COVERDELL ESA TRUST APPLICATION PACKET (FORM 2500E-T)

GRANTOR'S INFORMATION
(Person Who Initially Sets Up the Coverdell ESA)

Grantor's Name (First, Initial, Last)

___ ___ ___ - ___ ___ - ___ ___ ___ ___
Social Security Number

I instruct the credit union to invest this Coverdell ESA in the following investment: _____

Street Address Apt#

Mailing Address if Different From Street Address

City, State, ZIP

DESIGNATED BENEFICIARY'S INFORMATION
(Child for Whom the Coverdell ESA is being Established)

___ ___ ___ ___ ___
CUID **(Credit union will complete.)**

Account Number

Designated Beneficiary's Name (First, Initial, Last)

___ ___ ___ - ___ ___ - ___ ___ ___ ___
Social Security Number

Designated Beneficiary's Birth Date
(MM/DD/YYYY) **- (required for processing)**

☐ Check here if address is the same as the Grantor's.
If different, please provide to the right.

Street Address Apt#

Mailing Address if Different From Street Address

City, State, ZIP

RESPONSIBLE INDIVIDUAL'S INFORMATION
(Parent or Legal Guardian of Designated Beneficiary)

Name of Responsible Individual (First, Initial, Last)
(must be parent or legal guardian of Designated Beneficiary)

☐ Check here if address is the same as the Designated Beneficiary's.
If different, please provide to the right.

Street Address Apt#

Mailing Address if Different From Street Address

City, State, ZIP

(See reverse side for complete instructions.)

NOTE: The Responsible Individual may name a Death Beneficiary. To name a Death Beneficiary, please complete a Coverdell ESA Death Beneficiary Designation/Change form (Form 2503E).

ELECTION OF RESPONSIBLE INDIVIDUAL

Please check one of the two boxes.
If neither box is checked, the account will be administered as if the second box had been checked.

☐ 1. The Responsible Individual shall continue to serve as the Responsible Individual for the trust 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 trust account and the trust account terminates. If the Responsible Individual becomes incapacitated or dies after the Designated Beneficiary reaches the age of majority under state law, the Designated Beneficiary shall become the Responsible Individual.

☐ 2. When the Designated Beneficiary attains the age of majority under state law, the Designated Beneficiary becomes the Responsible Individual.

ACCEPTANCE OF TRUSTEE
(for credit union use only)

The credit union hereby establishes a Coverdell ESA for the above Designated Beneficiary under the terms of the Credit Union "Coverdell ESA Trust Agreement."

Credit Union Name

Credit Union Mailing Address (include street address)

City, State, ZIP

X
Authorized Credit Union Signature Date (MM/DD/YYYY)

☐ Check here if this is an amendment to an existing Coverdell ESA.

GRANTOR'S SIGNATURE

I am establishing a Coverdell Education Savings Account (ESA) under Internal Revenue Code section 530 for the benefit of the Designated Beneficiary whose name appears above exclusively to pay for the qualified education expenses, within the meaning of section 530(b)(2), of such Designated Beneficiary. I acknowledge receipt of the "Credit Union Coverdell ESA Disclosure Statement."

I also accept the terms and conditions of the "Credit Union Coverdell ESA Trust Agreement."

X
Grantor's Signature Date (MM/DD/YYYY)

WHITE-ADMINISTRATOR COPY **CANARY-CREDIT UNION COPY** **PINK-GRANTOR COPY**

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Identifying the Parties Involved With the Account

The Grantor is the person who initially sets up the Coverdell ESA. The Grantor completes the Application Form and makes the first contribution to the account (which cannot exceed $2,000). The Grantor can also serve as the Responsible Individual if he or she is the parent or guardian of the Designated Beneficiary. There can be only one Grantor for a Coverdell ESA.

The Designated Beneficiary is the child for whom the Coverdell ESA is being established. The funds in the account will be used to pay the educational expenses of this child. There can be only one Designated Beneficiary for a Coverdell ESA at any time, although this person may change upon the death of the original Designated Beneficiary.

The Responsible Individual is the person who will be responsible for making future decisions about how the money in the account will be invested and spent. This person may name a primary and a secondary Death Beneficiary and may change the Death Beneficiary at any time. The initial Responsible Individual must be a parent or legal guardian of the Designated Beneficiary and may be the same person as the Grantor. After the Designated Beneficiary becomes an adult he or she can be the Responsible Individual. There can be only one Responsible Individual for a Coverdell ESA serving at any time, although this person may change over time.

Election of Responsible Individual

Check one of the two boxes on the bottom half of the application:

1. If you check the first box, then the Designated Beneficiary's parent or guardian will continue to serve as the Responsible Individual even after the Designated Beneficiary reaches the age of majority. (This is at age 18 in most states.)

2. If you check the second box, then the Designated Beneficiary will control the account after reaching the age of majority under state law.

You may amend this election at a later date. An amendment from box 2 to box 1 must be made before the Designated Beneficiary reaches the age of majority. An amendment from box 1 to box 2 can be made at any time.

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CREDIT UNION COVERDELL ESA TRUST AGREEMENT (rev. 1/2010)

Form 5305-E Under Section 530 of the Internal Revenue Code FORM (REV. MARCH 2002).

The grantor whose name appears on the Application is establishing a Coverdell Education Savings Account under Section 530 for the benefit of the designated beneficiary whose name appears on the Application exclusively to pay for the qualified elementary, secondary, and higher education expenses, within the meaning of Section 530(b)(2), of such designated beneficiary.

The grantor has assigned the trust account the sum indicated on the Application.

The grantor and the trustee make the following agreement:

1. CONTRIBUTIONS

The trustee 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 (MAGI) of $95,000 and $110,000. For married individuals filing jointly, the phase-out occurs between MAGI of $190,000 and $220,000. MAGI is defined in section 530(c)(2).

2. INVESTMENT LIMITATIONS

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

3. REQUIRED DISTRIBUTIONS

3.1 At Age 30. 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.

3.2 Following Death. Any balance to the credit of the designated beneficiary shall be distributed within 30 days of his or her death unless the 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.

4. INVESTMENT DIRECTIONS

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

5. RESPONSIBLE INDIVIDUAL

The responsible individual named by the grantor shall be a parent or guardian of the designated beneficiary. The trust 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. If a family member under the age of majority under state law becomes the designated beneficiary by reason of being a death beneficiary, the responsible individual shall be such designated beneficiary's parent or guardian.

6. CHANGING THE DESIGNATED BENEFICIARY

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

7. REPORTING

7.1 The grantor agrees to provide the trustee with the information necessary for the trustee to prepare any reports required under section 530(h).

7.2 The trustee agrees to submit to the Internal Revenue Service (IRS) and responsible individual the reports prescribed by the IRS.

8. CONTROLLING SECTIONS

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles 1 through 3 will be controlling. Any additional articles inconsistent with section 530 and the related regulations will be invalid.

9. AMENDMENTS

This agreement will be amended from time to time to comply with the provisions of the Code and related regulations. Other amendments may be made with the consent of the grantor and trustee whose signatures appear on the application form.

10. GENERAL PROVISIONS

10.1 Forms, Notices, and Reports. The responsible individual will mail notices to the trustee or to an agent specified by the trustee. The responsible individual will notify the trustee of any change in the name and address of the designated beneficiary or the responsible individual. The trustee may require the responsible individual to use the trustee's forms. A copy of the application when attached to a copy of this agreement (including amendments) will be considered an original agreement. The trustee will mail notices and reports to the last known address of the recipient according to its records. If the trustee does not receive a notice that information in a report appears to be inaccurate within 60 days after mailing the report, it may treat the information contained in the report as accurate for all purposes.

10.2 Trustee's Liability. The trustee will not be liable for any loss or damage unless it is caused by a violation of an express provision of this agreement or by a lack of good faith in acting in compliance with this agreement.

10.3 Trustee's Fees. The trustee may charge reasonable fees for its services and deduct such fees from the assets of the Coverdell ESA.

10.4 Amendments: The trustee shall have the right to amend this agreement at any time. Any amendment the trustee makes to comply with the Code and related regulations does not require the consent of either the responsible individual or the grantor. Notwithstanding anything in this agreement to the contrary, other amendments may be made with the consent of the responsible individual. The responsible individual will be deemed to have consented to any other amendment unless, within 30 days from the date the trustee mails the amendment, the responsible individual notifies the trustee in writing that the responsible individual does not consent.

10.5 Change of Trustee. If the trustee is merged with another trustee (or comes under the control of any Federal or State agency) or if the entire organization (or any portion which includes the Coverdell ESA) is bought by another organization, that organization (or agency) shall automatically become the trustee or custodian of the Coverdell ESA, but only if it is the type of organization authorized to serve as a Coverdell ESA trustee or custodian.

A successor trustee will have all of the same duties and rights granted to the original trustee under this agreement. A successor trustee will not be liable for any act or omission of a predecessor trustee.

If the trustee is required to comply with Section 1.408-2(e) of the Treasury Regulations and fails to do so, or the trustee is not keeping the records, making the returns or sending the statements as are required by forms or regulations, the IRS may, after notifying the responsible individual or the designated beneficiary, require that a substitute trustee or trustee be appointed.

10.6 Termination. The trustee may terminate this Coverdell ESA upon 30 days' notice to the responsible individual. In such event this Coverdell ESA will be paid out to the responsible individual, unless during this 30-day period the responsible individual instructs the trustee to transfer it directly to another Coverdell ESA.

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CREDIT UNION COVERDELL ESA TRUST AGREEMENT (Continued)

10.7 Security Interest Waiver. The trustee waives the provisions of any written contract that grants it a security interest in this Coverdell ESA.

10.8 Controlling Law. This agreement is subject to all applicable federal and state laws and regulations. If it is necessary to apply any state law to interpret and administer this agreement, the law of the trustee's domicile shall govern.

10.9 Disclosure of Account Information. The trustee may use third-party service providers to assist in administering the Coverdell ESA. The trustee may release nonpublic personal information regarding the Coverdell ESA to third-party service providers as necessary to provide the products and services made available under this agreement; to evaluate the trustee's business operations; and to analyze potential product, service, or process improvements.

11. DEATH BENEFICIARIES

11.1 Naming Your Death Beneficiaries. The responsible individual may name a primary and a secondary death beneficiary, and may change the death beneficiaries at any time. The original selection and any subsequent changes can only be made by completing and signing a death beneficiary selection form that we will provide upon request, and we will not be responsible for following instructions on signature cards or on any other documents. A death beneficiary selection remains effective after the amendment of the terms of this agreement.

11.2 No Named Death Beneficiaries. If none of the named death beneficiaries survive the designated beneficiary or if the trustee has not received a death beneficiary selection form, then: (a) The designated beneficiary's spouse will be the death beneficiary, or (b) If the designated beneficiary is not survived by a spouse, then the assets of this Coverdell ESA will be distributed to the designated beneficiary's estate.

INSTRUCTIONS

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

Purpose of Form

Form 5305-E is a model trust 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 Grantor and the Trustee. 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 custodial account, see Form 5305-EA, Coverdell Education Savings Custodial Account.

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

Definitions

Trustee: The Trustee 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 Trustee. Any person who may serve as a Trustee of a Traditional IRA may serve as the Trustee of a Coverdell ESA.

Grantor: The Grantor is the person who establishes the trust account.

Designated Beneficiary: The Designated Beneficiary is the individual on whose behalf the trust 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 Grantor's and Designated Beneficiary's social security numbers will serve as their identification numbers. If the Grantor 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 10: Article 10 and any that follow may incorporate additional provisions that are agreed to by the Grantor and Trustee 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 Trustee, Trustee's fees, state law requirements, treatment of excess contributions, and prohibited transactions with the Grantor, Designated Beneficiary, or Responsible Individual, etc. Attach additional pages as necessary.

Optional Provisions in Article 5 and Article 6: Form 5305-E may be reproduced in a manner that provides only those optional provisions offered by the Trustee.

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CREDIT UNION COVERDELL ESA DISCLOSURE STATEMENT (rev. 1/2010)

Parents, grandparents, other family members, friends, and a child him/herself may contribute to the child's Coverdell Education Savings Account (ESA), provided that the total contributions for the child during the taxable year do not exceed the $2,000 limit. Amounts deposited in the account grow tax-deferred until distributed, and the child will not owe tax on any withdrawal from the account if the child's qualified education expenses paid during the year equal or exceed the amount of the withdrawal. If the child does not need the money for education, the account balance can be rolled over to the Coverdell ESA of certain family members who can use it for their education. A portion of amounts withdrawn from a Coverdell ESA that exceed the child's qualified education expenses in a taxable year is subject to income tax and is generally subject to an additional tax of 10 percent.

Q1: What is a 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 age 18. Contributions to the Coverdell ESA will not be accepted after the designated beneficiary reaches his/her 18th birthday. The IRS is authorized to issue regulations allowing contributions after age 18 for special needs beneficiaries.

Q3: Where may an individual open a Coverdell ESA?

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

Q4: How much may be contributed to a child's Coverdell ESA?

A4: Up to $2,000 per year in aggregate contributions may be made for the benefit of any child. The contributions may be placed in a single Coverdell ESA or in multiple Coverdell ESAs.

Q5: When can Coverdell ESA contributions be made for a child?

A5: Regular contributions can be made to a Coverdell ESA for a year up until the time prescribed by law for filing the tax return for that year (excluding extensions). If a calendar tax year is used, the deadline for making a regular Coverdell ESA contribution is April 15 of the following year. If April 15 is on a weekend or a legal holiday, then the deadline is the next business day. A contribution can be made on or before this deadline, even if the tax return has already been filed for the tax year.

There is no special time during this period for making a contribution. Contributions may be made periodically throughout the year or in a single contribution for the year.

Q6: What happens if more than $2,000 is contributed to a Coverdell ESA on behalf of a child in a calendar year?

A6: Aggregate contributions for the benefit of a particular child in excess of $2,000 for a calendar year are treated as excess contributions. If the excess contributions (and any earnings attributable to them) are not withdrawn from the child's account (or accounts) by May 31 of the year after the year for which the contributions were made, the excess contributions are subject to a 6 percent excise tax for each year the excess amount remains in the account.

Q7: May contributions other than cash be made to a child's 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.

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

A9: Any individual may contribute up to $2,000 to a child's Coverdell ESA if the individual's modified adjusted gross income for the taxable year is no more than $95,000 ($190,000 for married taxpayers filing jointly). The $2,000 maximum contribution per child 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 in a taxable year could make a maximum contribution per child of $1,800 for that year. 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 child 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: How many Coverdell ESAs may a child have?

A12: There is no limit on the number of Coverdell ESAs that may be established designating a particular child as beneficiary. However, for any given taxable year the total aggregate contributions to all the accounts designating a particular child as beneficiary may not exceed $2,000.

Q13: Are there any other types of funds that may be rolled over to a Coverdell ESA?

A13: Yes. If you receive or have received a military death gratuity or a payment from the Servicemembers' Group Life Insurance (SGLI) program, you may be able to roll over the proceeds to your Coverdell ESA. The rollover contribution amount is limited to the sum of the death benefits or SGLI payment received, less any such amount that was rolled over to a Roth IRA. Proceeds must be rolled over within one year of receipt of the gratuity or SGLI payment for deaths occurring on or after June 17, 2008. For deaths occurring between October 7, 2001 and June 17, 2008, proceeds may be rolled over no later than one year from June 17, 2008. Any amount that is rolled over under this provision is considered nontaxable basis in the Coverdell ESA.

Q14: Can the funds in a Coverdell ESA be used to pay qualified education expenses if the designated beneficiary is enrolled less than full-time at an eligible educational institution?

A14: Yes. Whether the designated beneficiary is enrolled full-time, half-time, or less than half-time, a distribution from the account used to pay qualified education expenses is tax-free.

Q15: What happens when a distribution from a Coverdell ESA is used to pay educational expenses?

A15: Generally the distribution is tax-free if it does not exceed the designated beneficiary's qualified education expenses.

Q16: What are "qualified education expenses"?

A16: The term "qualified education expenses" means qualified elementary and secondary education expenses (Q&A16) and qualified higher education expenses (Q&A17).

Q17: What are "qualified elementary and secondary education expenses"?

A17: Qualified elementary and secondary education expenses are the total of the following:

(1) expenses for tuition, fees, academic tutoring, books, supplies, equipment and special needs services (for a special needs beneficiary) incurred in connection with enrollment or attendance of the designated

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beneficiary as an elementary or secondary school student at a public, private, or religious school as determined under state law;

(2) expenses for room and board, uniforms, transportation, and supplementary items and services (e.g., extended day programs) required or provided by a school in connection with enrollment or attendance; and

(3) purchase of computer technology or equipment or Internet access to be used by the beneficiary and his or her family while the beneficiary is in elementary or secondary school, except that this does not include software for sports, games, or hobbies unless the software is predominantly educational.

Q18: What are "qualified higher education expenses"?

A18: Qualified higher education expenses are the expenses for tuition, fees, books, supplies, and equipment required for the enrollment or attendance of the designated beneficiary at an eligible higher educational institution.

Qualified higher education expenses also include amounts contributed to a qualified state tuition program.

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:

(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

(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.

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 the Higher Education Act and set forth in 34 C.F.R. section 674.2(b).

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, is 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 education expenses.)

Q19: What happens if the designated beneficiary does not have any qualified education expenses in the year in which there is a distribution?

A19: Except as noted in answer 20 for rollovers, if the designated beneficiary does not have any qualified education expenses during the year in which money is distributed from the account, a portion of the distribution is subject to income tax. The taxable portion is the portion that represents earnings that have accumulated tax-deferred in the account. The taxable portion of the distribution is also subject to a 10 percent additional tax unless an exception applies.

Q20: Is a distribution from a Coverdell ESA taxable if the distribution is contributed to another Coverdell ESA?

A20: 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 children and their descendants, stepchildren and their descendants, siblings and their children, parents and grandparents, stepparents, spouses of all the foregoing, and first cousins of the designated beneficiary. For example, if there is $5,000 left in a daughter's Coverdell ESA when she graduates from college, the responsible individual can roll the $5,000 balance over into a Coverdell ESA for her brother. The distribution from the daughter's Coverdell ESA is not subject to tax, and the contribution to the son's Coverdell ESA does not affect the $2,000 annual limit on contributions to the son's Coverdell ESA.

Q21: What happens to the assets remaining in a Coverdell ESA after the designated beneficiary finishes his/her postsecondary education?

A21: The responsible individual can have the trustee transfer the remaining assets directly to a Coverdell ESA for a member of the designated beneficiary's family. The responsible individual can also withdraw the money and within 60 days contribute the amount withdrawn to a Coverdell ESA for a member of the designated beneficiary's family. The tax laws impose limits on the family members that qualify.

The responsible individual can also withdraw the money and turn it over to the designated beneficiary. The designated beneficiary will be subject to income tax on the portion of the withdrawal representing earnings inside the account to the extent that distributions during the year exceed the designated beneficiary's qualified education expenses.

Q22: Rather than rolling over money from one Coverdell ESA to another, may the designated beneficiary of the account be changed from one child to another without triggering a tax?

A22: No, not under the Credit Union Coverdell ESA Trust Agreement.

Q23: 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?

A23: Yes, but expenses used to claim the Hope Scholarship Credit and Lifetime Learning Credit may not also be used to take a tax-free withdrawal from a Coverdell ESA.

Q24: May contributions be made to both a qualified tuition program and a Coverdell ESA on behalf of the same designated beneficiary in the same taxable year?

A24: Yes.

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