

# Coverdell Education Savings Account Application



- For additional information, please call **(800) 539-FUND (539-3863)**
- Send completed application with check made payable to: **The Victory Funds**, P.O. Box 182593, Columbus, OH 43218-2593

The undersigned, by signing this Account Application, hereby establishes a Coverdell Education Savings Account (the "Account" or ESA) for the benefit of the Designated Beneficiary with UMB Bank National Association as Custodian ("Bank"). The terms of the Account are contained in the document entitled the "5305-EA Coverdell ESA Custodial Account Agreement" (which is incorporated by reference) and this Account Application. The Account will be effective upon acceptance by Bank.

## 1. Designated Beneficiary (STUDENT)

PRINT FULL NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

DATE OF BIRTH \_\_\_\_\_ SOCIAL SECURITY NUMBER \_\_\_\_\_

DAYTIME TELEPHONE NUMBER \_\_\_\_\_

## 2. Responsible Individual (PARENT OR GUARDIAN)

- Mother  Father  Guardian (SUBMIT PROOF OF GUARDIANSHIP)

PRINT FULL NAME \_\_\_\_\_

RESIDENCE ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

DATE OF BIRTH \_\_\_\_\_ SOCIAL SECURITY NUMBER \_\_\_\_\_

DAYTIME TELEPHONE NUMBER \_\_\_\_\_

Would you like to receive your mail at some other address?

- No  Yes, please indicate:

MAILING ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

## 3. Depositor (IF OTHER THAN PARENT)

PRINT FULL NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

DAYTIME TELEPHONE NUMBER \_\_\_\_\_

Are you a current or retired employee of Victory Funds or a family member of an employee?  Yes  No

## 4. Depositor's Directives

Answer "Yes" or "No" to each of the following questions by checking the appropriate box. If a box is not checked for a question, the answer will be deemed to be "No."

- Yes  No The Responsible Individual may change the beneficiary designated under this agreement to another member of the Designated Beneficiary's family described in Section 529(e)(2) in accordance with the Custodian's procedures.
- Yes  No 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.

## 5. Death Beneficiary

Use the space below to indicate the death beneficiary for the Account. The Responsible Individual may change the beneficiary(ies) designated below at any time after the Account is established by filing a new Death Beneficiary Form with the Custodian. Any such subsequent Death Beneficiary will revoke all prior designations. If the person designated as primary beneficiary does not survive the Student, the Account will pass to the secondary beneficiary (if any) named below if he or she survives the Student. If no death beneficiary survives the Student, the Account will pass to the Student's estate (unless otherwise required under the laws of the state of the Student's residence). If you wish to designate multiple primary or secondary beneficiaries, you may do so by attaching a separate sheet listing the required information about each death beneficiary; distributions to them will be in equal shares unless you specify different proportions.

### Primary Beneficiary

NAME \_\_\_\_\_ RELATIONSHIP TO STUDENT \_\_\_\_\_

DATE OF BIRTH \_\_\_\_\_ SOCIAL SECURITY NUMBER \_\_\_\_\_

### Secondary Beneficiary

NAME \_\_\_\_\_ RELATIONSHIP TO STUDENT \_\_\_\_\_

DATE OF BIRTH \_\_\_\_\_ SOCIAL SECURITY NUMBER \_\_\_\_\_

## 6. Investments\* (PLEASE CHECK THE APPROPRIATE BOX(ES) BELOW)

FUND NAME	SHARE CLASS	CONTRIBUTION FOR TAX YEAR	TRANSFER	ROLLOVER	PERCENT/DOLLAR
_____	_____	20 _____	<input type="checkbox"/>	<input type="checkbox"/>	_____%/\$
_____	_____	20 _____	<input type="checkbox"/>	<input type="checkbox"/>	_____%/\$
_____	_____	20 _____	<input type="checkbox"/>	<input type="checkbox"/>	_____%/\$
_____	_____	20 _____	<input type="checkbox"/>	<input type="checkbox"/>	_____%/\$
					<b>Total</b> _____ <b>100%</b>

\*Generally, if share class is not specified, A shares will be purchased. Please review the prospectus and supplements to determine fund and share availability.

### 7a. Telephone Authorization

I will automatically receive telephone authorization privileges unless I check the appropriate box below. By accepting the TELEPHONE AUTHORIZATION privilege, I agree that neither the Fund, the Custodian, nor any of their agents will be liable for any loss, injury, damage or expense as a result of acting upon, and will not be responsible for the authenticity of, any telephone instructions. I agree to hold the Fund, Custodian and their agents harmless from any loss, claims or liability arising from its or their compliance with these instructions. I understand that this option is subject to the terms and conditions set forth in the prospectus, and that all telephone calls may be tape recorded.

No, I do not want Telephone Authorization privileges.

### 7b. Reinvestment Options

Each Fund's distribution will be automatically reinvested into the same Fund. If you would like other options, please call 1-800-539-FUND.

### 7c. Subsequent Investments\*

- I am interested in the ability to be able to make subsequent investments on-line.
- I would like to invest the following amount(s) (minimum \$250 per fund) on the day indicated (any day, 1st through 28th) into the following fund(s). Please circle frequency per Fund: **Monthly**, **Quarterly**, **Annually**. Please note: your contributions will be recorded as current year.

Authorization for Direct Withdrawals (ACH Debits) form must be completed and returned with application.

_____	_____	_____	M	Q	A
FUND NAME	\$ AMOUNT	DAY			
_____	_____	_____	M	Q	A
FUND NAME	\$ AMOUNT	DAY			
_____	_____	_____	M	Q	A
FUND NAME	\$ AMOUNT	DAY			

I authorize my bank to accept withdrawals initiated by the Fund's servicing agent, to my account for the amount I have designated, without responsibility for the correctness of the agreement or for the existence of any further authorization relating to this contract. I agree to indemnify and hold harmless my bank, the Victory Funds and its agents for any loss, liability or expense incurred from action or these instructions.

\*Attached a voided check to establish.

### 8. Customer ESA Agreement

By signing this application, I understand and certify that:

- I adopt The Victory Funds ESA appointing UMB Bank National Association as Custodian and FIS Investor Services LLC or its agent to perform administrative services.
- I have received and read the prospectus for the fund(s) in which I am investing, which contains more complete information about the fund(s), including charges and expenses. I have the authority and legal capacity to purchase mutual funds, am of legal age and believe each investment is suitable for me. It is my responsibility to read the prospectus of any fund into which I exchange.
- I understand that shares of The Victory Funds are not insured by the FDIC; not deposits or other obligations of, or guaranteed by, any UMB Bank, its affiliates or any other bank; subject to investment risks, including possible loss of the principal amount invested.
- The Victory Funds are distributed by Victory Capital Advisers, Inc. which is not affiliated with UMB Bank or its subsidiaries.
- Victory Capital Management Inc., is the investment advisor to the Victory Funds and receives a fee for its services from the Funds.
- I certify under penalties of perjury that the Social Security or taxpayer identification number provided is correct.
- I understand that all information provided in Sections 1, 2 and 5 will apply to any new fund into which my shares may be exchanged.

**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 institutions to obtain, verify and record information that identifies each person who opens an account. When you open an account, we will ask for your name, address, and identification number, and in the case of an individual, your date of birth. In all cases, Victory Funds is committed to protecting the privacy and identity of each of its customers.

**9. Certifications and Signatures**

If this is a Transfer or Rollover ESA, the undersigned certifies that any assets transferred in kind are the same assets received in the distribution being rolled over; that no rollover into an ESA has been made within the one-year period immediately preceding this rollover; that such distribution was received within 60 days of making the rollover to the Account; and that the Designated Beneficiary identified in Item 1 above is either the person for whose benefit the prior ESA was maintained or a member of such person's family (within the meaning of Internal Revenue Code Section 529(e)(2)), and that the Designated Beneficiary is less than 30 years old or is a special needs individual.

If this is an Annual Contribution ESA, the undersigned certifies that the Designated Beneficiary is less than 18 years old or is a special needs individual and that all contributions made on Designated Beneficiary's behalf to this or any other ESA do not exceed \$2000 in a single tax year.

The undersigned acknowledges having received and read the 5305-EA Coverdell ESA Account Agreement, Disclosure Statement and Victory Funds Privacy Policy pertaining to this Account Application.

If Designated Beneficiary is a minor under the laws of Designated Beneficiary's state of residence, acceptance by the Custodian of the contribution to this Account is expressly conditioned upon the agreement of the Responsible Individual (identified above in Section 2) to be responsible for all requirements of the Designated Beneficiary under the document governing the Account and to exercise the powers and duties of the Designated Beneficiary with respect to the operation of the Account. Unless the Depositor chooses otherwise in section 4, upon reaching the age of majority in the State in which the Designated Beneficiary then resides, the Designated Beneficiary may advise the Custodian in writing (accompanied by such supporting documentation as the Custodian may require) that he or she is assuming sole responsibility to exercise all powers and duties associated with the administration of the Account. Absent such written notice by Designated Beneficiary, Custodian shall have no responsibility to acknowledge Designated Beneficiary's exercise of such powers and duties of administration.

All checks should be payable to **Victory Funds**.

Overnight mail address: The Victory Funds  
c/o FIS Investor Services LLC  
4249 Easton Way,  
Suite 400  
Columbus, OH 43219

\_\_\_\_\_  
SIGNATURE OF DESIGNATED BENEFICIARY DATE  
*(If Designated Beneficiary has obtained the age of majority in his/her state of residence.)*

\_\_\_\_\_  
SIGNATURE OF RESPONSIBLE INDIVIDUAL DATE  
*(If Designated Beneficiary has not obtained the age of majority in his/her state of residence.)*

\_\_\_\_\_  
SIGNATURE OF DEPOSITOR DATE

**Retain a copy of the Account Application for your records.**

**Office Use Only.**

We hereby submit this application for the purchase of shares of the Fund indicated in accordance with the terms of our selling agreement with the prospectus for the Fund.

Securities Dealer Name \_\_\_\_\_ Representative Branch Address \_\_\_\_\_

Dealer No. \_\_\_\_\_ Principal Approval \_\_\_\_\_

Representative Name \_\_\_\_\_ Date \_\_\_\_\_

Representative No. \_\_\_\_\_

**Authorization for Direct Withdrawals (ACH Debits)**

I (we) hereby authorize UMB Bank National Association, and any of its affiliates or agents, as Custodian of the Coverdell Education Savings Account, to initiate debit entries and to initiate, if necessary, adjustment entries (either debit or credit) for any entries in error to my (our) bank account as listed below:

**Bank Name:** \_\_\_\_\_

**Bank Address:** \_\_\_\_\_

\_\_\_\_\_ (City) \_\_\_\_\_ (State) \_\_\_\_\_ (Zip)

**Bank Routing Number (ABA Number)\*:** \_\_\_\_\_

**Account Number:** \_\_\_\_\_  \*\*Checking  Savings  
(Check one)

\* As banks use different ABA numbers for different purposes, please verify your ABA number with your banking institution

\*\* If you select Checking, attach a check marked "VOID". Please do not attach a bank deposit ticket, as deposit instructions may differ from your check instructions

**THIS AUTHORIZATION SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL THE CUSTODIAN HAS RECEIVED, AT THE ADDRESS PROVIDED BELOW, A WRITTEN NOTIFICATION FROM ME (OR MY AGENT, GUARDIAN OR CONSERVATOR, AS THE CASE MAY BE) OF ITS REVOCATION AT SUCH TIME AND IN SUCH A MANNER TO AFFORD THE CUSTODIAN A REASONABLE OPPORTUNITY TO ACT ON IT.**

I understand that the Custodian will not be liable for any error or delay in processing a transfer by another financial institution or its processing agent.

Signature of Participant – (Required) \_\_\_\_\_ Date \_\_\_\_\_ Signature of Joint Owner \_\_\_\_\_ Date \_\_\_\_\_

(On a Joint Account, both parties MUST sign)

Return the signed form to: **UMB Bank National Association, Custodian**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# Transfer of Education Assets Form



Use this form to transfer your existing Coverdell Education Savings Account (ESA) to a Victory Funds ESA with UMB Bank National Association as Custodian.

## 1. Please Tell Us About Yourself

Name and address of Responsible Individual for the Sending Account.

NAME:  Mother  Father  Guardian (submit proof of guardianship)  Student

ADDRESS

CITY STATE ZIP

SOCIAL SECURITY NUMBER

DAYTIME TELEPHONE NUMBER

## 2. Designated Beneficiary of Account You Would Like To Transfer

NAME OF DESIGNATED BENEFICIARY (Student) FOR THE SENDING ACCOUNT  
(WHOSE NAME IS CURRENTLY ON THE ACCOUNT)

ADDRESS

CITY STATE ZIP

SOCIAL SECURITY NUMBER

DAYTIME TELEPHONE NUMBER

## 3. Investment Into an Existing Education Savings Account

If you are transferring into an existing Victory Funds Coverdell ESA, indicate the Account Numbers and Fund Names:

ACCOUNT NUMBER %/\$

FUND NAME

ACCOUNT NUMBER

FUND NAME %/\$

ACCOUNT NUMBER

FUND NAME %/\$

## 4. New Victory Funds Investment Instructions

Responsible Individual: check one box and complete if necessary.

Invest\* the transferred amount in accordance with the attached investment instructions in the Adoption Agreement for my Victory Funds Coverdell ESA.

Invest\* the transfer amount as follows:

FUND NAME SHARE CLASS %/\$

FUND NAME SHARE CLASS %/\$

FUND NAME SHARE CLASS 100%

\*Generally, if share class is not specified, A shares will be purchased.

## 5. Instructions to Current ESA Custodian or Trustee

Completed by Responsible Individual

NAME OF CUSTODIAN/TRUSTEE

ADDRESS

CITY STATE ZIP

Please transfer assets to the Victory Funds in cash according to the following instructions:

- Transfer the entire Account # \_\_\_\_\_ **OR**  
 Transfer \$\_\_\_\_\_ and retain the balance.

Make check payable to:

The Victory Funds  
P.O. Box 182593  
Columbus, OH 43218-2593

For overnight delivery:

The Victory Funds  
c/o FIS Investor Services LLC  
4249 Easton Way,  
Suite 400  
Columbus, OH 43219

## 6. Signature of Responsible Individual

The undersigned acknowledges having sole responsibility for the investment choices and having received a current prospectus for each Fund selected. Please read the prospectus(es) of the Fund(s) selected before investing. The undersigned understands that the requirements for a valid transfer between Education Savings Accounts are complex and acknowledges having responsibility for complying with all requirements and for the tax results of any such transfer.

SIGNATURE OF RESPONSIBLE INDIVIDUAL DATE

SIGNATURE GUARANTEE (only if required by current custodian or trustee; signature guarantee by a notary public is NOT acceptable)

SIGNATURE GUARANTEED BY: NAME OF BANK OR DEALER FIRM

SIGNATURE OF OFFICER AND TITLE

## 7. Acceptance by New Custodian

FIS Investor Services LLC as agent for UMB Bank National Association, agrees to accept transfer of the above amount for deposit to Victory Funds Coverdell Education Savings Account, and requests the liquidation and transfer of assets as indicated above.

By \_\_\_\_\_

**Special Note:** If Designated Beneficiary is a minor under the law of Designated Beneficiary's state of residence, the Responsible Individual **must** execute this Transfer of Education Assets Form.

# Victory Funds Coverdell Education Savings Account Distribution Form



## Designated Beneficiary (Child) Information

Name: First, Middle Initial, Last

Social Security Number

Address

City/State/Zip

Date of Birth

## Responsible Individual (Parent/Guardian) Information

Name: First, Middle Initial, Last

Daytime Telephone Number

## Distribution Amount

Fund/Account Number

Amount (dollars, shares, percentage)

## Distribution Reason

- Disability**
- Death**
- Removal of **Excess Contribution**: Is the excess contribution being removed on or before the tax-filing deadline (including extensions) of the year the excess was made?
  - No**
  - Yes**: Was the contribution made during the prior year?
    - Yes**
    - No**
- Other**, including distributions for qualified education expenses

## Payment Information

Please review the fund prospectus. Certain redemption requests may require a Medallion signature guarantee (See "Signatures and Guarantee" below).

By check via:  
(Name of Recipient)

**US Postal Service**

**Overnight Courier** (may require additional fee)

(Address of Recipient)

## Signatures and Guarantee

Federal income tax must be withheld from your distribution at a rate of 10% unless you elect not to have withholding apply. **If you do not check a box, taxes will be withheld at 10%**. The responsible individual has read and understood the withholding on the back of this form.

- I elect not to have federal tax withheld** from my distribution. I understand that I may be liable for payment of estimated tax. I may incur penalties under the estimated tax rules, if my withholding and tax payments are not sufficient.
- I elect to have taxes withheld** from my IRA distribution at \_\_\_\_\_% (not less than 10%).

The Participant/Beneficiary hereby authorizes the distribution from this account to the undersigned and certifies that it is in accordance with the provisions of the IRA plan. I acknowledge that the Custodian cannot provide me with legal advice and I agree to consult with my own tax professional when I need tax advice. I indemnify the Custodian, its agents, successors and affiliates from any and all claims the undersigned may have or hereafter claim to have with respect to the distributions or in the event I fail to meet the minimum distribution requirements.

NOTE: A Medallion signature guarantee may be required for your distribution. A Medallion signature guarantee may be executed by a bank, broker-dealer, a credit union, a national securities exchange or a savings association. A guarantee by a notary public is not acceptable.

Responsible Individual Signature

Date

\*Medallion Signature Guarantee

Date

**Withholding (Purpose of Form W4-P).** The IRA Owner must elect whether or not to have money withheld for federal income tax purposes and on what basis. You can make this election on this substitute Form W-4P or you could attach an actual Form W-4P. Unless elected otherwise, IRA distributions will have federal income tax withheld at a flat rate of 10%. You may use this form to elect to have no income tax withheld (except for payments to U.S. citizens delivered outside the U.S. or its possessions), to have 10% withheld, or to have more than 10% withheld. Check the box reflecting your choice. Generally, your election will apply to any later distributions from the same IRA. You may, however, revoke your previous exemption from withholding. Simply complete a new W-4P with your Custodian/Trustee. The payer will not send copies of Form W-4P to the IRS.

**Statement of Income Tax Withheld from your Account.** By January 31 of next year, you will receive a statement from your payer showing the total amount of your payments and the total income tax withheld during the year.

**Exemption from Income Tax Withholding.** The election to be exempt from income tax withholding does not apply to any periodic payment or nonperiodic distribution that is delivered outside the U.S. or its possessions to a U.S. citizen or resident alien. Other recipients who have these payments delivered outside the U.S. or its possessions can elect exemption only if an individual certifies to the payer that the individual is not: (1) a U.S. citizen or resident alien, or (2) an individual to whom Section 877 of the Internal Revenue Code applies (concerning expatriation to avoid tax). The certification can be made in a statement to the payer under penalties of perjury.

For more information, please see Publication 505, Tax Withholding and Estimated Tax, available from most IRS offices.

**Caution:** Remember that there are penalties for not paying enough tax during the year, either through withholding or estimated tax payments. New retirees, especially, should see IRS Publication 505. It explains tax requirements and penalties in detail. You may be able to avoid quarterly estimated payments by having enough tax withheld from your IRA using Form W-4P.

*You must complete all sections of this form. Failure to do so will result in processing delays. If you have any questions regarding this form or its contents, please call a Shareholder Services Representative. Please consult your tax advisor to assure that the options you have selected are appropriate for your particular situation.*

# COVERDELL ESA CUSTODIAL ACCOUNT AGREEMENT

Form 5305-EA under section 530 of the Internal Revenue Code.

FORM (Rev. October 2010)

The depositor 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 depositor has assigned the custodial account the sum indicated on the application.

The depositor and the custodian make the following agreement:

## ARTICLE I

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

## ARTICLE II

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

## ARTICLE III

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

## ARTICLE IV

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

## ARTICLE V

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

## ARTICLE VI

*(See the application and section 10.06 of this agreement for information regarding the responsible individual's ability to change the designated beneficiary named by the depositor.)*

## ARTICLE VII

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

## ARTICLE VIII

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

## ARTICLE IX

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

## ARTICLE X

- 10.01 **Notices and Change of Address** – Any required notice regarding this Coverdell ESA will be considered effective when the custodian sends it to the intended recipient at the last address that the custodian has in its records. Any notice to be given to the custodian will be considered effective when the custodian actually receives it. The responsible individual must notify the custodian of any change of address.
- 10.02 **Representations and Responsibilities** – The depositor and the responsible individual represent and warrant to the custodian that any information the depositor and responsible individual have given or will give the custodian with respect to this agreement is complete and accurate. Further, the depositor and the responsible individual agree that any directions they give the custodian, or action they take will be proper under this agreement, and that the custodian is entitled to rely upon any such information or directions. If the custodian fails to receive directions regarding any transaction, receives ambiguous directions regarding any transaction, or if the custodian, in good faith, believes that any transaction requested is in dispute, the custodian reserves the right to take no action until further clarification acceptable to the custodian is received from the responsible individual or the



appropriate government or judicial authority. The custodian will not be liable for acting upon any instructions given by the responsible individual named on the application prior to the time the custodian receives appropriate written notice that the designated beneficiary has met the requirements for assuming control of the Coverdell ESA, or that a new responsible individual has been appointed. The custodian will not be responsible for losses of any kind that may result from the depositor's and responsible individual's directions to it or the depositor's and responsible individual's actions, or failures to act. The depositor and responsible individual agree to reimburse the custodian for any loss the custodian may incur as a result of such directions, actions or failures to act. The custodian will not be responsible for any penalties, taxes, judgments, or expenses incurred in connection with this Coverdell ESA. The custodian has no duty to determine whether the contributions or distributions comply with the Code, regulations, rulings, or this agreement.

The responsible individual will have 60 days after receiving any documents, statements, or other information from the custodian to notify the custodian in writing of any errors or inaccuracies reflected in these documents, statements, or other information. If the custodian is not notified within 60 days, the documents, statements, or other information will be deemed correct and accurate, and the custodian will have no further liability or obligation for such documents, statements, other information, or the transactions described therein.

By performing services under this agreement the custodian is acting as the responsible individual's agent. The depositor, responsible individual, and designated beneficiary acknowledge and agree that nothing in this agreement will be construed as conferring fiduciary status upon the custodian. The custodian will not be required to perform any additional services unless specifically agreed to under the terms and conditions of this agreement, or as required under the Code and the regulations promulgated thereunder with respect to Coverdell ESAs. The designated beneficiary, depositor, and responsible individual agree to indemnify and hold the custodian harmless for any and all claims, actions, proceedings, damages, judgments, liabilities, costs, and expenses, including attorney's fees arising from or in connection with this agreement.

Notwithstanding anything in this agreement to the contrary, the custodian may establish a policy permitting someone other than the designated beneficiary's parent or legal guardian to serve as responsible individual, provided the individual is not prohibited by law from serving in that capacity and fulfilling his or her obligations under this agreement.

To the extent written instructions or notices are required under this agreement, the custodian may accept or provide such information in any other form permitted by the Code or applicable regulations including, but not limited to, electronic communication.

**10.03 Disclosure of Account Information** – The custodian may use agents and/or subcontractors to assist in administering this Coverdell ESA. The custodian may release nonpublic personal information regarding this Coverdell ESA to such providers as necessary to provide the products and services made available under this agreement, and to evaluate its business operations and analyze potential product, service, or process improvements.

**10.04 Service Fees** – The custodian has the right to charge an annual service fee or other designated fees (e.g., a transfer, rollover, or termination fee) for maintaining this Coverdell ESA. In addition, the custodian has the right to be reimbursed for all reasonable expenses, including legal expenses, incurred in connection with

the administration of this Coverdell ESA. The custodian may charge the depositor or responsible individual separately for any fees or expenses, or may deduct the amount of the fees or expenses from the assets in this Coverdell ESA at the custodian's discretion. The custodian reserves the right to charge any additional fee after giving the responsible individual 30 days' notice. Fees such as subtransfer agent fees or commissions may be paid to the custodian by third parties for assistance in performing certain transactions with respect to this Coverdell ESA.

Any brokerage commissions attributable to the assets in the Coverdell ESA will be charged to the Coverdell ESA. The responsible individual, depositor or designated beneficiary cannot reimburse the Coverdell ESA for those commissions.

**10.05 Investment of Amounts in the Coverdell ESA** – The responsible individual has exclusive responsibility for and control over the investment of the assets of this Coverdell ESA. All transactions will be subject to any and all restrictions or limitations, direct or indirect, that are imposed by the custodian's charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs, and usages of any exchange, market, or clearinghouse where the transaction is executed; the custodian's policies and practices; and this agreement. The custodian will have no discretion to direct any investment in this Coverdell ESA. The custodian assumes no responsibility for rendering investment advice with respect to this Coverdell ESA, nor will the custodian offer any opinion or judgment to the responsible individual or depositor on matters concerning the value or suitability of any investment or proposed investment for this Coverdell ESA. In the absence of instructions from the responsible individual or depositor, or if the instructions are not in a form acceptable to the custodian, the custodian will have the right to hold any uninvested amounts in cash, and the custodian will have no responsibility to invest uninvested cash unless and until directed by the responsible individual. The custodian will not exercise the voting rights and other shareholder rights with respect to investments in this Coverdell ESA unless timely, written directions are provided and are acceptable to the custodian.

The responsible individual will select the investment for the Coverdell ESA assets from those investments that the custodian is authorized by its charter, articles of incorporation, or bylaws to offer and does in fact offer for Coverdell ESAs (e.g., term share accounts, passbook accounts, certificates of deposit, money market accounts).

**10.06 Beneficiaries** – Unless indicated otherwise 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 beneficiary designated under this agreement and the responsible individual chooses to do so, the responsible individual must designate a member of the family (as defined in IRC Section 529(e)(2)) of the existing designated beneficiary. This designation can only be made on a form prescribed by the custodian.

The depositor or responsible individual may designate one or more persons or entities as death beneficiaries of this Coverdell ESA. This designation can only be made on a form provided by or acceptable to the custodian, and it will only be effective when it is filed with the custodian during the lifetime of the designated beneficiary. Each beneficiary designation filed with the custodian will cancel all previous designations. The consent of a death beneficiary will not be required in order to revoke a death beneficiary designation. If both primary and contingent death beneficiaries have been named, and no primary death beneficiary survives the designated beneficiary, the contingent death beneficiaries will acquire the designated share

of this Coverdell ESA. If a death beneficiary is not designated with respect to this Coverdell ESA, or if all of the primary and contingent death beneficiaries predecease the designated beneficiary, the designated beneficiary's estate will be the death beneficiary.

If the designated beneficiary dies before receiving all of the amounts in this Coverdell ESA, the custodian will have no obligation to pay to the death beneficiaries until such time the custodian is notified of the designated beneficiary's death by receiving a valid death certificate. Any balance remaining in the Coverdell ESA upon the death of the designated beneficiary will be distributed within 30 days of the designated beneficiary's death, unless a qualified family member under age 30 is named as a death beneficiary. If the death beneficiary is a qualified family member under age 30, that individual will become the designated beneficiary as of the original designated beneficiary's date of death. Qualified family members are defined in IRC Section 529(e)(2).

The custodian may, for any reason (e.g., due to limitations of its charter or bylaws), require a qualified family member who becomes the designated beneficiary to take a total distribution of the Coverdell ESA by December 31 of the year following the year of the original designated beneficiary's death.

#### 10.07 **Termination of Agreement, Resignation, or Removal of Custodian –**

Either the custodian or the responsible individual may terminate this agreement at any time by giving written notice to the other. The custodian can resign as custodian at any time effective 30 days after sending written notice of its resignation to the responsible individual. Upon receipt of that notice, the responsible individual must make arrangements to transfer the Coverdell ESA to another financial organization. If the responsible individual does not complete a transfer of the Coverdell ESA within 30 days from the date the custodian sends the notice to the responsible individual, the custodian has the right to transfer the Coverdell ESA assets to a successor Coverdell ESA trustee or custodian that the custodian chooses in its sole discretion, or the custodian may pay the Coverdell ESA balance to the designated beneficiary in a single sum. The custodian will not be liable for any actions or failures to act on the part of any successor trustee or custodian, nor for any tax consequences the designated beneficiary may incur that result from the transfer or distribution of the Coverdell ESA assets pursuant to this section.

If this agreement is terminated, the custodian may charge the Coverdell ESA a reasonable amount of money that it believes is necessary to cover any associated costs, including but not limited to one or more of the following.

- Any fees, expenses, or taxes chargeable against the Coverdell ESA
- Any penalties or surrender charges associated with the early withdrawal of any savings instrument or other investment in the Coverdell ESA

If the custodian is a nonbank custodian required to comply with Regulations section 1.408-2(e) and fails to do so or the custodian is not keeping the records, making the returns or sending the statements as are required by forms or regulations, the IRS may require the custodian to substitute another trustee or custodian.

The custodian may establish a policy requiring distribution of the entire balance of this Coverdell ESA to the designated beneficiary in cash or property if the balance of this Coverdell ESA drops below the minimum balance required under the applicable investment or policy established.

#### 10.08 **Successor Custodian –** If the custodian's organization changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if the entire organization (or any portion that includes this Coverdell ESA) is

bought by another organization, that organization (or agency) will automatically become the trustee or custodian of this Coverdell ESA, but only if it is the type of organization authorized to serve as a Coverdell ESA trustee or custodian.

10.09 **Amendments –** The custodian has the right to amend this agreement at any time. Any amendment the custodian makes to comply with the Internal Revenue Code and related regulations does not require the consent of either the responsible individual or the depositor. The responsible individual will be deemed to have consented to any other amendment unless, within 30 days from the date the custodian sends the amendment, the responsible individual notifies the custodian in writing that the responsible individual does not consent.

10.10 **Withdrawals or Transfers –** All requests for withdrawal or transfer will be in writing on a form provided by or acceptable to the custodian. The method of distribution must be specified in writing or in any other method acceptable to the custodian. The tax identification number of the designated beneficiary or death beneficiary must be provided to the custodian before the custodian is obligated to make a distribution. Withdrawals will be subject to all applicable tax and other laws and regulations, including but not limited to possible early distribution penalty taxes, surrender charges, and withholding requirements.

10.11 **Transfers From Other Plans –** The custodian can receive amounts transferred to the Coverdell ESA from the trustee or custodian of another Coverdell ESA.

10.12 **Liquidation of Assets –** The custodian has the right to liquidate assets in the Coverdell ESA if necessary to make distributions or to pay fees, expenses, taxes, penalties, or surrender charges properly chargeable against the Coverdell ESA. If the responsible individual fails to direct the custodian as to which assets to liquidate, the custodian will decide, in its complete and sole discretion, and the responsible individual agrees not to hold the custodian liable for any adverse consequences that result from the custodian's decision.

10.13 **Restrictions on the Fund –** Neither the responsible individual, the designated beneficiary (nor anyone acting on behalf of the designated beneficiary), the depositor nor any contributor may sell, transfer or pledge any interest in the Coverdell ESA in any manner whatsoever, except as provided by law or this agreement.

The assets in the Coverdell ESA will not be responsible for the debts, contracts, or torts of the responsible individual, the designated beneficiary, the depositor, or any person entitled to distributions under this agreement.

10.14 **What Law Applies –** 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 custodian's domicile will govern.

If any part of this agreement is held to be illegal or invalid, the remaining parts will not be affected. Neither the responsible individual's nor the custodian's failure to enforce at any time or for any period of time any of the provisions of this agreement will be construed as a waiver of such provisions, or the parties' right thereafter to enforce each and every such provision.

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## GENERAL INSTRUCTIONS

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

## WHAT'S NEW

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

## PURPOSE OF FORM

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

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

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

## DEFINITIONS

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

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

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

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

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

## IDENTIFICATION NUMBERS

The depositor 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.

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## SPECIFIC INSTRUCTIONS

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**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.

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# DISCLOSURE STATEMENT

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## 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 or entity 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 coins, and certain state-issued coins are permissible investments. 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 penalty 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 will 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. Qualified family members 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 the designated beneficiary's spouse.

If a qualified family member becomes the designated beneficiary, the custodian, if it so chooses for any reason (e.g., due to limitations of its charter or bylaws), may require a total distribution of the Coverdell ESA by December 31 of the year following the year of the original designated beneficiary's 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 will 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. **Contribution Deadline** – The deadline for making a Coverdell ESA contribution is the depositor's tax return due date (not including extensions). The depositor may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to the custodian. For example, if the depositor is a calendar-year filer and makes a Coverdell ESA contribution on or before the tax filing deadline,

the contribution is considered to have been made for the previous tax year if the depositor designates it as such.

C. **Excess Contributions** – An excess contribution is any amount that is contributed to the Coverdell ESA that exceeds the eligible contribution limit. If the excess is not corrected timely, an additional penalty tax of six percent will be imposed on the excess amount. The procedure for correcting the excess is determined by the timeliness of the correction as identified below.

1. **Removal Before the Deadline.** The responsible individual should remove the excess contribution along with the earnings attributable to the excess, before June 1 of the year following the year for which the excess was made. An excess withdrawn by this deadline is not taxable upon distribution, but the designated beneficiary must include the earnings attributable to the excess in his or her taxable income for the year in which the excess contribution was made. The six percent excess contribution penalty tax will be avoided.

2. **Failure to Remove Before the Deadline.** Excess Coverdell ESA contributions that are not removed before June 1 of the year following the year for which the excess was made, are treated as contributions for the next calendar year. If, however, additional contributions are made for that year and the total amount results in an excess, the excess amount will be subject to a six percent penalty tax if not removed timely.

If additional contributions have been made for the next year, the amount of the excess equals the excess contribution for the current year, plus the excess contributions remaining from the preceding year, reduced by any distributions made during the current year.

The designated beneficiary must file IRS form 5329 to report and remit any additional penalty taxes to the IRS.

D. **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.

E. **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 that 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 penalty tax. There are several exceptions to the 10 percent penalty 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. **American Opportunity or Lifetime Learning Credits.** A designated beneficiary may claim the American Opportunity Credit (formerly the Hope Credit) or 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 American Opportunity or Lifetime Learning Credit.

F. **Income Tax Withholding** – Any withdrawal from the Coverdell ESA is not subject to federal income tax withholding.

G. **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. For questions regarding a rollover, please see a competent tax advisor.

1. **Coverdell ESA-to-Coverdell ESA Rollovers.** Assets 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 the distribution is rolled over not later than 60 days after the distribution is received.

**Effective for distributions occurring on or after January 1, 2015,** the responsible individual is permitted to roll over only one distribution from a Coverdell ESA in a 12-month period, regardless of the number of Coverdell ESAs owned by the designated beneficiary. A distribution may be rolled over to the same Coverdell ESA or to another Coverdell ESA that is eligible to receive the rollover. For more information on rollover limitations, you may wish to obtain IRS Publication 970, *Tax Benefits for Higher Education*, from the IRS or refer to the IRS website at [www.irs.gov](http://www.irs.gov).

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.

3. **Rollover of Military Death Benefits.** If a designated beneficiary receives or has received a military death gratuity or a payment from the Servicemembers' Group Life Insurance (SGLI) program, the designated beneficiary may be able to roll over the proceeds to the 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. Any amount that is rolled over under this provision is considered nontaxable basis in the Coverdell ESA.

## LIMITATIONS AND RESTRICTIONS

- A. **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.
- B. **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-deferred status and the designated beneficiary must include the value of the earnings in his or her account in his or her gross income for the year.
- C. **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.

## 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** – Additional information on Coverdell ESAs may be obtained from the District Office of the IRS. In particular IRS Publication 970, *Tax Benefits For Higher Education*, may be obtained 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. Therefore, when the depositor opens an account, he or she is required to provide his or her name, residential address, date of birth, and identification number. The custodian may require other information that will allow them to identify the depositor.

## **Victory Funds Privacy Policy**

### **Protecting the Privacy of Information**

The Victory Portfolios respects your right to privacy. We also know that you expect us to conduct and process your business in an accurate and efficient manner. To do so, we must collect and maintain certain personal information about you. This is the information we collect from you on applications or other forms, and from the transactions you make with us or third parties. It may include your name, address, social security number, account transactions and balances, and information about investment goals and risk tolerance.

We do not disclose any information about you or about former customers to anyone except as permitted or required by law. Specifically, we may disclose the information we collect to companies that perform services on our behalf, such as the transfer agent that processes shareholder accounts and printers and mailers that assist us in the distribution of investor materials. We may also disclose this information to companies that perform marketing services on our behalf. This allows us to continue to offer you Victory investment products and services that meet your investing needs, and to effect transactions that you request or authorize. These companies will use this information only in connection with the services for which we hired them. They are not permitted to use or share this information for any other purpose.

To protect your personal information internally, we permit access only by authorized employees and maintain physical, electronic and procedural safeguards to guard your personal information.\*

\*You may have received communications regarding information about privacy policies from other financial institutions which gave you the opportunity to “opt-out” of certain information sharing with companies which are not affiliated with that financial institution. The Victory Portfolios do not share information with other companies for purposes of marketing solicitations for products other than the Victory Portfolios. Therefore, the Victory Portfolios do not provide opt-out options to their shareholders.