

**COVERDELL EDUCATION SAVINGS ACCOUNT DISTRIBUTION REQUEST**

(PLEASE READ THE ATTACHED INSTRUCTIONS)

**I. Designated Beneficiary's Account Information (Complete all sections)**

Name (please print):

Account Number:

Social Security Number:  -  -

Date of Birth:  /  /

**II. Type of Distribution (Select one)**

- Transfer (NOTE: Transfer is reportable to the IRS)
- Disability
- General Distribution
- Excess Contribution Removal

Was the excess contribution made during the prior year?

- Yes  No

 /  / 

Tax year for which the excess contribution was made:

I am requesting this return of excess contribution:

- Before tax filing deadline  After tax filing deadline

**III. Distribution Method (Select one distribution method)**

A.)  ONE-TIME DISTRIBUTION

1.) Payment in the amount of:

\$

2.) Distribution of securities (Indicate symbol/cusip and quantity)

| SYMBOL / CUSIP       | QUANTITY             |
|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> |

B.)  SCHEDULED DISTRIBUTION (Complete applicable items)

1.) Select one:

- New Request  Change of Instruction

2.) Frequency (Select one):

- Monthly  Quarterly  Annually  Weekly  Bi-Weekly

Beginning:  /  /

3.) Amount:

\$  -OR-  Dividends and Interest

C.)  TOTAL ACCOUNT DISTRIBUTION (account will be closed)

**IV. DELIVERY INSTRUCTIONS (Select applicable items)**

- Address of Record
- Alternative Payee or Alternate Address (complete all sections):

Name:

Address:

City:

State:  Zip:

(Notary Public/Signature Guarantee required if check is made payable to alternative payee)

To the following Apex account:

Account Number:

Overnight Delivery (Fees will be assessed)

# COVERDELL EDUCATION SAVINGS ACCOUNT DISTRIBUTION REQUEST

(PLEASE READ THE ATTACHED INSTRUCTIONS)

**Special Payment Instructions:**

**Federal Fund Wire** (Fees will be assessed):

ABA Number: \_\_\_\_\_

Bank Name: \_\_\_\_\_  
City, State: \_\_\_\_\_  
Account Number: \_\_\_\_\_  
For the benefit of: \_\_\_\_\_  
Type of IRA account receiving: \_\_\_\_\_  
Account Number: \_\_\_\_\_  
Further credit to: \_\_\_\_\_  
Account Number: \_\_\_\_\_

**V. SIGNATURE (This request can not be processed without the ESA Responsible Party's signature.)**

I certify that I am the proper party to receive payment(s) from this Coverdell Education Savings Account and that all information provided by me is true and accurate. I have read and understand the Rules and Conditions Applicable to Withdrawal on page 3 of this form and agree to abide by those rules and conditions. I further certify that no tax advice has been given to me by the Trustee or Custodian. All decisions regarding this withdrawal are my own. I expressly assume the responsibility for any adverse consequences which may arise from this withdrawal and I agree that the Trustee or Custodian shall in no way be held responsible.

\_\_\_\_\_  
(ESA Responsible Individual) (Date)

\_\_\_\_\_  
(Notary Public/Signature Guarantee) (Date)

\_\_\_\_\_  
(Broker Approval Signature) (Date)

(Notary Public Seal or Signature Guarantee Box)

# RULES AND CONDITIONS APPLICABLE TO WITHDRAWAL

## GENERAL INFORMATION

The ESA Responsible Individual (you) must supply all requested information so the Trustee or Custodian can do the proper tax reporting. The term ESA will be used below to mean Coverdell Education Savings Account.

## DISTRIBUTION REASON

You are required to give the reason from taking the withdrawal from the ESA.

**Transfer.** Check this box if the distribution was made directly (trustee-to-trustee transfer) from one ESA to another ESA. A transfer is reported to the IRS on Form 1099-Q by checking box 4. The Trustee or Custodian may also choose to report the transfer by using a Code 1 in the blank box below boxes 5 and 6 on the Form 1099-Q.

**Disability.** Check this box if the distribution was made after the Designated Beneficiary was disabled. Check this box only if the disability renders the Designated Beneficiary unable to engage in any substantial gainful activity and it is medically determined that the condition will last continuously for at least 12 months or lead to his or her death. Disability distributions are reported to the IRS on Form 1099-Q. The Trustee or Custodian may also choose to report the disability distribution by using a Code 4 in the blank box below boxes 5 and 6 on the Form 1099-Q.

**Death.** If this distribution will be made to a death beneficiary, proof, in a form acceptable to the Trustee or Custodian, must be provided to verify entitlement to receive the distribution. Death distributions are reported to the IRS on Form 1099-Q. The trustee or Custodian may also choose to report the death distribution by using a Code 5 in the blank box below boxes 5 and 6 on the Form 1099-Q.

**Excess Contribution Removal.** If an excess contribution was made to the ESA, you must take the appropriate steps to remove the distribution. Depending upon when you take the necessary corrective action and the amount of the excess contribution, there may be an IRS excess contribution penalty and or tax. The removal of excess contributions is reported to the IRS on Form 1099-Q. The Trustee or Custodian may also choose to report the removal of excess contribution by using Code 2 or 3 in the blank box below boxes 5 and 6 on the Form 1099-Q depending on the timing of the removal.

**Prohibited Transaction.** If a prohibited transaction as defined in IRC Section 530 (e) has occurred, there may be an IRS penalty. If the prohibited transaction is not timely corrected, an additional penalty may apply. Prohibited transactions are reported to the IRS on Form 1099-Q. The Trustee or Custodian may also choose to report the prohibited transaction by using a Code 6 in the blank box below boxes 5 and 6 on the Form 1099-Q.

**General Distribution.** Any distribution taken for any reason other than those previously listed. For example, a direct payment to the educational facility for education expenses of the Designated Beneficiary would be included in this category and reported to the IRS on Form 1099-Q. The Trustee or Custodian may choose to report the distribution by using Code 1 in the blank box below boxes 5 and 6 on the Form 1099-Q.

## BASIS AND EARNINGS

The earnings (or loss) on the gross amount distributed from an ESA are calculated using the earnings ratio described in Proposed Regulations Section 1.529-3 and Notice 2001-81.

## SIGNATURES

The signature of the ESA Responsible Individual is required to certify that the information provided is true and correct and that the Designated Beneficiary is aware of all the circumstances affecting this ESA withdrawal.

# DISCLOSURE STATEMENT

## REQUIREMENTS OF A COVERDELL ESA

A. **CASH CONTRIBUTIONS** – A Coverdell ESA contribution must be in cash.

B. **MAXIMUM CONTRIBUTION** – The total amount that may be contributed to any and all Coverdell ESAs on behalf of a Designated Beneficiary is \$2,000 per year, excluding rollover and transfer contributions.

Contributions may not be made to a Coverdell ESA after the Designated Beneficiary's 18th birthday, except in the case of a special needs beneficiary.

The Coverdell ESA contribution that may be made by a Depositor is further limited if the Depositor's modified adjusted gross income (MAGI) exceeds \$190,000 and he or she is a married individual filing jointly (\$95,000 for single taxpayers). Married individuals filing jointly with MAGI exceeding \$220,000 may not fund a Coverdell ESA. Single individuals with MAGI exceeding \$110,000 may not fund a Coverdell ESA. The MAGI limits apply only to Depositors that are individuals.

If the Depositor is married filing jointly with MAGI between \$190,000 and \$220,000, the maximum Coverdell ESA contribution is determined as follows: (1) subtract the Depositor's MAGI from \$220,000, (2) divide the difference by \$30,000, and (3) multiply the result in step (2) by \$2,000. For example, if the Depositor's MAGI is \$205,000, the maximum Coverdell ESA contribution that may be made by such Depositor is \$1,000. This amount is determined as follows: [(\$220,000 minus \$205,000) divided by \$30,000] multiplied by \$2,000.

If the Depositor is a single tax filer with MAGI between \$95,000 and \$110,000, the maximum Coverdell ESA contribution is determined as follows: (1) subtract the Depositor's MAGI from \$110,000, (2) divide the difference by \$15,000, and (3) multiply the result in step (2) by \$2,000. For example, if the Depositor's MAGI is \$98,000, the maximum Coverdell ESA contribution that may be made by such Depositor is \$1,600. This amount is determined as follows: [(\$110,000 minus \$98,000) divided by \$15,000] multiplied by \$2,000.

The Coverdell ESA contribution that may be made by a Depositor is not limited by contributions made by the Depositor to Traditional or Roth IRAs. In addition, there is no earned income requirement to be eligible to contribute to a Coverdell ESA. There is no requirement that the Depositor be related to the Designated Beneficiary in order to make contributions. In addition, the Designated Beneficiary may contribute to his or her own Coverdell ESA.

C. **ELIGIBLE CUSTODIANS** – The Custodian of the Coverdell ESA must be a bank, savings and loan association, credit union, or person approved by the Secretary of the Treasury.

D. **COMMINGLING ASSETS** – The assets of the Coverdell ESA cannot be commingled with other property except in a common trust fund or common investment fund.

E. **LIFE INSURANCE** – No portion of the Coverdell ESA may be invested in life insurance contracts.

F. **COLLECTIBLES** – The assets of the Coverdell ESA may not be invested in collectibles (within the meaning of Internal Revenue Code (IRC) Sec. 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Internal Revenue Service (IRS). However, specially minted United States gold and silver bullion coins and certain state-issued coins are permissible investments. Beginning January 1, 1998, platinum coins and certain gold, silver, platinum or palladium bullion (as described in IRC Sec. 408(m)(3)) are also permitted as Coverdell ESA investments.

G. **REQUIRED DISTRIBUTIONS** – Except in the case of a special needs beneficiary, the assets of the Coverdell ESA are required to be distributed to the Designated Beneficiary within 30 days of the Designated Beneficiary's attainment of age 30. The Designated Beneficiary will be subject to both income tax and an additional 10 percent tax on the portion of the distribution that represents earnings, if the Designated Beneficiary does not have any qualified education expenses in that year.

Any balance remaining in the Coverdell ESA upon the death of the Designated Beneficiary shall be distributed within 30 days of the Designated Beneficiary's death, unless a death beneficiary is named and the death beneficiary is a qualified family member under age 30. If the death beneficiary is a qualified family member under age 30, that individual will become the Designated Beneficiary as of the date of death.

H. **RESPONSIBLE INDIVIDUAL** – The Responsible Individual is generally the parent or guardian of the Designated Beneficiary. However, the financial organization may establish a policy that permits someone other than the Designated Beneficiary's parent or legal guardian to serve as the Responsible Individual. Unless otherwise indicated on the Application, the Responsible Individual may not change the Designated Beneficiary. If the Depositor has indicated on the Application that the Responsible Individual may change the Designated Beneficiary, the Responsible Individual may change the Designated Beneficiary to another member of the Designated Beneficiary's family. The Responsible Individual shall perform the following duties.

1. receive a copy of the plan agreement and disclosure statement.
2. direct the Custodian regarding the investment of contributions, including the ability to redirect the investment of the initial contribution.
3. direct the Custodian regarding the administration, management and distribution of the account, unless the plan agreement indicates otherwise.
4. name a successor responsible individual if the need arises.
5. notify the Custodian of any address change for the individuals identified on the plan agreement.
6. remove excess contributions made to the Coverdell ESA.

## INCOME TAX CONSEQUENCES OF ESTABLISHING A COVERDELL ESA

A. **CONTRIBUTIONS NOT DEDUCTED** – No deduction is allowed for Coverdell ESA contributions, including transfer and rollover contributions.

B. **TAX-DEFERRED EARNINGS** – The investment earnings of the Coverdell ESA are not subject to federal income tax as they accumulate in the Coverdell ESA. In addition, distributions of the Coverdell ESA earnings will be free from federal income tax if the distributions are taken to pay for qualified education expenses, as discussed below.

C. **TAXATION OF DISTRIBUTIONS** – The taxation of distributions from the Coverdell ESA depends on whether or not the distributions are used for qualified education expenses.

1. **Qualified Education Expenses** – The Designated Beneficiary may take tax-free distributions from a Coverdell ESA to pay for elementary, secondary or post-secondary education expenses at an eligible educational institution. Such expenses include tuition, fees, books, supplies, special needs services, room and board, uniforms, transportation, academic tutoring and supplementary items or services (including extended day programs). Also qualifying are expenses for the purchase of computer technology or equipment, Internet access and related services, if such technology, equipment or services are to be used by the Designated Beneficiary or Designated Beneficiary's family during any of the years the Designated Beneficiary is in school. Qualified expenses may also include amounts contributed to a qualified tuition program.
2. **Nonqualifying Distributions** – If a Designated Beneficiary withdraws amounts from a Coverdell ESA which exceed the qualified education expenses for the same year, or the distributions are not used for qualified education expenses, a portion of the distributions will be taxable. The amount in excess of the qualified education expenses is taxable pro rata, based on the earnings and the basis in the account.

In most cases of a nonqualified distribution, the taxable portion of a Coverdell ESA distribution is also subject to an additional 10 percent tax. There are several exceptions to the 10 percent tax including distributions made payable

- a. to a designated death beneficiary of the Coverdell ESA or to the estate of the Designated Beneficiary following the death of the Designated Beneficiary;
- b. to the Designated Beneficiary if the Designated Beneficiary is disabled;
- c. to the Designated Beneficiary if the Designated Beneficiary received a qualified scholarship, an educational assistance allowance or an excludable payment exception, but only to the extent the distribution is not more than the amount of the scholarship, allowance or excludable payment, and
- d. to the Designated Beneficiary as a removal of excess along with the net income attributable.

3. **Hope or Lifetime Learning Credits** – A Designated Beneficiary may claim the Hope Credit or the Lifetime Learning Credit on his or her federal income tax return in the same taxable year that a tax-free distribution from a Coverdell ESA is claimed, as long as the distribution(s) does not cover the same expenses claimed for the Hope Credit or Lifetime Learning Credit.
- D. **ROLLOVERS** – Coverdell ESA amounts may be rolled over to another Coverdell ESA of the same Designated Beneficiary or that of a qualified family member, provided that all of the applicable rollover rules are followed. Rollover is a term used to describe a tax-free movement of cash to a Coverdell ESA from another Coverdell ESA. The rollover rules are generally summarized below. These transactions are often complex. If you have any questions regarding a rollover, please see a competent tax advisor.
1. **Coverdell ESA to Coverdell ESA Rollovers** – Funds distributed from a Coverdell ESA may be rolled over to another Coverdell ESA of the same Designated Beneficiary or that of a qualifying family member if the requirements of IRC Sec. 530(d)(5) are met. A proper Coverdell ESA to Coverdell ESA rollover is completed if all or part of a distribution is rolled over not later than 60 days after the distribution is received. The Responsible Individual may not have completed another rollover from the distributing Coverdell ESA during the 12 months preceding the date the distribution was received. Further, the Responsible Individual may roll the same dollars or assets only once every 12 months.
2. **Qualified Family Member** – A Coverdell ESA may be rolled to another Coverdell ESA of the same Designated Beneficiary or to a Coverdell ESA maintained for the benefit of a qualified family member of the Designated Beneficiary, who is under the age of 30. The age 30 limitation does not apply to qualified family members who are special needs beneficiaries. Qualified family members of the Designated Beneficiary include the Designated Beneficiary's child, grandchild, or stepchild, brother, sister, stepbrother, or stepsister, nephew or niece, parents, stepparents, or grandparents, uncle or aunt, spouses of all the family members listed above, cousin, and Designated Beneficiary's spouse.
- E. **CARRYBACK CONTRIBUTIONS** – A contribution is deemed to have been made on the last day of the preceding taxable year if it is made by the deadline for filing the Depositor's income tax return (not including extensions), and the Depositor designates that contribution as a contribution for the preceding taxable year. For example, if the Depositor is a calendar year filer and makes a Coverdell ESA contribution on or before April 15, the contribution is considered to have been made for the previous tax year if the Depositor designates it as such.

#### **LIMITATIONS AND RESTRICTIONS**

- A. **PROHIBITED TRANSACTIONS** – If the Responsible Individual engages in a prohibited transaction with the Coverdell ESA as described in IRC Sec. 4975, the Coverdell ESA will lose its tax-exempt status and the Designated Beneficiary must generally include the value of the earnings in his or her account in his or her gross income for the year.
- B. **PLEDGING** – If the Responsible Individual pledges any portion of the Coverdell ESA as collateral for a loan, the amount so pledged will be treated as a distribution and may be included in the Designated Beneficiary's gross income for that year to the extent that it represents earnings.
- C. **ESTATE AND GIFT TAX** – Transfers of Coverdell ESA assets to a death designated beneficiary made during the Designated Beneficiary's life and at his or her request or because of the Designated Beneficiary's failure to instruct otherwise, may be subject to federal gift tax under IRC Sec. 2501 if made after October 22, 1986.
- D. **INCOME TAX TREATMENT** – Any withdrawal from the Coverdell ESA is not subject to federal income tax withholding.

#### **FEDERAL TAX PENALTIES**

- A. **EXCESS CONTRIBUTION PENALTY** – An excise tax of 6 percent is imposed upon any excess contribution made to a Coverdell ESA. This tax will apply each year in which an excess remains in the Coverdell ESA. An excess contribution is any contribution amount which exceeds the contribution limit, excluding rollover and direct transfer amounts. The contribution limit is \$2,000 per Designated Beneficiary per year. The contribution limit may be further limited by the Depositor's MAGI as discussed previously. The excess contribution should be removed by the Responsible Individual and made payable to the Designated Beneficiary.

- B. **PENALTY REPORTING** – The Designated Beneficiary must file form 5329 with the Internal Revenue Service to report and remit any penalties for excise taxes.

#### **OTHER**

- A. **IRS PLAN APPROVAL** – The agreement used to establish this Coverdell ESA has been approved by the IRS. The IRS approval is a determination only as to form. It is not an endorsement of the plan in operation or of the investments offered.
- B. **ADDITIONAL INFORMATION** – You may obtain further information on Coverdell ESAs from your District Office of the IRS. In particular, you may wish to obtain IRS Publication 970, *Tax Benefits For Higher Education*, by calling 1-800-TAX-FORM, or by visiting [www.irs.gov](http://www.irs.gov) on the Internet.
- C. **IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT** – To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial organizations to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, you are required to provide your name, residential address, date of birth, and identification number. We may require other information that will allow us to identify you.