets in my account, and will not be liable for any loss which results from my exercise of control over my account. I understand that my account is self-directed, and I take complete responsibility for any investments I choose for my account. I further understand that neither the Custodian nor the Administrator sells or endorses any investment products. If the services of the Custodian and the Administrator were marketed, suggested or otherwise recommended by any person or entity, such as a financial representative or investment promoter, I understand that such persons are not in any way agents, employees, representatives, affiliates, partners, independent contractors, consultants, or subsidiaries of the Custodian or the Administrator, and that the Custodian and Administrator are not responsible for and are not bound by any statements, representations, warranties or agreements made by any such person or entity. I agree to consult with my own CPA, attorney, financial planner, or other professional prior to directing the Administrator to make any investment in my account.

**Prohibited Transactions:** I understand that my account is subject to the provisions of Internal Revenue Code (IRC) Section 4975, which defines certain prohibited transactions. I acknowledge and agree that neither the Custodian nor the Administrator will make any determination as to whether any transaction or investment in my account is prohibited under sections 4975, 408(e) or 408A, or under any other state or federal law. I accept full responsibility to ensure that none of the investments in my account will constitute a prohibited transaction and that the investments in my account comply with all applicable federal and state laws, regulations and requirements.

**Unrelated Business Income Tax:** I understand that my account is subject to the provisions of IRC Sections 511-514 relating to Unrelated Business Taxable Income (UBTI) of tax-exempt organizations. I agree that if I direct the Administrator to make an investment in my account which generates UBTI, I will be responsible for preparing or having prepared the required IRS Form 990-T tax return, an application for an Employer Identification Number (EIN) for my account, and any other documents that may be required, and to submit them to the Administrator for filing with the Internal Revenue Service at least ten (10) days prior to the date on which the return is due, along with an appropriate directive authorizing the Administrator to execute the forms on behalf of my account and to pay the applicable tax from the assets in my account. I understand that the Custodian and the Administrator do not make any determination of whether or not investments in my account generate UBTI; have no duty to and do not monitor whether or not my account has incurred UBTI; and do not prepare Form 990-T on behalf of my account.

**Valuations:** I understand that the assets in my account are required to be valued annually at the end of each calendar year in accordance with IRC Section 408(i) and other guidance provided by the IRS, and that the total value of my account will be reported to the IRS on Form 5498 each year. I agree to provide the year end value of any illiquid and/or non-publicly traded investments, which may include without limitation limited partnerships, limited liability companies, privately held stock, real estate investment trusts, hedge funds, real estate, secured and unsecured promissory notes, and any other investments as the Custodian shall designate, by no later than January 10th of each year, with substantiation attached to support the value provided. I agree to indemnify and hold harmless the Custodian and the Administrator from any and all losses, expenses, settlements, or claims with regard to investment decisions, distribution values, tax reporting or any other financial impact or consequence relating to or arising from the valuation of assets in my account.

**Indemnification:** I agree that the Custodian and the Administrator have no duty other than to follow my written instructions, and will be under no duty to question my instructions and will not be liable for any investment losses sustained by me or my account under any circumstances.

Under penalties of perjury, I certify that the above information (including my Social Security number) is correct. I hereby agree to participate in the Individual Retirement Custodial Account offered by the Custodian. I acknowledge receipt of a copy of the plan document under which this Individual Retirement Account is established, a copy of this Adoption Agreement, and a copy of this Disclosure Statement with respect to the Individual Retirement Account. I direct that all benefits upon my death be paid as indicated above. In the event that this is a rollover contribution, I hereby irrevocably elect, pursuant to the requirements of Section 1.402(a)(5)-1T of the IRS regulations, to treat this contribution as a rollover contribution. If I named a beneficiary which is a trust, I understand I must provide certain information concerning such trust to the Custodian.

Account Holder's Signature: \_\_\_\_\_

Date: \_\_\_\_\_

I understand that the Custodian and the Administrator are acting only as my agent, and nothing will be construed as conferring fiduciary status on the Custodian or the Administrator. I agree to indemnify and hold harmless the Custodian and the Administrator from any and all claims, damages, liability, actions, costs, expenses (including reasonable attorneys' fees) and any loss to my account as a result of any action taken (or omitted to be taken) pursuant to and/or in connection with any investment transaction directed by me or my investment advisor or resulting from serving as the Custodian or the Administrator, including, without limitation, claims, damages, liability, actions and losses asserted by me.

**Electronic Communications, Signatures, and Records:** I acknowledge and agree that my account will be subject to the provisions of the Uniform Electronic Transactions Act, as passed in the state where the Custodian is organized (Kansas Statutes Annotated (KSA) Sections 16-601 et seq.), and the federal Electronic Signature in Global and National Commerce Act (ESIGN Act, as contained in 15 U.S.C. 7001), as those laws pertain to electronic communication, electronic signatures, and electronic storage of Custodial Account records. I understand that, in lieu of the retention of the original records, the Administrator and Custodian may cause any, or all, of their records, and records at any time in their custody, to be photographed or otherwise reproduced to permanent form, and any such photograph or reproduction shall have the same force and effect as the original thereof and may be admitted in evidence equally with the original.

**Responsibility for determining eligibility and tax consequences:** I assume complete responsibility for 1) determining that I am eligible to make a contribution to my account; 2) ensuring that all contributions I make are within the limits set forth by the relevant sections of the Internal Revenue Code; and 3) the tax consequences of any contribution (including a rollover contribution) and distributions.

**No FDIC Insurance for Investments:** I recognize that investments purchased and/or held within my account: 1) are not insured by the Federal Deposit Insurance Corporation (FDIC); 2) are not a deposit or other obligation of, or guaranteed by, either the Custodian or the Administrator; and 3) are subject to investment risks, including possible loss of the principal amount invested.

**Our Privacy Policy:** You have chosen to do business with the Custodian and the Administrator. As our client, the privacy of your personal non-public information is very important. We value our customer relationships and we want you to understand the protections we provide in regard to your accounts with us.

**Information We May Collect:** We collect non-public personal information about you from the following sources to conduct business with you:

- Information we receive from you on applications or other forms;
- Information about your transactions with us, or others;

Non-public personal information is non-public information about you that we may obtain in connection with providing financial products or services to you. This could include information you give us from account applications, account balances, and account history.

**Information We May Share:** We do not sell or disclose any non-public information about you to anyone, except as permitted by law or as specifically authorized by you. We do not share non-public personal information with our affiliates or other providers without prior approval by you. Federal law allows us to share information with providers that process and service your accounts. All providers of services in connection with the Custodian and Administrator have agreed to the Custodian's and the Administrator's confidentiality and security policies. If you decide to close your account or become an inactive customer, we will adhere to the privacy policies and practices as described in this notice.

**Confidentiality and Security:** We restrict access to non-public personal information to those employees who need to know that information to provide products and services to you. We maintain physical, electronic, and procedural guidelines that comply with federal standards to guard your non-public personal information. The Custodian and the Administrator reserve the right to revise this notice and will notify you of any changes in advance.

If you have any questions regarding this policy, please contact us at the address and or telephone number listed on this Adoption Agreement.

*For office use only:*  
Custodian or Authorized Representative Signature \_\_\_\_\_

Date: \_\_\_\_\_

**1. Annual Asset Holding Fees are due when your IRA purchases an asset and annually on the anniversary month of the asset purchase:**

**Annual Asset Holding Fee – Please choose ONE option:**

**Option One:** Fee Based on Number of Investments:  
\$295 Per Asset and/or Liability

**Option Two:** Fee Based on Total Account Value

**Account will be closed if not funded within 60 days.**

**OR**

Total Account Value:		Annual Asset Fee:
\$0	\$14,999.99	\$195
\$15,000	\$29,999.99	\$260
\$30,000	\$44,999.99	\$325
\$45,000	\$59,999.99	\$390
\$60,000	\$89,999.99	\$450
\$90,000	\$124,999.99	\$525
\$125,000	\$249,999.99	\$650
\$250,000	\$499,999.99	\$775
\$500,000	\$749,999.99	\$1,100
\$750,000	\$999,999.99	\$1,500
\$1,000,000 and up		\$1,850

**2. Transaction Fees**

Account set up fee: <i>Fee is due when application paperwork is submitted</i>	\$60
Purchase, Sale, Exchange or Re-Registration of any non-Real Estate Asset/Liability:	\$95
Purchase, Sale, Exchange or Re-Registration of any Real Estate Asset/Liability:	\$125
Additional signature(s) not related to buy/sell	\$25
ROTH Conversion	\$25
In-Kind Distribution	\$35
FMV Research (Late Valuations, Late Documentation)	\$100
Outgoing wires domestic/international	\$35/\$60
Outgoing ACH/direct deposit	\$5
Cashiers or other official bank check:	\$15
Trust checks	\$5
USPS mail with tracking	\$15
Overnight mail afternoon delivery	\$75
Returned Items or Stop Payment Request:	\$35
Special services, such as research on any account (including closed accounts), expedited services or additional processing required for certain complex transactions	\$150/hour
Rush fee for services requested within 24 hours	\$100
Account Termination	\$150

**3. Pay fees by:** *Please note there is a \$60 application fee to open an account.*

IRA Account  Visa  Mastercard  Discover  American Express  Check (*made payable to IRA Innovations*)

Credit Card Number: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Expiration Date: \_\_\_\_\_ / \_\_\_\_\_ Card Identification Number (CVC): \_\_\_\_\_

Billing Method:  *Always charge my credit card*  *IRA Account*

**All accounts are required to maintain a minimum cash balance of \$500**

Annual asset holding fees are normally withdrawn from your undirected funds within 20 days after the invoice date. In accordance with your plan and trust disclosure which you received as part of your application, Custodial fees are part of the plan and trust disclosure. In accordance with your Account Application, this Fee Disclosure is part of your Agreement with the Administrator and must accompany your Application. If a signed Fee Disclosure is not received with your Application, fees will be based on "Option 2-Account Value." **Custodians Fees.** I agree that Empire Trust Inc. (ETI), Custodian shall be entitled to receive from the assets held in my account, a fee equal in amount to all income that is generated from any undirected cash (defined as any cash in my account not invested pursuant to a specific investment direction by me) which has been deposited by the Custodian into FDIC or other United States government insured financial institutions, United States government securities, or securities that are insured or guaranteed by the United States government as provided by the Plan Agreement and Disclosure. I agree that this fee may be retained by ETI as compensation for the services provided by ETI in relation to my account. ETI may pay all or an agreed portion of this fee to IRA Innovations Inc. as agreed between ETI and IRA Innovations, LLC. I acknowledge and agree that ETI may hold any Undirected Cash in a deposit or product of any FDIC insured financial institution or in securities that are insured or guaranteed by the United States government without any further approval or direction by me. I agree that IRA Innovations, LLC. may change its fee schedule at any time by giving me 30 days prior written notice. If payment is not received within 20 days from the date reflected on the invoice, a past due notice will be mailed to me and a late fee equal to the lower of (a) 1.5% of the outstanding invoice for every month or partial month that the invoice is outstanding or (b) the maximum late penalty permitted under the state law of Alabama. Additionally, IRA Innovations, LLC may liquidate assets from the account, without notice, for any outstanding fee which has not been paid. If fees are not paid within thirty (30) days after IRA Innovations, LLC has mailed a past due notice, IRA Innovations, LLC will begin the process of closing the account. I understand that any asset distributed directly to me as part of closing my account will be reported to the IRS on Form 1099 and may subject me to possible taxes and penalties. I agree that accounts with past due fees, underfunded accounts, and accounts with zero value will continue to incur administration fees until such time as I notify IRA Innovations, LLC of my intent to close the account or until IRA Innovations, LLC and/or Custodian resigns.

Signature \_\_\_\_\_ Date \_\_\_\_\_



Use this form to move assets directly from one custodian to your IRA Innovations self-directed IRA without taking receipt of the funds. Do not use this form to make a direct rollover. If you wish to liquidate any assets as part of your transfer to IRA Innovations, ensure that the liquidation process is completed PRIOR to completing this form. Transfer of your funds may be delayed if this step is not taken. The terms and conditions of this document are incorporated into the Account holder's account application (the "Account Application"), and the terms and conditions of the Account Application are incorporated herein. Please return this form to IRA Innovations, the Administrator of your plan.

## I. Personal Information

Legal Name: \_\_\_\_\_ Account #: \_\_\_\_\_

Legal Address (Required) \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Home phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Cell: \_\_\_\_\_

Date of birth (MM/DD/YYYY)

 /  /    

Social Security Number (Required)

   -   -    

## 2. Resigning Custodian/Trustee (Where your funds are currently. Express deliveries cannot be delivered to a PO Box)

*Please include a recent statement from the resigning custodian account.*

Name of Custodian/Trustee \_\_\_\_\_ Account number \_\_\_\_\_

Office address \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Phone number: \_\_\_\_\_ Fax#: \_\_\_\_\_ Contact name: \_\_\_\_\_

## 3. Type of account to be transferred/eligibility (Must transfer to the same type of account at IRA Innovations.)

I am transferring FROM the following type of plan: (Check one.)

Traditional     Roth     Beneficiary IRA     SEP     SIMPLE     ESA     HSA

I am transferring TO the following type of plan: (Check one.)

Traditional     Roth     Beneficiary IRA     SEP     SIMPLE     ESA     HSA

I am an eligible person to perform this transaction: (Check one.)

Account owner     Responsible Individual (ESA)     Death Beneficiary

## 4. Type of asset to be transferred (Indicate whether this is A. COMPLETE Transfer OR B. PARTIAL Transfer.)

Please indicate what you would like to transfer by indicating CASH and/or IN-KIND. If you need to liquidate investments, please contact your resigning Custodian to ensure the liquidation process is completed PRIOR to submitting this form. *Please select one below.*

### Option 1: COMPLETE TRANSFER

- Cash - Send cash to "IRA Innovations as agent for Custodian FBO [your name] IRA # \_\_\_\_\_
- In Kind. *Additional transaction documents are required to facilitate this transfer. Please reference the Incoming In-Kind Transfer Checklist and complete next section on form.*

### Option 2: PARTIAL TRANSFER

- Cash - Send cash to "IRA Innovations as agent for Custodian FBO [your name] IRA # \_\_\_\_\_
- In Kind. *Additional transaction documents are required to facilitate this transfer. Please reference the Incoming In-Kind Transfer Checklist and complete next section on form.*

\*Please allow five business days for checks and one business day for wires to clear.

**5. Description of assets to be transferred:** Please attach additional delivery instructions if needed. Fees may apply from your resigning custodian.

Asset description (For cash balances, please indicate amount.)	Amount

**6. Delivery Instructions:**

a. How would you like us to send this transfer request to your current resigning Custodian?

- Via  Mail  Express delivery (\$30 fee) - *Cannot express to a PO Box - Please select how you would like to pay the fee:*
- Fax  Check (Made payable to IRA Innovations)
- Credit card on file
- Credit Card authorization form attached

b. How would you like your cash sent from your resigning Custodian to IRA Innovations?

- Via  Mail/Check  Wire/Electronic (Please note fees may apply from your resigning custodian)
- Please allow five business days to clear.* *Please allow one business day to clear.*

**7. Signature and Acknowledgement** (This does not constitute a direct rollover.)

- I understand the rules and conditions applicable to the Account Transfer set forth herein.
- I qualify for the account transfer of assets listed in the Asset Description above and authorize such transfer.
- I understand that no person affiliated with Administrator has any authority to agree to anything different than as set forth herein.
- I hereby agree to the terms and conditions set forth in this Transfer Form and my Account Application.

\_\_\_\_\_  
Account Holder Signature

\_\_\_\_\_  
Date

PRIOR TO SIGNING, PLEASE CONSULT YOUR RESIGNING CUSTODIAN TO DETERMINE IF A MEDALLION GUARANTEE STAMP IS REQUIRED

*(Medallion Guarantee Stamp)*

**For office use only**

**ACCEPTANCE OF RECEIVING CUSTODIAN**

Pursuant to a limited written delegation, Empire Trust Inc., as Custodian ("Custodian"), has authorized IRA Innovations, LLC to sign this form on Custodian's behalf to verify Custodian's acceptance of the transfer described above and in agreement to apply the proceeds upon receipt to the Account established by IRA Innovations, LLC on the account holders behalf. Custodian ASSUMES NO TRUST OR FIDUCIARY OBLIGATIONS TO ACCOUNT HOLDER AS IT HAS NO INVESTMENT CONTROL OVER ACCOUNT HOLDER'S FUNDS AND ACTS ONLY AS A CUSTODIAN OF ACCOUNT HOLDER'S FUNDS. IRA Innovations, LLC on behalf of Custodian, Empire Trust Inc..

By: \_\_\_\_\_

Date: \_\_\_\_\_

Account #: \_\_\_\_\_

Type of Account:

- Traditional  Roth  Beneficiary IRA  SEP  SIMPLE  ESA  HSA

*This is a PDF fillable form. To complete the form, click in an area and type.*

**I. Personal Information** All information is required.

Legal Name \_\_\_\_\_ IRA Innovations Account Type and # \_\_\_\_\_

Legal Address (no P. O. Box allowed) \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Date of birth (MM/DD/YYYY) \_\_\_\_\_ Social Security Number (Required) \_\_\_\_\_  
 / / - -

Home phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Cell: \_\_\_\_\_

**2. Name of Resigning Custodian/Sponsor**

Company Name \_\_\_\_\_ Account # \_\_\_\_\_

Legal Address (no P. O. Box allowed) \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Contact Name: \_\_\_\_\_ Contact phone: \_\_\_\_\_

**3. Type of Plan You Are Rolling Over From**

Traditional     ROTH     SEP     SIMPLE     HSA     401K     Other \_\_\_\_\_

**4. Verify that you are eligible to perform this transaction - select one.**

*I am an eligible person to perform this transaction: (Select one):*     Plan participant     Spouse beneficiary of account  
 Non-spouse beneficiary of account     Ex-Spouse of account due to divorce/legal separation     Responsible individual

**5. Rollover Instructions**

**To Rollover CASH:**

Rollover Amount: \$ \_\_\_\_\_

By **CHECK** - Make check payable to IRA INNOVATIONS, LLC as agent for Custodian FBO \_\_\_\_\_ [your name]    By **WIRE** - Please contact our office for wiring instructions  
 IRA # \_\_\_\_\_    *Please allow one business day for wires to clear.*

*Please allow five business days for checks clear.*

**To Rollover IN-KIND ASSETS:**

Please complete the section below and contact our office regarding the re-registration of your asset.

Asset Description: \_\_\_\_\_ Amount: \_\_\_\_\_

Asset Description: \_\_\_\_\_ Amount: \_\_\_\_\_

**6. Signature** *Please print this form first, then sign and mail the document to your IRA Innovations office. Please note: Your resigning Custodian may require additional documentation. Please read the following statement carefully*

IRA Innovations, L.L.C. ("Administrator") performs record keeping and administration duties in connection with Account holder's self-directed retirement account (the "Account") on behalf of the custodian ("Custodian") as set forth in Account holder's account application (the "Account Application"). The terms and conditions of this document are incorporated into the Account Application, and the terms and conditions of the Account Application are incorporated herein. I hereby agree to the terms and conditions set forth in this Rollover Certification and acknowledge having established an Account through execution of the Account Application. I understand the rules and conditions applicable to a **(check one)**  Rollover     Direct Rollover, I qualify for the Rollover or Direct Rollover of assets listed in the Asset Liquidation above and authorize such transactions. If this is a Rollover or Direct Rollover, I have been advised to see a tax advisor due to the important tax consequences of rolling assets into a self-directed account. If this is a Rollover or Direct Rollover, I assume full responsibility for this Rollover or Direct Rollover transaction and will not hold Administrator or Custodian of either the distributing or receiving plan liable for any adverse consequences that may result. I understand that no one at Administrator or any of its licensees or franchisees has authority to agree to anything different as set forth herein. If this is a Rollover or Direct Rollover, I irrevocably designate this contribution of assets with a value of \$ \_\_\_\_\_ as a rollover contribution. By signing this form, I certify that I am completing this rollover within 60 calendar days following the day I received the assets. I have not performed a rollover from an IRA within the last 12 months and the rollover DOES NOT contain my Required Minimum Distribution. If I am a non-spouse beneficiary, this is a direct rollover from an employer plan and the rollover contribution DOES NOT contain my Required Minimum Distribution.

Account holder's Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Page 1 of 1

**Form 5305-EA**  
**Coverdell Education Savings**  
**Custodial Account**  
(Under Section 530 of the Internal Revenue Code)  
Internal Revenue Service

The individual whose name appears on the accompanying Application Form (hereinafter called "Depositor") is establishing a Coverdell Education Savings Account with IRA Innovations Inc. or its successor (hereinafter referred to as "Custodian"). This Coverdell Education Savings Account is established for the exclusive benefit of the designated beneficiary within the meaning of §530 of the Internal Revenue Code and the related Treasury regulations. Custodian has delegated certain Custodial Account record keeping and administrative functions ("Administrative Services") to the administrator whose name appears on the Application form (the "Administrator").

Article I

1.01 The Custodian or Administrator 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

2.01 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

3.01 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.  
3.02 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

4.01 The Depositor shall have the power to direct the Custodian or Administrator regarding the investment of the above-listed amount assigned to the custodial account (including earnings thereon) in the investment choices offered by the Custodian or Administrator. The Responsible Individual, however, shall have the power to redirect the Custodian or Administrator regarding the investment of such amounts, as well as the power to direct the Custodian or Administrator 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 or Administrator 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 or Administrator. Unless otherwise provided in this agreement, the Responsible Individual also shall have the power to direct the Custodian or Administrator regarding the administration, management, and distribution of the account.

Article V

5.01 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 in the Adoption Agreement, 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.  
5.02 If elected in the Adoption Agreement, 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

6.01 If elected in the Adoption Agreement the Responsible Individual may change the beneficiary designated under this agreement to another member of the Designated Beneficiary's family described in section 529(c)(2) in accordance with the Custodian or Administrator's procedures.

Article VII

7.01 The Depositor agrees to provide the Custodian or Administrator with all information necessary to prepare any reports required by section 530(h).  
7.02 The Custodian or Administrator agrees to submit to the Internal Revenue Service (IRS) and Responsible Individual the reports prescribed by the IRS. In the case of reports on form 5498, the Depositor agrees that Depositor is responsible for providing an annual report to Custodian or Administrator of the fair market value of all assets in any Custodial Account as of the last day of any calendar year, and that if Depositor fails to provide such fair market value information, that Custodian or Administrator shall issue a report on form 5498 to the IRS using the acquisition price of the assets in question.

Article VIII

8.01 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

9.01 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 Custodian or Administrator whose signatures appear on the Adoption Agreement.

Article X

10.01 Applicable Law: This Custodial Agreement shall be governed by the laws of the state where the Custodial Account has its situs. The term Designated Beneficiary shall also include the Depositor, Responsible Individual and Death Beneficiary, where applicable.  
10.02 Administrator for the Custodian: The Administrator shall perform duties on behalf of the Custodian which include, but are not limited to, executing applications, transfers, stock powers, escrow documents, purchase agreements, notes, deeds, reconveyances, liens, placing assets or liabilities in Administrator's name for the benefit of the Depositor to provide administrative feasibility or such transactions, depositing Contributions, and income, paying liabilities and distributions, and government reporting 10.02 for Depositors who have established a Custodial Account.  
10.03 Annual Accounting: The Custodian or Administrator shall, at least annually, provide the Designated Beneficiary (or the Responsible Individual, if applicable) with an accounting of such Designated Beneficiary's account. Such accounting shall be deemed to be accepted by the Designated Beneficiary, if the Designated Beneficiary (or Responsible Individual) does not object in writing within 60 days after the mailing of such accounting.  
10.04 Amendment: The Depositor, Designated Beneficiary and Responsible Individual irrevocably delegates to the Custodian or Administrator the right and power to amend this Custodial Agreement. Except as hereafter provided, the Custodian or Administrator will give the Designated Beneficiary (or Responsible Individual) 30 days prior written notice of any amendment. In case of a retroactive amendment required by law, the Custodian or Administrator will provide written notice to the Designated Beneficiary (or Responsible Individual) of the amendment within 30 days after the amendment is made, or if later, by the time that notice of the amendment is required to be given under regulations or other guidance provided by the IRS. The Depositor, Designated Beneficiary and Responsible Individual shall be deemed to have consented to any such amendment unless the Designated Beneficiary (or Responsible Individual) notifies the Custodian or Administrator to the contrary within 30 days after notice to the Designated Beneficiary (or Responsible Individual) and requests a distribution or transfer of the balance in the account.  
10.05 Resignation and Removal of Custodian:

- (a) The Trustee may resign and appoint a successor trustee or custodian to serve under this agreement or under another governing agreement selected by the successor trustee or custodian by giving the Depositor written notice at least 30 days prior to the effective date of such resignation and appointment, which notice shall also include or be provided under separate cover a copy of such other governing instrument, if applicable, and the related disclosure statement. The Depositor shall then have 30 days from the date of such notice to either request a distribution of the entire account balance or designate a different successor trustee or custodian and notify the Custodian of such designation. If the Depositor does not request distribution of the account balance or notify the Custodian of the designation of a different successor trustee or custodian within such 30 day period, the Depositor shall be deemed to have consented to the appointment of the successor trustee or custodian and the terms of any new governing instrument, and neither the Depositor nor the successor shall be required to execute any written document to complete the transfer of the account to the successor trustee or custodian. The successor trustee or custodian may rely on any information, including beneficiary designations, previously provided by the Depositor to the Custodian.
- (b) The Depositor may at any time remove the Custodian or Administrator and replace the Custodian or Administrator with a successor trustee or Custodian or Administrator of the Depositor's choice by giving 30 days notice of such removal and replacement. The Custodian or Administrator shall then deliver the assets of the account as directed by the Depositor. However, the Custodian or Administrator may retain a portion of the assets of the ESA as a reserve for payment of any anticipated remaining fees and expenses, and shall pay over any remainder of this reserve to the successor trustee or custodian upon satisfaction of such fees and expenses.
- (c) Administrator may at any time select a qualified successor custodian by giving the Depositor and Custodian written notice at least 30 days prior to the effective date of such appointment, which notice shall also include or be provided under separate cover a copy of such other governing instrument, if applicable, and the related disclosure statement. The Depositor shall then have 30 days from the date of such notice to either request a distribution of the entire account balance or designate a different successor trustee or custodian and notify the Custodian and Administrator of such designation. If the Depositor does not request distribution of the account balance or notify the Administrator of the designation of a different successor trustee or custodian within such 30 day period, the Depositor shall be deemed to have consented to the appointment of the successor custodian and the terms of any new governing instrument, and neither the Depositor nor the successor shall be required to execute any written document to complete the transfer of the account to the successor custodian. The successor custodian may rely on any information, including beneficiary designations, previously provided by the Depositor to the Custodian.
- (d) The Custodian or Administrator may resign and demand that the Depositor appoint a successor trustee or custodian of this ESA by giving the Depositor written notice at least 30 days prior to the effective date of such resignation. The Depositor shall then have 30 days from the date of such notice to designate a successor trustee or custodian, notify the Custodian or Administrator of the name and address of the successor trustee or custodian, and provide the Custodian or Administrator with appropriate evidence that such successor has accepted the appointment and is qualified to serve as trustee or custodian of a Coverdell ESA.
  - (1) If the Depositor designates a successor trustee or custodian and provides the Custodian or Administrator evidence of the successor's acceptance of appointment and qualification within such 30 day period, the Custodian or Administrator shall then deliver all of the assets held by the Custodian or Administrator in the account (whether in cash or personal or real property, wherever located, and regardless of value) to the successor trustee or custodian.
  - (2) If the Depositor does not notify the Custodian or Administrator of the appointment of a successor trustee or custodian within such 30 day period, then the Custodian or Administrator may distribute all of the assets held by the Custodian or Administrator in the account (whether in cash or personal or real property, wherever located, and regardless of value) to the Depositor, outright and free of trust, and the Depositor shall be wholly responsible for the tax consequences of such distribution.

In either case, the Custodian or Administrator may expend any assets in the account to pay expenses of transfer (including re-registering the assets and preparation of deeds, assignments, and other instruments of transfer or conveyance) to the successor trustee or custodian or the Depositor, as the case may be. In addition, the Custodian or Administrator may retain a portion of the assets as a reserve for payment of any anticipated remaining fees and expenses. Upon satisfaction of such fees and expenses, the Custodian or Administrator shall pay over any remainder of the reserve to the successor trustee or custodian or to the Depositor, as the case may be.

#### 10.06 Custodian's Fees and Expenses:

- (a) In the event that cash is received, or otherwise held by Custodian, for which the Custodian or Administrator have not received a written investment direction letter ("Undirected cash"), The Custodian or Administrator will deposit all undirected cash from any source, including without limitation, contributions, transfers, roll overs or cash income from any asset in my account in non-interest bearing or interest bearing accounts offered through Custodian, or in a common trust fund that may be established by Custodian. Custodian or Administrator may, but need not, establish programs, such as common trust funds, group trusts, or common investment funds under which cash deposits and undirected cash in excess of a minimum amount set by Custodian or Administrator will be periodically and automatically invested in government-insured, interest-bearing investment funds or accounts. I understand and acknowledge that undirected cash deposited and held in one or more FDIC insured banks may be insured only up to the legal limit (currently \$250,000 per depositor) offered by the Federal Deposit Insurance Corporation ("FDIC") then in place and that any amount in excess of the legal deposit insurance amount may not be insured and subject to loss of all or some of the principal. The Depositor agrees that any income generated from undirected cash in the Custodial Account that is not specifically invested by Depositor pursuant to Section 9.01 below shall be retained by Custodian as compensation for the services provided by Custodian under this Agreement which may be paid to the Administrator or the Administrator's designee in consideration for its undirected cash management services including but not limited to account maintenance, depository bank selection, transaction processing and subaccounting of undirected cash. In addition, the Custodian reserves the right to change all or part of the Custodial Fee Schedule at its discretion with 30 days advance notice. Administrator shall invoice Depositor directly for any Administrative Services, and Depositor agrees to pay such fees, including any fees for distributions from, transfers from, and terminations of this IRA. The Custodian or Administrator may change its fee schedule at any time by giving the Depositor 30 days prior written notice.
- (b) The Depositor, Designated Beneficiary and Responsible Individual agree that the Custodian or Administrator shall be entitled to reimbursement for any expenses incurred by the Custodian or Administrator in the performance of its duties in connection with the account. Such expenses include, but are not limited to, administrative expenses, such as legal and accounting fees, and any taxes of any kind whatsoever that may be levied or assessed with respect to such account.
- (c) All such fees, taxes, and other administrative expenses charged to the account shall be collected either from the assets in the account or from any contributions to or distributions from such account if not paid by the Depositor, Designated Beneficiary or Responsible Individual, but the Depositor, Designated Beneficiary and Responsible Individual shall be responsible for any deficiency.
- (d) In the event that for any reason the Custodian or Administrator is not certain as to who is entitled to receive all or part of the Custodial Funds, the Custodian or Administrator reserves the right to withhold any payment from the Custodial Account, to request a court ruling to determine the disposition of the Custodial assets, and to charge the Custodial Account for any expenses incurred in obtaining such legal determination.

10.07 Withdrawal Requests: All requests for withdrawal, distribution, or payment from the account shall be in writing on a form provided and accepted by the Custodian or Administrator. Such written request must also specify the reason for the withdrawal, distribution, or payment and the desired method or form of withdrawal, payment, or distribution.

10.08 Responsibilities: The Depositor, Designated Beneficiary and Responsible Individual represent that all information and instructions given to the Custodian or Administrator by the Depositor, Designated Beneficiary and Responsible Individual is complete and accurate and that the Custodian or Administrator shall have no responsibility for any incomplete or inaccurate information provided by the Depositor, Designated Beneficiary or Responsible Individual. The Depositor, Designated Beneficiary and Responsible Individual agree to be responsible for all tax consequences arising from contributions to and distributions from this Custodial Account and acknowledges that no tax advice has been provided by the Custodian or Administrator.

#### 10.09 Investment Provisions:

- (a) All contributions shall be invested and reinvested by the Administrator or Custodian or Administrator as directed by the Depositor. (Please see Article IX; Self-Directed IRA Provisions.) It is understood and acknowledged by Depositor that the Custodian and its' Administrator shall assume no responsibility, expressed or implied, for any loss or diminution of account and Depositor indemnifies and holds harmless Custodian and Administrator, without limitation, against any and all losses, costs, expenses or liabilities of any nature whatsoever incurred as a result of Custodian's and/or Administrator's execution of Depositor's investment instructions. Depositor agrees that all uninvested funds shall remain deposited in interest bearing or non-interest bearing accounts offered through Custodian. The Custodian may, but need not, establish programs under which cash deposits and uninvested funds in excess of a minimum set by it will be periodically and automatically invested in government insured interest-bearing investment funds or accounts. The Custodian shall have no duty other than to follow the written investment directions of the Depositor, and shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Depositor.
- (b) In accordance with section 8.06 of this agreement the Depositor agrees that any income generated from the uninvested funds in the Custodial account not specifically invested by Depositor shall be retained by the Custodian in accordance with this Section and Section 9.01. The Custodian may, but is not required to, pass-through to the Depositor's account a portion of the interest earned on the uninvested funds. Such pass-through interest will be based on the then published terms of such account 10.08 which may, from time to time, change without notice.

#### 10.10 Change of Designated Beneficiary:

- (a) If elected in the Adoption Agreement, while the Designated Beneficiary is a minor or otherwise lacks legal capacity, the Responsible Individual may at any time change the Designated Beneficiary for this Coverdell ESA to any member of the family under the age of 30 of the original Designated Beneficiary or direct the Custodian or Administrator to roll over or transfer the funds in this Coverdell ESA to a Coverdell ESA for any member of the family under the age of 30 of the original Designated Beneficiary. If elected in the Adoption Agreement, when the Designated Beneficiary has legal capacity, the Designated Beneficiary may at any time change the Designated Beneficiary for this Coverdell ESA to any member of the family under the age of 30 of the original

Designated Beneficiary or direct the Custodian or Administrator to roll over or transfer the funds in this Coverdell ESA to a Coverdell ESA for any member of the family under the age of 30 of the original Designated Beneficiary.

- (b) Any change of Designated Beneficiary under this Coverdell ESA agreement shall not be treated as a distribution, if the new Designated Beneficiary is a Member of the Family (as defined under section 10.10) and such new Designated Beneficiary has not attained the age of 30, as of the date of such change.
- (c) Notwithstanding Section 3.01, a new Designated Beneficiary may be named within 30 days after the Designated Beneficiary attains the age of 30.

10.11 Designated Beneficiary's Minority or Incapacity: The following provisions apply while the Designated Beneficiary is a minor or lacks legal capacity:

- (a) The Responsible Individual shall have, to the exclusion of the Designated Beneficiary, all of the rights, powers, and responsibilities granted to the Designated Beneficiary under this Custodial Agreement, including, without limitation, the right to receive accountings and notices of amendment and resignation, the power to remove and replace the Custodian or Administrator, the power to direct investments, the power to request withdrawals, distributions, and payments, and the power to direct a rollover or transfer to the trustee or custodian of a Coverdell ESA for the Designated Beneficiary or another member of the family of the Designated Beneficiary.
- (b) In the event the Responsible Individual dies, becomes disabled, or otherwise fails or refuses to act and no successor Responsible Individual has been appointed, or no duly appointed Responsible Individual is willing or able to serve, then a parent of the Designated Beneficiary or the legal guardian or conservator of the estate of the Designated Beneficiary may appoint a Responsible Individual in writing on a form acceptable to and filed with the Custodian or Administrator.

10.12 Member of the Family: The term "member of the family of the Designated Beneficiary" includes the Designated Beneficiary's: spouse, children, grandchildren, 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 spouses of the foregoing. A first cousin, but not his or her spouse, is also a family member.

10.13 Designated Death Beneficiary: In accordance with Article 3.02 of this Agreement and if permitted by the Custodian or Administrator, the Depositor, Designated Beneficiary or Responsible Individual shall have the right to name a Designated Death Beneficiary(ies) on a form provided by and acceptable to the Custodian or Administrator. In the event of the Designated Beneficiary's death, such Designated Death Beneficiary(ies) shall be entitled to the remaining interest in the account. If any such Designated Death Beneficiary is not a member of the family (as defined in Article 10.10 of this Agreement), the remaining balance in the account shall be distributed to the Designated Death Beneficiary within 30 days of the death of the Designated Beneficiary. If any such Designated Death Beneficiary is a member of the family (as defined in Article 10.10 of this Agreement), the remaining balance in the account shall become the Coverdell ESA of the Designated Death Beneficiary. If no death beneficiary designation is in effect or if none of the Death Beneficiaries survive the Designated Beneficiary, the remaining balance will be paid to the estate of the Designated Beneficiary.

## Article XI SELF-DIRECTED COVERDELL ESA PROVISIONS

11.01 Investment of Contributions: At the direction of the Designated Beneficiary (or the direction of the Depositor or the Responsible Individual, whichever applies) the Custodian or Administrator shall invest all contributions to the account and earnings thereon in investments acceptable to the Custodian or Administrator, which may include marketable securities traded on a recognized exchange or "over the counter" (excluding any securities issued by the Custodian or Administrator), covered call options, certificates of deposit, and other investments to which the Custodian or Administrator consents, in such amounts as are specifically selected and specified in orders to the Custodian or Administrator in such form as may be acceptable to the Custodian or Administrator, without any duty to diversify and without regard to whether such property is authorized by the laws of any jurisdiction as a custodial account investment. The Custodian or Administrator shall be responsible for the execution of such orders and for maintaining adequate records thereof. However, if any such orders are not received as required, or, if received, are unclear in the opinion of the Custodian or Administrator, all or a portion of the contribution may be held uninvested without liability for loss of income or appreciation, and without liability for interest pending receipt of such orders or clarification, or the contribution may be returned. The Custodian or Administrator may, but need not, establish programs under which cash deposits in excess of a minimum set by it will be periodically and automatically invested in interest-bearing investment funds. The Custodian or Administrator shall have no duty other than to follow the written investment directions of the Designated Beneficiary (or the Depositor or Responsible Individual), and shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Designated Beneficiary.

11.02 Indemnification. The Custodian or Administrator shall have no duty other than to follow the written investment directions of the Depositor, and shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Depositor under any circumstances. Depositor agrees to indemnify Custodian or Administrator for any losses, costs, or fees (including reasonable attorney's fees) that are incurred by Custodian or Administrator as a result of the foregoing provision.

11.03 Registration: All assets of the account shall be registered in the name of the Custodian or Administrator or of a suitable nominee. The same nominee may be used with respect to assets of other investors whether or not held under agreements similar to this one or in any capacity whatsoever. However, each Designated Beneficiary's account shall be separate and distinct; a separate account thereof shall be maintained by the Custodian or Administrator, and the assets thereof shall be held by the Custodian or Administrator in individual or bulk segregation either in the Custodian or Administrator's vaults or in depositories approved by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

11.04 Investment Advisor: The Designated Beneficiary (or Depositor or Responsible Individual) may appoint an Investment Advisor, qualified under Section 3(38) of the Employee Retirement Income Security Act of 1974, to direct the investment of this Coverdell ESA. The Designated Beneficiary shall notify the Custodian or Administrator in writing of any such appointment by providing the Custodian or Administrator a copy of the instruments appointing the Investment Advisor and evidencing the Investment Advisor's acceptance of such appointment, an acknowledgement by the Investment Advisor that it is a fiduciary of the account, and a certificate evidencing the Investment Advisor's current registration under the Investment Advisor's Act of 1940. The Custodian or Administrator shall comply with any investment directions furnished to it by the Investment Advisor, unless and until it receives written notification from the Designated Beneficiary, Depositor or Responsible Individual that the Investment Advisor's appointment has been terminated. The Custodian or Administrator shall have no duty other than to follow the written investment directions of such Investment Advisor and shall be under no duty to question said instructions, and the Custodian or Administrator shall not be liable for any investment losses sustained by the Designated Beneficiary.

11.05 No Investment Advice: The Custodian or Administrator does not assume any responsibility for rendering advice with respect to the investment and reinvestment of this Coverdell ESA and shall not be liable for any loss which results from the Designated Beneficiary's exercise of control over his account. The Custodian and Designated Beneficiary (or Depositor or Responsible Individual) may specifically agree in writing that the Custodian shall render such advice, but the Designated Beneficiary, Depositor or Responsible Individual shall still have and exercise exclusive responsibility for control over the investment of the assets of the account, and the Custodian shall not have any duty to question investment directives.

11.06 Prohibited Transactions: Notwithstanding anything contained herein to the contrary, the Custodian or Administrator shall not lend any part of the corpus or income of the account to; pay any compensation for personal services rendered to the account to; make any part of its services available on a preferential basis to; acquire for the account any property, other than cash, from; or sell any property to, any Designated Beneficiary, any member of a Designated Beneficiary's family, or a corporation controlled by any Designated Beneficiary through the ownership, directly or indirectly, of 50 percent or more of the total combined voting power of all classes of stock entitled to vote, or of 50 percent or more of the total value of shares of all classes of stock of such corporation.

11.07 Unrelated Business Income Tax: If the Designated Beneficiary, Depositor or Responsible Individual directs investment of the account in any investment which results in unrelated business taxable income, it shall be the responsibility of the Designated Beneficiary, Depositor or Responsible Individual to so advise the Custodian or Administrator and to provide the Custodian or Administrator with all information necessary to prepare and file any required returns or reports for the account. As the Custodian or Administrator may deem necessary, and at the Designated Beneficiary's (or Depositor's or Responsible Individual's) expense, the Custodian or Administrator may request a taxpayer identification number for the account, file any returns, reports, and applications for extension, and pay any taxes or estimated taxes owed with respect to the account. The Custodian or Administrator may retain suitable accountants, attorneys, or other agents to assist it in performing such responsibilities.

11.08 Disclosures and Voting: The Custodian or Administrator shall deliver, or cause to be executed and delivered, to the Designated Beneficiary, Depositor or Responsible Individual all notices, prospectuses, financial statements, proxies and proxy soliciting materials relating to assets credited to the account. The Custodian or Administrator shall not vote any shares of stock or take any other action, pursuant to such documents, with respect to such assets except upon receipt by the Custodian or Administrator of adequate written instructions from Designated Beneficiary, Depositor or Responsible Individual.

11.09 Miscellaneous Expenses: In addition to those expenses set out in Section 10.05 of this plan, the Designated Beneficiary, Depositor or Responsible Individual agrees to pay any and all expenses incurred by the Custodian or Administrator in connection with the investment of the account, including expenses of preparation and filing any returns and reports with regard to unrelated business income, including taxes and estimated taxes, as well as any transfer taxes incurred in connection with the investment or reinvestment of the assets of the account.

11.10 Nonbank Custodian Provision: If the Custodian is a nonbank custodian, the Designated Beneficiary, Depositor or Responsible Individual shall substitute another trustee or custodian in place of the Custodian upon receipt of notice from the Commissioner of the Internal Revenue Service or his delegate that such substitution is required because the Custodian has failed to comply with the requirements of Income Tax Regulations Section 1.408-2(c), or is not keeping such records, making such returns, or rendering such statements as are required by applicable law, regulations, or other rulings. The successor trustee or custodian shall be a bank, insured credit union, or other person satisfactory to the Secretary of the Treasury pursuant to Section 408(a)(2) of the Code. Upon receipt by the Custodian of written acceptance by its successor of such successor's appointment, Custodian shall transfer and pay over to such successor the assets of the account (less amounts retained pursu-

ant to Section 10.04 of the Custodial Agreement) and all records (or copies thereof) of the Custodian pertaining thereto, provided that the successor trustee or custodian agrees not to dispose of any such records without the Custodian's consent.

ARTICLE XII  
SEVERABILITY

12.01 Severability. If any provision of this Custodial Account Agreement is found to be illegal, invalid, void or unenforceable such provision shall be severed and such illegality or invalidity shall not affect the remaining provisions which shall remain in full force and effect.

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General Instructions

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

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 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.

**GENERAL INFORMATION**

Coverdell Education Savings Accounts (Coverdell ESAs) were established under the Taxpayer Relief Act effective in 1998. This type of account was originally called an Education Individual Retirement Account and the annual contribution limit per Designated Beneficiary for 1998 through 2001 was \$500. Effective for contributions made for tax year 2002, the annual contribution limit is increased to \$2,000 per Designated Beneficiary. The Economic Growth and Tax Relief Reconciliation Act increased the annual contribution limit, as well as made other important changes that are described in the following questions and answers. Amounts deposited in the account grow tax-free until distributed, and the Designated Beneficiary will not owe tax on any withdrawal from the account if the Designated Beneficiary's qualified education expenses at an eligible educational institution for the year equal or exceed the amount of the withdrawal. If the Designated Beneficiary does not need the money for educational purposes, the account balance can be rolled over to a Coverdell ESA of certain family members who can use it for their education. Amounts withdrawn from a Coverdell ESA that exceed the Designated Beneficiary's qualified education expenses in a taxable year are generally subject to income tax and to an additional tax of 10 percent.

There are potentially three (or more) parties involved in the establishment of, making contributions to, and directing distributions from the account. These parties are referred to in the following questions and answers, and include the:

**Depositor:** The Depositor is the initial contributor who establishes the Coverdell ESA by executing the Adoption Agreement and who contributes the initial contribution. Subsequent contributions to the account may be made by the original Depositor or by other eligible contributors. The Depositor may also be the Designated Beneficiary and/or the Responsible Individual.

**Designated Beneficiary:** The Designated Beneficiary is the individual for whose benefit the Coverdell ESA is established. Except for "special needs designated beneficiaries", no contribution can be made after the Designated Beneficiary's 18th birthday. The Designated Beneficiary may also be the Depositor and/or the Responsible Individual.

**Responsible Individual:** The Responsible Individual is the individual who generally controls all decisions regarding the account, including authorizing payments from the account. There can be only one Responsible Individual at any time and generally must be a parent or legal guardian of the Designated Beneficiary. However, in certain cases the Designated Beneficiary may automatically become his or her own Responsible Individual. The Responsible Individual may also be the Depositor.

**Q1:** What is a Coverdell Education Savings Account (Coverdell ESA)?

**A1:** A Coverdell ESA is a trust or custodial account that is created or organized in the United States exclusively for the purpose of paying the qualified education expenses of the Designated Beneficiary of the account. The account must be designated as a Coverdell ESA when it is created in order to be treated as a Coverdell ESA for tax purposes.

**Q2:** For whom may a Coverdell ESA be established?

**A2:** A Coverdell ESA may be established for the benefit of any child under the age of 18. Contributions to a Coverdell ESA is not permitted after the Designated Beneficiary reaches his/her 18th birthday.

**Q3:** Where may an individual open a Coverdell ESA?

**A3:** An individual may open a Coverdell ESA with any bank, or other financial institution that has been approved to serve as a nonbank trustee or custodian of an individual retirement account (IRA), and the bank or entity is offering Coverdell ESAs.

**Q4:** When may a taxpayer start contributing to a Coverdell ESA?

**A4:** A taxpayer may start making contributions on January 1, 1998, or at any time thereafter.

**Q5:** How much may be contributed to a Coverdell ESA on behalf of a Designated Beneficiary?

**A5:** For tax years 1998 through 2001, the maximum contribution limit per year was \$500 in aggregate contributions made for the benefit of any Designated Beneficiary. For tax year 2002 and thereafter, the maximum contribution limit per year is \$2,000 in aggregate contributions made for the benefit of any Designated Beneficiary. Contributions may be made into a single Coverdell ESA or into multiple Coverdell ESAs for the benefit of any one Designated Beneficiary.

**Q6:** What happens if more than the maximum annual contribution limit is contributed to a Coverdell ESA on behalf of a Designated Beneficiary for a particular calendar year?

**A6:** Aggregate contributions for the benefit of any one Designated Beneficiary in excess of annual limit for a particular calendar year are treated as excess contributions. If the excess contributions (and any earnings attributable to them) are not withdrawn from the ESA that received the excess contribution by May 31st of the calendar year following the calendar year in which the excess was made, the excess contribution is subject to a 6 percent excise tax for each year the excess amount remains in the account. If the excess contributions (and any earnings) are timely withdrawn, no 6 percent excise tax applies. However, any earnings distributed in such a corrective distribution will be taxable to the Designated Beneficiary, but no 10% additional tax applies to the earnings.

**Q7:** May contributions other than cash be made to a Coverdell ESA?

**A7:** No. Coverdell ESAs are permitted to accept contributions made in cash only.

**Q8:** May contributors take a deduction for contributions made to a Coverdell ESA?

**A8:** No. Contributions to a Coverdell ESA are not deductible. Therefore, contributions to a Coverdell ESA create "basis" in the account. This means that any distributions that are not used for qualified education expenses are taxable only with respect to any earnings on the contributions.

**Q9:** Are there any restrictions on who can contribute to a Coverdell ESA?

**A9:** Any individual may contribute to a Coverdell ESA if the individual's modified adjusted gross income for the taxable year for which the contribution is made is no more than \$95,000 (\$190,000 for married taxpayers filing jointly). For purposes of this section, "modified AGI" means the AGI of the taxpayer for the taxable year increased by amounts excluded from gross income under sections 911 (foreign earned income); 931 (income from Guam, American Samoa, or Northern Mariana Islands); and 933 (income from Puerto Rico). The maximum annual contribution per Designated Beneficiary is gradually reduced for individuals with modified adjusted gross income between \$95,000 and \$110,000 (between \$190,000 and \$220,000 for married taxpayers filing jointly).

For example, an unmarried taxpayer with modified adjusted gross income of \$96,500 could make a maximum contribution for the year per Designated Beneficiary of \$1,800 (\$110,000 - \$96,500 X .1333 = \$1,800). A married individual filing jointly with modified adjusted gross income of \$215,000 could make a maximum contribution for the year per Designated Beneficiary of \$350 (\$220,000 - \$215,000 X .07 = \$350). Taxpayers with modified adjusted gross income above \$110,000 (\$220,000 for married taxpayers filing jointly) cannot make contributions to anyone's Coverdell ESA.



Q10: May a Designated Beneficiary contribute to his/her own Coverdell ESA?

A10: Yes.

Q11: Does a taxpayer have to be related to the Designated Beneficiary in order to contribute to the Designated Beneficiary's Coverdell ESA?

A11: No.

Q12: Can entities make contributions to the Designated Beneficiary's Coverdell ESA?

A12: Yes. Any entity can make contributions to the Designated Beneficiary's Coverdell ESA without regard to such entity's adjusted gross income. For example, Century Computer Services, Inc. decides to make Coverdell ESA contributions on behalf of any child under the age of 18 of their employees in the amount of \$500. Century Computer Services, Inc. qualifies as a contributor regardless of the company's adjusted gross income, but the company cannot take a deduction for such contributions. Also, other contributions up to \$1,500 could be made into the same Coverdell ESA or another Coverdell ESA on behalf of any one these employees' children.

Q13: Is the contributor to a Coverdell ESA required to have compensation or earned income in order to make contributions?

A13: No. The contributor (whether an individual or an entity) is not required to have earned income or compensation.

Q14: What is the deadline for making contributions to a Coverdell ESA for a particular tax year?

A14: Beginning for contributions made for tax year 2002, the deadline to make contributions is the tax filing deadline for such year not including extensions. Thus, in most cases, the deadline to make contributions for a tax year is the following April 15th. The contributor should designate in writing to the trustee or custodian the tax year for which the contribution is being made.

Q15: Are there any special reporting requirements for a Coverdell ESA?

A15: Yes. The trustee or custodian will issue an annual Form 5498-ESA to the IRS and to the Designated Beneficiary reporting contributions made for the tax year, and any rollover contributions or transfers received during the tax year. The trustee or custodian will also issue Form 1099-Q to the IRS and to the Designated Beneficiary whenever distributions or transfers are paid from the account. The Designated Beneficiary is responsible for determining whether or not a distribution is taxable and to file Form 5329 with the IRS if excess contributions have been made to the account or if distributions were made that exceed the qualified education expenses for the year. If a rollover or transfer is made from the Coverdell ESA of one Designated Beneficiary to another eligible family member of the Designated Beneficiary, certain statements must be attached to the tax returns of both the original Designated Beneficiary and the eligible family member to which the account was rolled over or transferred (see Form 1040 instructions). Taxable distributions from a Coverdell ESA are included in gross income on the "Other Income" line of Form 1040. The trustee or custodian is not required to report the taxable amount of any distribution from the ESA, except for earnings that are distributed on a returned contribution. Instead, the trustee or custodian will report the December 31st fair market value on Form 1099-Q. The Designated Beneficiary will use the worksheet in IRS Publication 970 to figure the earnings, basis and taxable amount of any ESA distributions.

Q16: How many Coverdell ESAs may a Designated Beneficiary have?

A16: There is no limit on the number of Coverdell ESAs that may be established for a particular Designated Beneficiary. However, for any given taxable year the total aggregate contributions to all the accounts for a particular Designated Beneficiary may not exceed the annual contribution limit described in Q&A 5.

Q17: May a Designated Beneficiary take a tax-free withdrawal from a Coverdell ESA to pay qualified education expenses if the Designated Beneficiary is enrolled less than full-time at an eligible educational institution?

A17: Yes. Whether the Designated Beneficiary is enrolled full-time, half-time, or less than half-time, he/she may take a tax-free withdrawal to pay qualified education expenses.

Q18: What happens when a Designated Beneficiary withdraws assets from a Coverdell ESA to pay for qualified education expenses?

A18: Generally, the withdrawal is tax-free to the Designated Beneficiary to the extent the amount of the withdrawal does not exceed the Designated Beneficiary's qualified education expenses.

Q19: What are "qualified education expenses"?

A19: "Qualified education expenses" mean qualified higher education expenses for tuition, fees, books, supplies, and equipment required for the enrollment or attendance of the Designated Beneficiary at an eligible educational institution. Qualified higher education expenses also include room and board (generally the school's posted room and board charge, or \$2,500 per year for students living off-campus and not at home) if the Designated Beneficiary is at least a half-time student at an eligible educational institution. A student will be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled.

The standards for determining whether a student is enrolled at least half-time are the same as those used for the Hope Scholarship Credit. A student is eligible for the Hope Scholarship Credit if: (1) for at least one academic period (e.g., semester, trimester, quarter) beginning during the calendar year, the student is enrolled at least half-time in a program leading to a degree, certificate, or other recognized educational credential and is enrolled in one of the first two years of postsecondary education, and (2) the student is free of any conviction for a Federal or State felony offense consisting of the possession or distribution of a controlled substance. For purposes of the Hope Scholarship Credit, a student will be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled. The institution's standard for a full-time workload must equal or exceed the standards established by the Department of Education under Higher Education Act and set forth in 34 CFR 674.2(b).

Beginning in 2002, qualified education expenses also include qualified elementary and secondary education expenses for tuition, fees, academic tutoring, special needs services in the case of a special needs beneficiary, books, supplies, and other equipment which are incurred in connection with the enrollment or attendance of the Designated Beneficiary as an elementary or secondary school student at a public, private or religious school. Such expenses also include room and board, uniforms, transportation, and supplementary items and services (including extended day programs) which are required or provided by a public, private or religious school in connection with such enrollment or attendance, and expenses for the purchase of any computer technology or equipment or Internet access and related services, if such technology, equipment, or services are to be used by the Designated Beneficiary and the Designated Beneficiary's family during any of the years the Designated Beneficiary is in school.

Qualified education expenses also include amounts contributed to a qualified state tuition program. Also, qualified education expenses are reduced by any amount provided by scholarship, educational assistance allowance, or any other payment (other than a gift or bequest) which is excludable from gross income under any law of the United States.

Q20: What is an eligible educational institution?

A20: For purposes of qualified higher education expenses, an eligible educational institution is any college, university, vocational school, or other postsecondary educational institution that is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088) and, therefore, eligible to participate in the student aid programs administered by the Department of Education. This category

includes virtually all accredited public, nonprofit, and proprietary postsecondary institutions. (The same eligibility requirements for institutions apply for the Hope Scholarship Credit, the Lifetime Learning Credit, and early withdrawals from IRAs for qualified higher education expenses).

For purposes of elementary and secondary education expenses, an eligible education institution means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under state law.

- Q21: What happens if a Designated Beneficiary withdraws an amount from a Coverdell ESA but does not have any qualified education expenses to pay in the taxable year he/she makes the withdrawal?
- A21: Generally, if a Designated Beneficiary withdraws an amount from a Coverdell ESA and does not have any qualified education expenses during the taxable year, a portion of the distribution is taxable. The taxable portion is the portion that represents earnings that have accumulated tax-free in the account. The taxable portion of the distribution is also subject to a 10 percent additional tax unless an exception applies. Form 5329 is required to be filed with the IRS by the Designated Beneficiary. The 10 percent additional tax does not apply to distributions made: (1) to a death beneficiary (or to the estate of the Designated Beneficiary) after the death of the Designated Beneficiary; (2) attributable to the Designated Beneficiary become disabled within the meaning of section 72(m)(7) of the Internal Revenue Code; or (3) made on account of a scholarship, allowance or payment to the extent such payment or distribution does not exceed the amount of such scholarship, allowance or payment.
- Q22: Is a distribution from a Coverdell ESA taxable if the distribution is contributed to another Coverdell ESA?
- A22: Any amount distributed from a Coverdell ESA and rolled over to another Coverdell ESA for the benefit of the same Designated Beneficiary or certain members of the Designated Beneficiary's family is not taxable. An amount is rolled over if it is paid to another Coverdell ESA on a date within 60 days after the date of the distribution. Members of the Designated Beneficiary's family include the Designated Beneficiary's spouse, children, grandchildren, sibling, parent, niece or nephew, son-in-law, daughter-in-law, father-in-law, mother-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 of the Designated Beneficiary. The annual contribution limit to Coverdell ESAs does not apply to these rollover contributions. For example, an older brother who has \$5,000 left in his Coverdell ESA after he no longer needs the account for education purposes can roll over the full \$5,000 balance to a Coverdell ESA for his younger sister who is still in high school without paying any tax on the transfer or rollover. The eligible family member to whose Coverdell ESA such amount is rolled over or transferred must be under the age of 30. Only one rollover between Coverdell ESAs is permitted during a 12 month period.
- Q23: What happens to the assets remaining in a Coverdell ESA after the Designated Beneficiary finishes his/her education?
- A23: There are two options. The amount remaining in the account may be withdrawn for the Designated Beneficiary. The Designated Beneficiary will be subject to both income tax and the additional 10 percent tax on the portion of the amount withdrawn that represents earnings if the Designated Beneficiary does not have any qualified education expenses in the same taxable year he/she makes the withdrawal. Alternatively, if the amount in the Designated Beneficiary's Coverdell ESA is withdrawn and rolled over (or transferred) to another Coverdell ESA for the benefit of an eligible member of the Designated Beneficiary's family, the amount rolled over or transferred will not be taxable.
- Q24: Rather than rolling over money from one Coverdell ESA to another, may the Designated Beneficiary of the account be changed from one Designated Beneficiary to another without triggering a tax?
- A24: Yes, provided: (1) the terms of the particular trust or custodial account permit a change in designated beneficiaries, and (2) the new Designated Beneficiary has not attained age 30 and is a member of the previous Designated Beneficiary's family.
- Q25: May a student or the student's parents claim the Hope Scholarship Credit or Lifetime Learning Credit for the student's expenses in a taxable year in which the student receives money from a Coverdell ESA on a tax-free basis?
- A25: Yes, effective for tax year 2002. If a student is receiving a tax-free distribution from a Coverdell ESA in a particular taxable year (beginning in 2002), the student's expenses may generally be claimed as the basis for a Hope Scholarship Credit or Lifetime Learning Credit for that same year, provided however that the distributed amount from the Coverdell ESA is not used for the same educational purposes as the tax credit.
- Q26: May contributions be made to both a qualified state tuition program and a Coverdell ESA on behalf of the same Designated Beneficiary in the same taxable year?
- A26: Yes, beginning in tax year 2002. The excise tax prohibiting contributions to both a Coverdell ESA and a qualified state tuition program was repealed for 2002 and forward. Therefore, contributions may be made to a Coverdell ESA on behalf of a Designated Beneficiary during the same taxable year in which any contributions are made to a qualified state tuition program on behalf of the same Designated Beneficiary. However, if distributions from a Coverdell ESA and a qualified state tuition program exceed the Designated Beneficiary's qualified education expenses for the year, the Designated Beneficiary is required to allocate the expenses between the distributions to determine the amount includable in gross income, if any.
- Q27: What happens to the assets remaining in the Coverdell ESA after the death of the Designated Beneficiary?
- A27: Generally within 30 days after the death of the Designated Beneficiary, distribution is made to the Designated Beneficiary's estate; or the Responsible Individual may change the name of the Designated Beneficiary to an eligible family member under the age of 30 of the original Designated Beneficiary, if the agreement permits. Alternatively, if the agreement permits the naming of a Designated Death Beneficiary, any remaining balance in the account on the date of death of the Designated Beneficiary shall become payable to such Designated Death Beneficiary. If the Designated Death Beneficiary is not an eligible family member of the Designated Beneficiary, the entire balance must be distributed within 30 days of the death of the Designated Beneficiary. If the Designated Death Beneficiary is an eligible family member of the Designated Beneficiary, the entire balance may be rolled over or transferred tax free to a Coverdell ESA on behalf of such Designated Death Beneficiary. Any distributions paid after the date of death of the Designated Beneficiary are taxable to the extent such distribution represents earnings, unless the account is rolled over or transferred to a Coverdell ESA on behalf of an eligible family member of the Designated Beneficiary.
- Q28: What happens to the assets remaining in the Coverdell ESA after the Designated Beneficiary attains the age of 30?
- A28: Any balance remaining in the Coverdell ESA when the Designated Beneficiary attains the age of 30 must be distributed to such Designated Beneficiary within 30 days. However, if permitted under the Agreement, the remaining balance may be rolled over or transferred to a Coverdell ESA on behalf of an eligible family member.
- Q29: Do the age requirements described above apply to "special needs" Designated Beneficiaries?
- A29: No. A Coverdell ESA established on behalf of any Designated Beneficiary with special needs (as determined by IRS regulations) may continue to receive contributions after the Designated Beneficiary's 18th birthday. In addition, any remaining balance in a Coverdell ESA on behalf of any Designated Beneficiary with special needs is not required to be distributed within 30 days after the Designated Beneficiary attains the age of 30.
- Q30: Does the Internal Revenue Service provide a publication that contains more information on Coverdell ESAs?
- A30: Yes. IRS Publication 970, Tax Benefits for Higher Education, contains information regarding the Coverdell ESA, as well as claiming the Hope Credit, Lifetime Learning Credit, student loans, penalty-free withdrawals from IRAs for certain education expenses, employer-provided educational assistance and qualified state tuition programs. The Custodian recommends that the Depositor, Designated Beneficiary and/or Responsible Individual read Publication 970 before making contributions to or taking distributions from a Coverdell ESA. Publication 970 can be downloaded from the IRS web site at [www.irs.gov](http://www.irs.gov).

Q31: Can payments received from a military death gratuity or a payment from Servicemember's Group Life Insurance (SGLI) be contributed to a Coverdell ESA?

A31: Yes, if you received a military death gratuity or a payment from the SGLI after October 6, 2001, you may roll over all or part of the amount received to one or more Coverdell ESAs for the benefit of members of the beneficiary's family. Such payments are made to an eligible survivor upon the death of a member of the armed forces. The contribution to a Coverdell ESA from survivor benefits received after June 16, 2008, cannot be made later than 1 year after the date on which you receive the gratuity or SGLI payment. If you received survivor benefits before June 17, 2008, with respect to a death from injury occurring after October 6, 2001, you could have contributed to a Coverdell ESA no later than June 17, 2009. The amount contributed from the survivor benefits is treated as part of your basis in the Coverdell ESA and will not be taxed when distributed. Also, the one rollover per Coverdell ESA during a 12 month period does not apply to a military death gratuity or SGLI payment.

Q32: Are the changes to the Coverdell ESA rules made under the Economic Growth and Tax Relief Reconciliation Act of 2001 that were effective in 2002 subject to EGTRRA's sunset provision?

A32: Yes. Certain rules are scheduled to expire after 2010 as part of EGTRRA's sunset provision. These rules include: the maximum annual Coverdell ESA contribution; the AGI limits of the contributor; the definition of qualified education expenses; the deadline for making a contribution for a given year; the coordination of the rules between Coverdell ESAs and the Hope Scholarship Credit or Lifetime Learning Credit.