

ADDITIONAL INFORMATION

Purpose. The Coverdell Education Savings Account (CESA) Designation or Change of Death Beneficiary Form is designed to assist you in selecting or changing the current death beneficiary designation of the CESA. This form may not be used to assign or change the designated beneficiary of a CESA.

Additional Documents. Applicable law or policies of the CESA custodian/trustee with regard to federal, state, or local law may require additional documentation. In the event you want to name additional primary or contingent death beneficiaries, the custodian/trustee may allow you to attach additional beneficiary designations in a format acceptable to the custodian/trustee.

For Additional Guidance. It is in your best interest to seek the guidance of a tax or legal professional before completing this document because of the potentially significant financial and estate planning consequences. Your first reference should be the CESA agreement and disclosure statement issued upon establishing the CESA or amendments provided by the custodian/trustee. For more information, refer to Internal Revenue Service (IRS) Publication 970, *Tax Benefits for Higher Education*, your local IRS office, or the IRS's web site at www.irs.gov.

Terms. A general understanding of the following terms may be helpful in completing your transactions.

Primary Death Beneficiary. A primary death beneficiary is the recipient of CESA funds upon the death of the CESA designated beneficiary.

Contingent Death Beneficiary. A contingent death beneficiary is a secondary beneficiary who is the recipient of CESA funds if all primary beneficiaries predecease a CESA designated beneficiary.

Spousal Consent. Community and marital property states may require the consent of the designated beneficiary's spouse in certain situations where a beneficiary other than spouse is named as a primary death beneficiary.

Responsible Individual. The responsible individual is generally the parent or legal guardian of the designated beneficiary but, in some circumstances, may be the designated beneficiary or another individual. The responsible individual has the power to direct the custodian/trustee concerning administration, management, investment, movement, and distribution of the account. Refer to the CESA agreement, disclosure statement, or amendments thereto for specific guidance on the responsible individual's role and responsibilities.

Contributor. The contributor may be any individual or entity, including a corporation or tax-exempt organization, which may establish and contribute to a CESA on behalf of a designated beneficiary. A contributor may be the responsible individual if he/she is the parent or legal guardian of the designated beneficiary. A designated beneficiary may act as a contributor to his/her own CESA. A contributor may have the amount of his/her eligible contribution reduced if his/her income exceeds certain levels. There is no restriction on the number of CESAs that a contributor may contribute to.

Qualified Designated Beneficiary. A qualified designated beneficiary is a family member of an existing designated beneficiary. In addition to the spouse of the designated beneficiary, members of the designated beneficiary's family are defined under Internal Revenue Code (IRC) Sections 529(e)(2) and 152(a) respectively as:

- ◆ a son or daughter, or a descendant of either
- ◆ a brother, sister, stepbrother, or stepsister
- ◆ the father or mother, or an ancestor of either
- ◆ a stepfather or stepmother
- ◆ a son or daughter of a brother or sister
- ◆ a brother or sister of the father or mother
- ◆ a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law
- ◆ the spouse of any individual described above
- ◆ first cousin of the designated beneficiary