



## Instructions for Opening Coverdell Education Savings Account

To open a Coverdell Education Savings Account with Directed IRA, you'll need:

- Coverdell Education Savings Account New Account Application
- Attach Copy of Driver's License or Passport
- Custodial Account Agreement
- Disclosure Statement (Additional Information)
- Privacy Notice
- Fee Schedule

Directed IRA is a tradename of Directed Trust Company

### INSTRUCTIONS

Complete the enclosed Account Application and Agreement forms online or mail or fax back to Directed Trust Company. Review and retain the Custodial Account Agreement, Disclosure Statement, Privacy Notice and Fee Schedule for your records.

### RETURN INSTRUCTIONS

Return the completed forms to Directed IRA by any of the following methods:

**Regular Mail:**

3033 N. Central Ave., Ste. 415  
Phoenix, AZ 85012

**Fax:**

(602) 899-9641

**Email:**

Clients@directedIRA.com

**\*\*Forms can also be completed via Adobe E-Sign from directedira.com\*\***

**QUESTIONS?** Call our Client Services team at (800) 818-1322

**Read and keep these Instructions, Custodial Account Agreement, Disclosure Statement, Privacy Notice and Fee Schedule for your records. Make a copy of your completed Application before sending it to Directed IRA.** All of these documents explain what you can expect from Directed IRA as the Custodian and what is expected of you as an IRA Account Owner. They constitute your agreement with Directed IRA for the Coverdell Education Savings Account.

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### **April Plan Establishment & Contribution Deadline**

Your signed Application must be received by Directed IRA in its offices on or before tax-filing due date, with no extensions (generally April 15), in order for the ESA to be eligible to receive contributions for that tax year.

Contribution checks must also be postmarked to Directed IRA on or before the Account Owner's tax-filing date (with no extensions).

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### **Coverdell Education Savings Account (ESA) Overview**

All Directed IRA plans are self-directed by you as the Account Owner. Please consult with tax and investment professionals at each step in the management of this Coverdell Education Savings Account.

Use this form to establish a Coverdell Education Savings Account (ESA) if you wish to make annual cash contributions (deductible and/or non-deductible) to the ESA. A Coverdell Education Savings Account (ESA) is established after the form is fully executed by both the Responsible Individual, 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.

### **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 a Custodian of a Coverdell ESA. Directed Trust Company qualifies as a custodian.

**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.

**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".

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**INVESTMENTS: NOT FDIC INSURED ■ NO GUARANTEE ■ MAY LOSE VALUE**

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<b>Email Forms to:</b> <a href="mailto:Clients@directedira.com">Clients@directedira.com</a>	<b>Send Mail to:</b> 3033 N. Central Ave. Ste. 415 Phoenix, AZ 85012	<b>Fax:</b> 602-899-9641	<b>Questions?</b> (800) 818-1322 <a href="mailto:Clients@directedira.com">Clients@directedira.com</a>
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Directed IRA is a tradename of Directed Trust Company, an Arizona Corporation



## Coverdell Education Savings Account New Account Application

### IMPORTANT INFORMATION

In order 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 client who opens an account. When you open an account, we will ask for your name, physical address, date of birth, Social Security number, and other information that will allow us to identify you. We may also ask to see your driver's license or other forms of identification.

#### 1. Designated Beneficiary Information \*Indicates a required field.

\*First Name: \_\_\_\_\_ \*MI: \_\_\_\_\_ \*Last Name: \_\_\_\_\_

\*Social Security Number: \_\_\_\_\_ \*Date of Birth: \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

Gender:  Female  Male      Citizenship:  U.S.  Other (specify) \_\_\_\_\_

If applicable, name of referring organization, individual or promotion code: \_\_\_\_\_

\*Mailing Address: \_\_\_\_\_  
(If PO Box, provide physical address below)

\*City: \_\_\_\_\_ \*State/Province: \_\_\_\_\_ \*Country: \_\_\_\_\_ \*Zip Code: \_\_\_\_\_

\*Primary Phone: \_\_\_\_\_ Type:  Cell  Home  Business

Other Phone: \_\_\_\_\_ Type:  Cell  Home  Business

†Email Address: \_\_\_\_\_

*† Your email address will be used to communicate information about your account. In addition, we will notify you via email when your statements and invoices are available to view electronically, you will need to register for online access to view these documents.*

Check this box **ONLY** if your Physical address is the same as your mailing address

Physical Address: \_\_\_\_\_  
(Required if different from mailing address or if PO Box is provided above)

\*City: \_\_\_\_\_ \*State/Province: \_\_\_\_\_ \*Country: \_\_\_\_\_ \*Zip Code: \_\_\_\_\_

#### 2. Responsible Individual Information \*Indicates a required field.

\*First Name: \_\_\_\_\_ \*MI: \_\_\_\_\_ \*Last Name: \_\_\_\_\_

\*Social Security Number: \_\_\_\_\_ \*Date of Birth: \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

Occupation: \_\_\_\_\_ The Responsible Individual is a:  Parent  Guardian

\*Mailing Address: \_\_\_\_\_  
(If PO Box, provide physical address below)

\*City: \_\_\_\_\_ \*State/Province: \_\_\_\_\_ \*Country: \_\_\_\_\_ \*Zip Code: \_\_\_\_\_

†Email Address: \_\_\_\_\_

*† Your email address will be used to communicate information about your account. In addition, we will notify you via email when your statements and invoices are available to view electronically, you will need to register for online access to view these documents.*

**Responsible Individual Information - Continued**

Check this box **ONLY** if your Physical address is the same as your mailing address

Physical Address: \_\_\_\_\_  
(Required if different from mailing address or if PO Box is provided above)

\*City: \_\_\_\_\_ \*State/Province: \_\_\_\_\_ \*Country: \_\_\_\_\_ \*Zip Code: \_\_\_\_\_

**3. Appoint a Successor Responsible Individual** \*Indicates a required field.

\*First Name: \_\_\_\_\_ \*MI: \_\_\_\_\_ \*Last Name: \_\_\_\_\_

\*Social Security Number: \_\_\_\_\_ \*Date of Birth: \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

Relationship: \_\_\_\_\_ Phone Number: \_\_\_\_\_

Physical Address: \_\_\_\_\_

\*City: \_\_\_\_\_ \*State/Province: \_\_\_\_\_ \*Country: \_\_\_\_\_ \*Zip Code: \_\_\_\_\_

**4. Depositor Information**

Check this box **ONLY** if the depositor is the same as Responsible Individual in Section 2 above. *If the same, you do not need to complete this section.*

\*First Name: \_\_\_\_\_ \*MI: \_\_\_\_\_ \*Last Name: \_\_\_\_\_

\*Social Security Number: \_\_\_\_\_ \*Date of Birth: \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

Occupation: \_\_\_\_\_ The Responsible Individual is a:  Parent  Guardian

\*Mailing Address: \_\_\_\_\_  
(If PO Box, provide physical address below)

\*City: \_\_\_\_\_ \*State/Province: \_\_\_\_\_ \*Country: \_\_\_\_\_ \*Zip Code: \_\_\_\_\_

Physical Address: \_\_\_\_\_  
(Required if different from mailing address or if PO Box is provided above)

\*City: \_\_\_\_\_ \*State/Province: \_\_\_\_\_ \*Country: \_\_\_\_\_ \*Zip Code: \_\_\_\_\_

\*Primary Phone: \_\_\_\_\_ Type:  Cell  Home  Business

**5. Custodian Information**

**Custodian Name:** Directed Trust Company

**Mailing Address:** 3033 N. Central Ave., Ste. 415, Phoenix, AZ 85012

The Responsible Individual, also referred to as, Account Owner named above is establishing a Coverdell Education Savings Account under Section 530 of the Internal Revenue Code for the benefit of the designated beneficiary exclusively to pay for the qualified elementary, secondary, and higher education expenses, within meaning of Section 530(b)(2), of such designated beneficiary.

**6. Authorized Party -Informational Only (Optional)**

I authorize the following person to discuss/receive information regarding my account. They will NOT have investment or transaction authority. I understand that I may revise the Authorized Party on my account at any time by giving written notice to Directed IRA.

First Name: \_\_\_\_\_ MI: \_\_\_\_\_ Last Name: \_\_\_\_\_

\*Social Security Number: \_\_\_\_\_ \*Date of Birth: \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

\*Used for phone verification purposes only.

**Gender:**  Female  Male **Relationship:** \_\_\_\_\_

**7. Paperless Statements**

ALL Statements will be sent quarterly via the email address provided above. You will need to register for online access to view these documents.

Please check box if you prefer to receive paper versions of your statement and invoices. Please be aware that there is a \$20 annual fee for paper statements. We will continue to use your email to communicate information about your account.

**8. Check Enclosure Summary (Contribution Allocation)**

ESA Contribution for 20\_\_\_\_ \$ \_\_\_\_\_  
 ESA Contribution for 20\_\_\_\_ \$ \_\_\_\_\_  
**Total Enclosed** \$ \_\_\_\_\_

**Only complete this section if you are submitting your application by mail and enclosing a personal check.**

*(Make check payable to Directed Trust Company, and indicate in the memo section or on a separate sheet the tax year for each "regular" Coverdell Contribution. If you are providing contributions for multiple accounts in one check, be sure to provide detailed instructions about how funds are to be allocated.)*

**9. Beneficiary Designation(s)**

Beneficiary must be a family member as defined in the General Instructions to IRS Form 5305-EA (Coverdell Education Savings Custodial Account).

<input type="checkbox"/> <b>Primary</b>  <input type="checkbox"/> <b>Contingent</b>	<input type="checkbox"/> Spouse <input type="checkbox"/> Non-Spouse <input type="checkbox"/> Trust <input type="checkbox"/> Other Entity	Name: <i>If naming spouse as a beneficiary, do so here.</i>		Relationship:
		Date of Birth: (MM/DD/YYYY)	Social Security Number: _____	Share Percentage %
<input type="checkbox"/> <b>Primary</b>  <input type="checkbox"/> <b>Contingent</b>	<input type="checkbox"/> Spouse <input type="checkbox"/> Non-Spouse <input type="checkbox"/> Trust <input type="checkbox"/> Other Entity	Name:		Relationship:
		Date of Birth: (MM/DD/YYYY)	Social Security Number: _____	Share Percentage %

*The total percentage for each level of beneficiary, both primary and contingent, must equal 100%. For example: if you are designating 3 beneficiaries with rights to equal portions of the account, the amount should reflect 33.33%, 33.33% and 33.34%. If your beneficiary designation request for each level of beneficiary does not total 100%, Directed IRA will correct any excess or short-fall percentage allocation by applying the ration of the percentage actually allocated among the beneficiaries at each level.*

**Participant Signature (REQUIRED)**

I have completed, understand and agree to all pages of this Beneficiary Designation form. This designation supersedes all prior designations. Subject to and accordance with the terms of the Custodial Account Agreement, I am making the above beneficiary designation(s) for my vested account in the event of my death. I have received a copy of the Custodial Account Agreement which outlines Beneficiary Designations under Article X Section 12.

\_\_\_\_\_ Date

Participant's Signature

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**10. Uninvested Cash**

I have reviewed the Uninvested Cash section of the Custodial Account Agreement and Disclosure Statement, and I hereby direct Directed Trust Company to deposit all undirected and uninvested cash from any source, including but not limited to contributions, transfers, proceeds from asset sales and income and distributions from assets held in the custodial account. Uninvested Cash shall be deposited with banks and will be insured by the FDIC up to the federal deposit insurance limits (currently \$250,000, per account holder) and any excess amount will not be insured by the FDIC. However, I acknowledge and agree that Directed Trust Company makes no representations or warranties as to the financial status of any depository bank or its ability to satisfy its obligations to the Account Owner. Directed Trust Company shall receive and retain interest on uninvested cash pursuant to the Custodial Account Agreement. I further understand and agree that my account has a minimum cash requirement and that fees are applicable to accounts that fall below the required minimum, as outlined in the Custodial Account Agreement, Disclosure Statement and Fee Schedule. I also understand and agree that Directed Trust Company may require me to give at least 7 days' notice of my intent to withdraw funds from my custodial account.

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**11. How do you want Account Fees Paid?**

- Deduct all Account Fees from the cash available in my account. If you are transferring funds from another financial institution account fees will be deducted when funds are received by Directed Trust Company.
- Charge all Account Fees to the credit/debit card below.

Be advised that a minimum cash balance of \$500 must be maintained at all times. *Please see Custodial Account Agreement and Fee Schedule for more information on Billing and Fee Collection.*

Credit Card Information
Card Type: <input type="checkbox"/> VISA <input type="checkbox"/> MasterCard <input type="checkbox"/> AMEX <input type="checkbox"/> Discover
Name on Card: _____
Card Number: _____
Exp. Date (mm/yy): _____ / _____   CVV (security code on back of card): _____
<input type="checkbox"/> Check this box <b>ONLY</b> if the billing address associated with this card is the same as your mailing address listed above.
Billing Address: _____
City: _____ State: _____ Zip Code: _____

*\*If funds in the account are insufficient to cover the assessed account fees AND maintain the minimum cash balance requirement, the credit/debit card on the account will be charged.*

 Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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**12. Participant Acknowledgement & Signature**

I, the undersigned Participant (Account Owner), hereby establishes a Coverdell Education Savings Account, under the Custodial Account Agreement, which is incorporated within this application by this reference. I designate Directed IRA as Custodian of this Coverdell Education Savings Account and make the following declarations.

I have read, understand and agree to all of the terms as set forth in the Coverdell Education Savings Account New Account Application, Custodial Account Agreement, Disclosure Statement/Additional Information, and the Fee Schedule (collectively, "Plan Documents,") and I have retained a copy of the Plan Documents, including a copy of this completed Application. The Plan Documents are also available to me at the Directed IRA web site at [www.directedira.com](http://www.directedira.com).

I acknowledge that a minimum cash balance requirement may apply to my Account, as stated on the **Fee Schedule**. If this requirement is not met, I understand additional fees may apply. I also understand that fees are not prorated upon establishment or termination, and I consent to have my conversations with Directed IRA recorded.

*Please complete, sign and return this Application with your contribution and application fee payment. Be sure to keep a copy for your records. Please print or type. All fields must be completed. If not applicable, please indicate by printing "N/A" or "None" where appropriate.*

➤ \_\_\_\_\_  
**Account Owner/Responsible Individual Signature** **Date (required)**

➤ \_\_\_\_\_  
**Depositor Signature** *(If different from Responsible Individual)* **Date (required)**

*When the plan has been accepted by Directed IRA, the Account Owner will be sent an account establishment confirmation email showing the account number and account information. Trading or Direction of Investment(s) may be delayed until a Directed IRA account number has been assigned and the account has been funded by the Account Owner.*

**13. Duties**

Directed IRA performs the duties of an independent custodian of assets for self-directed individuals and business retirement accounts and does not provide investment advice, sell investments, or offer any tax or legal advice. Clients or potential clients are advised to perform their own due diligence in choosing any investment opportunity as well as selecting any professional to assist them with an investment opportunity. Investments are not FDIC insured and are subject to risk, including loss of principal.

**14. Return Instructions**

Return the completed application to Directed IRA by one of the following methods. If submitting contribution or payment of account fees by check you MUST mail in your application along with payment.

**Don't Forget to Attach a Copy of Your Driver's License or Passport**

**INVESTMENTS: NOT FDIC INSURED ■ NO GUARANTEE ■ MAY LOSE VALUE**

<b>Email Forms to:</b> <a href="mailto:Clients@directedira.com">Clients@directedira.com</a>	<b>Send Mail to:</b> 3033 N. Central Ave. Ste. 415 Phoenix, AZ 85012	<b>Fax:</b> 602-899-9641	<b>Questions?</b> (800) 818-1322 <a href="mailto:Clients@directedira.com">Clients@directedira.com</a>
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Directed IRA is a tradename of Directed Trust Company, an Arizona Corporation

## Coverdell Education Savings Custodial Account Agreement

Form 5305-EA (Rev. October 2016)

Department of the Treasury  
Internal Revenue Service

**DO NOT FILE**

**with the Internal Revenue Service  
Keep for your Records**

### Custodian: Directed Trust Company

This Coverdell Education Savings Custodial Account Agreement (hereinafter called the "Agreement") with Stretch Provisions is made between Directed Trust Company, an Arizona Corporation, dba Directed IRA (hereinafter called the "Custodian") and each individual who executes an Adoption Agreement, incorporating the terms of this Agreement (hereinafter called the "Account Owner" or "you"), for the purpose of establishing a Coverdell Education Savings Custodial Account (hereinafter called the "Custodial Account" or "Account") under section 530 of the Internal Revenue Code to provide for his or her retirement and for the support of his or her beneficiaries after death. Pursuant to this Agreement the Custodian provides financial services solely in the capacity of a directed custodian. The Custodian named on the Adoption Agreement, has given the Account Owner the disclosure statement, attached hereto, required under Regulation Section 1.408-6.

### The Account Owner 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 above-listed amount 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.



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#### 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 below, 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.

**Option (This provision is effective only if checked):** 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.

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#### Article VI

The responsible individual may or may not 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.

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#### 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.

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#### 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.

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#### 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 the custodian whose signatures appear below.

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#### Stretch Provisions

*Article X and any Article thereafter, may be used for any additional provisions also referred to as Stretch Provisions of this Agreement. The Stretch Provisions added hereinafter must comply with applicable requirements of state law and the Internal Revenue Code and may not imply that they have been reviewed or preapproved by the IRS.*

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#### Article X

**1. Applicable Law; Terminology:** This Custodial Agreement shall be governed by the laws of the jurisdiction where the Custodian is organized. The term Account Owners also includes the Account Owner’s Beneficiary, where appropriate throughout this Agreement.

**2. Annual Accounting:** The Custodian shall, at least annually, provide the Account Owner or Beneficiary (in the case of death) with an accounting of the Custodial Account. Such accounting shall be deemed to be accepted by the Account Owner or the Beneficiary, if the Account Owner or Beneficiary does not object in writing within 60 days after the mailing of such accounting statement.

**3. Amendment:** The Account Owner irrevocably delegates to the Custodian the right and power to amend this Agreement. Except as hereafter provided, the Custodian will give the Account Owner 30 days prior written notice of any amendment. In case of a retroactive amendment required by law, the Custodian will provide written notice to the Account Owner of the amendment within 30 days after the amendment is made, or if later, by the time that notice of the amendment is required to be given under regulations or other guidance provided by the IRS. The Account Owner shall be deemed to have consented to any such amendment unless the Account Owner notifies the Custodian to the contrary within 30 days after notice to the Account Owner and requests a distribution or transfer of the balance in the Custodial Account.

**4. Resignation and Removal of Custodian:**

**(a)** The Custodian may appoint a successor trustee or custodian to serve under this Agreement or under another governing agreement selected by the successor trustee or custodian and neither the Account Owner nor the successor shall be required to execute any written document to complete the transfer of the Custodial Account to the successor trustee or custodian. The successor trustee or custodian may rely on any information, including beneficiary designations, previously provided by the Account Owner to the Custodian.

**(b)** The Custodian shall also provide annual tax reporting to the IRS.

(c) The Custodian may resign and demand that the Account Owner appoint a successor trustee or custodian of this IRA by giving the Account Owner written notice at least 30 days prior to the effective date of such resignation. The Account Owner shall then have 30 days from the date of such notice to designate a successor trustee or custodian, notify the Custodian of the name and address of the successor trustee or custodian, and provide the Custodian with appropriate evidence that such successor has accepted the appointment and is qualified to serve as trustee or custodian of an individual retirement account.

(1) If the Account Owner designates a successor trustee or custodian and provides the Custodian evidence of the successor's acceptance of appointment and qualification within such 30-day period, the Custodian shall then deliver all of the assets held by the Custodian in the Custodial Account (whether in cash or personal or real property, wherever located, and regardless of value) to the successor trustee or custodian.

(2) If the Account Owner does not notify the Custodian of the appointment of a successor trustee or custodian within such 30 day period, then the Custodian may distribute all of the assets held by the Custodian in the Custodial Account (whether in cash or personal or real property, wherever located, and regardless of value) to the Account Owner, outright and free of trust, and the Account Owner shall be wholly responsible for the tax consequences of such distribution.

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

#### **5. Uninvested Cash:**

Directed Trust Company will receive and retain a reasonable rate of interest not to exceed 3.75% per annum of the average daily balance on Account Owner's uninvested cash as further compensation for the services it renders to Account Owner. This shall be deducted from the cash balance prior to the crediting of any rate higher than the reasonable rate of interest as stated above to the Account Owner's custodial account at the end of each month. The account is only eligible to earn interest if it is open as of the interest crediting date, and any interest that may accrue on the account during a month that the account is closed prior to the interest crediting date to Directed IRA as an additional fee.

#### **6. Custodian's Fees and Expenses:**

(a) Account Owner agrees to maintain a monthly minimum account cash balance of \$500. If Custodial Account has a cash

balance of \$499 or less, and no other assets, the Custodial Account may be closed at Directed IRA's sole discretion. The Account Termination fee of \$200 will be deducted from the Custodial Account balance and any remaining cash balance will be mailed to Account Owner in the form of a check paid directly to Account Owner as; 1. A 60-day rollover if the Account Owner qualifies; or 2. As a distribution. If distributed as a 60-day rollover, the Account Owner will have 60 days to deposit all or a portion of the funds into an IRA or another qualified retirement plan.

(b) We have the right to charge an annual service fee or other designated fees (e.g., a transfer, rollover, or termination fee) in accordance with a fee schedule provided by the Custodian to the Account Owner for maintaining your Account. We reserve the right to modify fees and charge any additional fee after giving you 30 days' notice. Fees such as subtransfer agent fees or commissions may be paid to us by third parties for assistance in performing certain transactions with respect to this Account. Any commissions or other costs directly attributable to the assets in your Account will be charged to your Account.

(c) The Custodian shall be entitled to fees for distributions from, transfers from, and terminations of this IRA. The Custodian shall invoice Custodial Account directly for these services. If insufficient funds are in Custodial Account, Custodian will charge fees to credit/debit card maintained on file, or billed to Account Owner directly for these services, and Account Owner agrees to pay such fees. The Custodian may change its fee schedule at any time by giving the Account Owner 30 day's prior written notice.

(d) The Account Owner agrees to pay any expenses incurred by the Custodian in the performance of their duties in connection with the Custodial Account. Such expenses include, but are not limited to, administrative expenses, such as legal and accounting fees, and any taxes of any kind whatsoever that may be levied or assessed with respect to such account.

(e) All such fees (including Custodial Fees), taxes, and other administrative expenses charged to the account shall be collected either from the assets in the account or from any contributions to or distributions from such account, or charged to the credit/debit card maintained on file with Custodian, if not paid by the Account Owner, but the Account Owner shall be responsible for any deficiency.

(f) In the event that for any reason the Custodian is not certain as to who is entitled to receive all or part of the assets of the Custodial Account, the Custodian reserves the right to withhold any payment from the Custodial Account, to request a court ruling to determine the disposition of the Custodial Account assets, and to charge the Custodial Account for any expenses incurred in obtaining such legal determination.

**7. Withdrawal Requests:** All requests for withdrawal shall be in writing on a form provided by the Custodian. Such written notice must also contain the reason for the withdrawal and the method of distribution being requested.

**8. Age 70 1/2 Default Provisions:** If the Account Owner does not choose any of the distribution methods under Article IV of this Agreement by the April 1st following the calendar year in which the Account Owner reaches age 70 1/2, distribution shall be determined based upon the distribution period in the uniform lifetime distribution period table in Regulation section 1.401(a)(9)-9. However, no payment will be made until the Account Owner provides the Custodian with a proper distribution request acceptable to the Custodian. Upon receipt by the Custodian, of such a distribution request, the Account Owner may switch to a joint life expectancy in determining the required minimum distribution if the Account Owner's spouse was the sole beneficiary as of the January 1<sup>st</sup> of the distribution calendar year and such spouse is more than 10 years younger than the Account Owner.

**9. Death Benefit Default Provisions:**

(a) If the Account Owner dies before his or her required beginning date and the beneficiary does not select a method of distribution described in Article IV, Section 3 by December 31<sup>st</sup> following the year of the Account Owner's death, then distributions will be made pursuant to the single life expectancy of the Designated Beneficiary determined in accordance with IRS regulations. However, no payment will be made until the beneficiary provides the Custodian with a proper distribution request acceptable to the Custodian and other documentation that may be required by the Custodian. A beneficiary may at any time request a complete distribution of his or her remaining interest in the Custodial Account. The Custodian reserves the right to require a minimum balance in the account in order to make periodic payments from the Custodial Account.

(b) If the Account Owner dies on or after his or her required beginning date, distribution shall be made in accordance with Article IV, Section 4. However, no payment will be made until the beneficiary provides the Custodian with a proper distribution request acceptable to the Custodian and other documentation that may be required by the Custodian. A beneficiary may at any time request a complete distribution of his or her remaining interest in the Custodial Account. The Custodian reserves the right to require a minimum balance in the account in order to make periodic payments from the Custodial Account.

**10. Responsibilities:** Account Owner represents and warrants that all information and instructions given to the Custodian by the Account Owner is complete and accurate and agrees that the Custodian shall not be responsible for any incomplete or inaccurate information provided by the Account Owner or Account Owner's beneficiary (ies). Account Owner and Account Owner's beneficiary (ies) agree to be responsible, jointly and severally, for all tax consequences arising from contributions to and distributions from this Custodial Account and acknowledges that no tax advice has been provided by the Custodian.

**11. Investment Provisions:** All contributions shall be invested and reinvested by the Custodian as directed by the Account

Owner. As provided in Article IX Section 1; Self-Directed IRA Provisions. It is understood and acknowledged by Account Owner that the Custodian shall assume no responsibility, expressed or implied, for any loss or diminution of account and Account Owner indemnifies and holds harmless Custodian, without limitation, against any and all losses, costs, expenses or liabilities of any nature whatsoever incurred as a result of Custodian's and/'s execution of Account Owner's investment instructions. Account Owner agrees that any cash in the account as to which the Account Owner has not given investment direction may remain uninvested, or may be deposited in interest bearing accounts of financial institutions, which may include the Custodian itself, United States government securities and securities that are insured or guaranteed by the United States government. The Custodian shall have no duty other than to follow the written investment directions of the Account Owner, and shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Account Owner.

**12. Designation of Beneficiary:**

(a) Except as may be otherwise required by the laws of the applicable state, in the event of the Account Owner's death, the balance in the account shall be paid to the beneficiary or beneficiaries designated by the Account Owner on a beneficiary designation form acceptable to and filed with the Custodian. The Account Owner may change the Account Owner's beneficiary or beneficiaries at any time by filing a new beneficiary designation with the Custodian. If no beneficiary designation is in effect, if none of the named beneficiaries survive the Account Owner, or if the Custodian cannot locate any of the named beneficiaries after reasonable search, any balance in the Custodial Account will be payable to the Account Owner's estate.

(b) If the Custodian permits, in the event of the Account Owner's death, any beneficiary may name a subsequent beneficiary (ies) to receive the balance of the Custodial Account to which such beneficiary is entitled upon the death of the original beneficiary by filing a Subsequent Beneficiary Designation Form acceptable to and filed with the Custodian. Payments to such subsequent beneficiary (ies) shall be distributed in accordance with the payment schedule applicable to the original beneficiary or more rapidly if the subsequent beneficiary requests. In no event can any subsequent beneficiary be treated as a designated beneficiary of the Account Owner. The preceding sentence shall not apply with respect to the subsequent beneficiary (ies), if any, designated by the original spouse beneficiary where the Account Owner dies before his or her required beginning date. In that case, the original spouse beneficiary shall be treated as the Account Owner. If the balance of the Custodial Account has not been completely distributed to the original beneficiary and such beneficiary has not named a subsequent beneficiary or no named subsequent beneficiary is living on the date of the original beneficiary's death, such balance shall be payable to the estate of the original beneficiary.

### **13. Responsibility for Tax Consequences**

I assume all responsibility for any tax consequences and penalties that may result from making contributions to, transactions with, and distributions from my Account. I am authorized and of legal age to establish this Account and make investment purchases offered by the Custodian. I assume complete responsibility for: 1) Determining that I am eligible for an account transaction that I direct the custodian to make on my behalf; 2) Insuring that all contributions I make are within the limits set forth by the tax laws; 3) The tax consequences of any contribution (including rollover contributions and distributions).

### **14. Valuation Reporting Policy**

Each account statement issued reflects the reported value of the account assets, all transactions that have been processed and all fees (if any) that have been charged. Custodian reports the value of account assets provided to it by the Account Owner and/or investment sponsor. The Custodian does not conduct appraisals and does not seek to verify any values provided to it by the Account Owner or other third parties. A value listed on an account statement is deemed accepted by the Account Owner if the Account Owner does not dispute it in writing within 60 days of the statement being issued.

On an annual basis (or in the instance of a taxable event), Directed Trust Company requests updated valuation information from the Account Owner, of assets of the Account classified as alternative assets, as of December 31 each year. This information is due to the Custodian no later than January 15 of the following year. If the Account Owner fails to provide this information on an annual basis, Directed Trust Company may require that the asset be removed from the Account by transfer or distribution. If the Account Owner does not remove the asset from the Account as directed, Directed Trust Company may distribute the asset to the Account Owner at the last reported value or resign as Custodian of the Account and distribute the entire Account to the Account Owner.

### **15. Recorded Phone Line**

Directed Trust Company reserves the right to record phone line conversations that may be used for record-keeping, training and quality-assurance purposes. All recorded phone line conversations are the property of Directed Trust Company and will be maintained at the sole discretion of Directed Trust Company. By signing the New Account Application and/or the Custodial Account Agreement, the Account Owner gives Directed Trust Company consent to record and play back such calls as necessary for business purposes, and also acknowledges that recorded phone line conversations are the property of Directed Trust Company.

### **16. Electronic Notices, Communications, Signatures, and Records**

To the extent written instructions or notices are required under this Custodian Account Agreement, Depositor acknowledges and agrees that all notices will be provided through an electronic medium and the Account shall be

subject to the provisions of the Uniform Electronic Transactions Act, as passed in the state where the Custodian is organized, and the federal Electronic Signature in Global and National Commerce Act (ESIGN Act, as contained in 15 U.S.C. 7001), as those laws pertain to electronic communications, electronic signatures, and electronic storage of Account records. In lieu of the retention of the original records, Custodian may cause any, or all, of its records, and records at any time in its custody, to be photographed, scanned, or otherwise reproduced to permanent form, and any such photograph, scanned copy, or reproduction shall have the same force and effect as the original thereof and may be admitted in evidence equally with the original. If Account Owner requires Custodian to maintain original hard copy records, the Account Owner shall make a specific request in writing to Custodian for each record the Account Owner wants maintained in original physical form. Such request must be made before the requested documents are first sent to the Custodian. A special annual fee shall apply for the records maintained in original physical form.

### **17. Governing Law and Arbitration**

This Agreement and all amendments hereto shall be governed by and construed in accordance with the laws of the state of Arizona, applicable to contracts made and to be performed therein. The parties agree that, upon the request of any party hereto, whether made before or after the institution of any legal proceeding, all claims and disputes of every type and matter which may arise between the Account Owner and the Custodian shall be submitted to binding arbitration before a panel of arbitrators (as described below), of and pursuant to the rules of the American Arbitration Association ("AAA"); that such arbitration hearings and proceedings shall take place only in Arizona or another site selected by the Administrator in its sole discretion; that this arbitration provision and the arbitration shall be administered by the AAA pursuant to and construed and enforced under the Federal Arbitration Act (title 9 of the United States Code) ("FAA"); however, if the FAA is inapplicable for any reason, such arbitration shall be conducted pursuant to Arizona law; that there shall be no class action, class or consolidated arbitration; that the prevailing party in any claim or dispute of any type between the Account Owner and the Custodian, or as the case may be, shall recover reasonable attorneys' fees, costs and expenses, including without limitation, arbitration filing fees, arbitrators' fees, and other arbitration fees; and that this arbitration agreement shall govern any disputes involving Account Owner and the Custodian, as the case may be, notwithstanding any provisions, including and without limitation venue or arbitration provisions, contained in any agreement signed by Custodian in its custodial capacity. Any arbitration proceeding shall be conducted by a panel of three neutral arbitrators selected by the parties unless the parties agree otherwise. If arbitration is requested as described above, the parties expressly waive any right to institute or conduct litigation or arbitration before any other body or

tribunal. The parties further agree that if a party is required to enforce this arbitration agreement against the other party and/or to compel the other party to arbitration pursuant to this agreement, the prevailing party shall recover from the other party reasonable attorneys' fees, costs and expenses so incurred. Arbitration shall be final and binding upon the parties.

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**ARTICLE IX  
SELF-DIRECTED IRA PROVISIONS**

**1. Investment of Contributions:** As provided in Article VIII, Section 11, at the direction of the Account Owner, the Custodian shall invest all contributions to the Custodial Account and earnings thereon in investments, provided that such investments that are considered administratively feasible by the Custodian. The Custodian shall have no duty other than to follow the written investment directions of the Account Owner, shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Account Owner under any circumstances.

**2. Indemnification.** The Custodian shall have no duty other than to follow the written investment directions of the Account Owner, and shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Account Owner under any circumstances. Account Owner agrees to indemnify Custodian for any losses, costs, or fees (including reasonable attorney's fees) that are incurred by Custodian as a result of the foregoing provision. The responsible duties of the Custodian are to report tax information for the IRA to the IRA and to execute orders made by the Account owner.

**3. Registration:** All assets of the Custodial Account shall be registered in the name of the Custodian; "Directed Trust Company FBO (Account Owner Name) (Account Type).

**4. No Investment Advice:** I acknowledge that investment decisions are the sole responsibility of the Account Owner and that the Custodian has no duty to review, or to make any recommendations in connection with the acquisition, retention, or disposition of any investments in the Account Owner's Account. The Custodian does not recommend or offer investments and that the Account can only be invested upon the sole authorization and determination of the Account Owner. I understand that I should seek professional assistance from properly licensed financial, legal, and tax professionals and that the Custodian does not offer and should not be relied on for investment, financial, legal, or tax advice. The Custodian does not provide investment advice and does not assume any responsibility for rendering advice with respect to the investment and reinvestment of Custodial Account and shall not be liable for any loss which results from Account Owner's exercise of control over his or her Custodial Account under any circumstances.

**5. Prohibited Transactions:** Account Owner acknowledges and agrees to abide by the provisions of § 4975 of the Internal Revenue Code and the related Treasury regulations pertaining to "Prohibited Transactions," and acknowledges that adverse tax consequences to

the Account Owner would result from any investment or other use of the Custodial Account in a way that constitutes such a Prohibited Transaction. Account Owner assumes full responsibility for and agrees to hold the Custodian harmless for Prohibited Transactions entered into, either knowingly or without knowledge, at the direction of the Account Owner. Without limiting the generality of the foregoing, and notwithstanding anything contained in this Agreement to the contrary, the Account Owner shall not direct the Custodian to lend directly or indirectly any part of the corpus or income of the Custodial Account to; pay any compensation for personal services rendered to the Custodial Account to; make any part of its services available on a preferential basis to; acquire for the Custodial Account any property, other than cash, from; or sell any property to, any Account Owner, any member of an Account Owner's family, or a corporation controlled by any Account Owner through the ownership, directly or indirectly, of 50 percent or more of the total combined voting power of all classes of stock entitled to vote, or of 50 percent or more of the total value of shares of all classes of stock of such corporation.

**6. Unrelated Business Income Tax:** If the Account Owner directs investment of the Custodial Account in any investment which results in unrelated business taxable income, it shall be the responsibility of the Account Owner to so advise the Custodian and to provide the Custodian with tax returns to file any required returns or reports for the Custodial Account. It shall be the responsibility of the Account Owner to produce such returns and provide to the Custodian the information necessary to file such returns. The Custodian is authorized to file such returns and reports, and to apply assets of the Custodial Account to the payment of any taxes that are owed as a result of such unrelated business taxable income.

**7. Disclosures and Voting:** The Custodian may deliver, or cause to be executed and delivered, to Account Owner all notices, prospectuses, financial statements, proxies and proxy soliciting materials relating to assets credited to the Custodial Account. The Custodian shall not vote any shares of stock or take any other action, pursuant to such documents, with respect to such assets except upon receipt by the Custodian of adequate written instructions from Account Owner.

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**ARTICLE X  
SEVERABILITY**

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

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**Acknowledgment**

I declare that I have examined this Custodial Account Agreement, including accompanying information, and to the best of my knowledge and belief, it is true, correct, and complete. I acknowledge this Custodian Account Agreement and agree to abide by their terms as currently in effect or as they may be amended from time to time by the IRS or Custodian.

Account Owners Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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**INVESTMENTS: NOT FDIC INSURED ■ NO GUARANTEE ■ MAY LOSE VALUE**

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<b>Email Forms to:</b> <a href="mailto:Clients@directedira.com">Clients@directedira.com</a>	<b>Send Mail to:</b> 3033 N. Central Ave. Ste. 415 Phoenix, AZ 85012	<b>Fax:</b> 602-899-9641	<b>Questions?</b> (800) 818-1322 <a href="mailto:Clients@directedira.com">Clients@directedira.com</a>
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Directed IRA is a tradename of Directed Trust Company, an Arizona Corporation



## **Disclosure Statement – Coverdell Education Savings Account (ESA)**

This Coverdell Education Savings Account (ESA) Disclosure Statement is a summary of the requirements for Directed Trust Company, an Arizona Corporation, tradename Directed IRA, pursuant to and which are governed by Section 530 of the Internal Revenue Code (Code) and any regulation that may be issued under Code Section 530. The details under which this Coverdell Education Savings Account (ESA) is governed are specified by the law and as provided in the Coverdell Education Savings Account (ESA) Custodial Account Agreement. By executing the Coverdell Education Savings Account (ESA) Application, you acknowledge receipt of this Disclosure Statement. The Account Owner has executed the Coverdell Education Savings Account (ESA) Account Custodial Agreement.

Because the rules with respect to Coverdell ESAs are very complex, you should consult with your own tax advisor if you have questions about the information contained in this Additional Information for Coverdell ESA document. Further information is contained in IRS Publication 970, which can be obtained from any District Office of the Internal Revenue Service (IRS) or [www.irs.gov](http://www.irs.gov).

In this Disclosure Statement for Coverdell ESAs document, the term “child” or “Designated Beneficiary” means the Designated Beneficiary, as defined in the Custodial Account Agreement, on whose behalf the Custodial Account is established.

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### **1. Revocation of Account**

The Account Owner may revoke the Coverdell Education Savings Account (ESA) at any time within seven (7) days after he or she has executed the Coverdell Education Savings Account (ESA) Application. Upon revocation, the Custodian will return to the Account Owner the amount contributed to the Coverdell Education Savings Account (ESA) without penalty, service charge or administrative expense. Contributions will be returned plus establishment fees without adjustment for such items as sale commissions or administrative expenses. To revoke the Coverdell Education Savings Account (ESA), the Account Owner must personally deliver or mail a written notice of revocation to the Custodian postmarked within seven (7) days of executing the Coverdell Education Savings Account (ESA) Application. Mail the notice by First Class Mail to the Custodian:

Directed Trust Company  
Attn: Revocation  
3033 North Central Ave, Suite 415  
Phoenix, AZ 85012

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### **1. General Information**

#### **Coverdell Education Savings Account**

Beginning January 1, 2002, taxpayers may deposit up to \$2,000 per year into an ESA for a child under age 18. Parents, grandparents, other family members, friends, and a child him/herself may contribute to the child’s 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-free until distributed, and the child will not owe tax on any withdrawal from the account if the child’s qualified higher education expenses or qualified elementary and secondary education expenses at an eligible educational institution for the year equal or exceed the amount of the withdrawal. If the child does not need the money for qualified education expenses, the account balance can be rolled over to the ESA of certain family members who can use it for their qualified education expenses. Amounts withdrawn from an ESA that exceed the child’s qualified education expenses in a taxable year are generally subject to income tax and to an additional tax of 10 percent. The Hope Scholarship Credit and Lifetime Learning Credit may not be claimed for a student’s expenses in a taxable year in which the student takes a tax-free withdrawal from an ESA.

#### **What is an Education Savings Account (ESA)?**

An ESA is a trust or custodial account that is created or organized in the United States exclusively for the purpose of paying the qualified higher education expenses or qualified elementary and secondary education expenses of the designated beneficiary of the account. The account must be designated as an ESA when it is created in order to be treated as an ESA for tax purposes.

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### **2. Eligibility**

#### **For whom may an ESA be established?**

An ESA may be established for the benefit of any child under age 18. Contributions to the ESA cannot be made after the designated beneficiary reaches his/her 18<sup>th</sup> birthday.

### **Where may an individual open an ESA?**

An individual may open an ESA with any bank, or other entity that has been approved to serve as a nonbank trustee or custodian of an individual retirement account (IRA), and the bank or entity is offering ESAs. Other entities that wish to offer ESAs but are not approved to serve as IRA trustees or custodians may seek approval by following the same IRS procedures used for approval of other IRA nonbank trustees. See Notice 97-57, 1997-43 I.R.B. (October 27, 1997).

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### **3. Contributions**

#### **When may a taxpayer start contributing to an ESA for a child?**

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

#### **How much may be contributed to a child's ESA?**

Beginning in taxable year 2002, 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 ESA or in multiple ESAs.

#### **What happens if more than \$2,000 is contributed to an ESA on behalf of a child in a calendar year?**

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) before the first day of the sixth month of the taxable year following the taxable year, the excess contributions are subject to a six (6) percent excise tax for each year the excess amount remains in the account.

#### **May contributions other than cash be made a child's ESA?**

No. ESAs are permitted to accept contributions made in cash only.

#### **May contributors take a deduction for contributions made to an ESA?**

No.

#### **Are there any restrictions on who can contribute to an ESA?**

In the case of a contributor who is an individual, the contributor may contribute up to \$2,000 to a child's ESA if the individual's adjusted gross income for the taxable year is not 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 \$450 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 ESA.

#### **May a child contribute to his/her own ESA?**

Yes.

#### **May contributions be made to both a qualified state tuition program (QTP) and an ESA on behalf of the same designated beneficiary in the same taxable year?**

You can contribute to both a QTP and a Coverdell ESA in the same year for the same designated beneficiary.

#### **Does a taxpayer have to be related to the designated beneficiary in order to contribute to the designated beneficiary's ESA?**

No.

#### **How many ESAs may a child have?**

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

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### **4. Distributions/Withdrawals**

#### **May a designated beneficiary take a tax-free withdrawal from an ESA to pay qualified higher education expenses if the designated beneficiary is enrolled less than full-time at an eligible educational institution?**

Yes. Whether the designated beneficiary is enrolled fulltime, half-time, or less than half-time, he/she may take a tax free withdrawal to pay qualified education expenses.

#### **What happens when a designated beneficiary withdraws assets from an ESA to pay for college?**

Generally, with withdrawal is tax-free to the designated beneficiary to the extent the amount of the withdrawal does not exceed the designated beneficiary's qualified education expenses.

#### **What are "qualified education expenses"?**

"Qualified education expenses" means qualified higher education expenses and qualified elementary and secondary education expenses. Qualified higher education expenses include expenses for tuition, fees, books, supplies, and equipment required for the enrollment or attendance of the designated beneficiary at an eligible educational institution. Qualified higher education expenses also include 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 the designated beneficiary is at least a half-time student at an eligible education institution. The standards for determining whether a student is enrolled at least half time are the same as those used for the Hope Scholarship Credit.

#### **What is an eligible educational institution?**

An eligible educational institution is any college, university, vocational school, or other postsecondary educational institution that is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088) and, therefore, eligible to participate in the student aid programs administered by the Department of Education. This category includes virtually all accredited public, nonprofit, and proprietary postsecondary institutions. (The same eligibility requirements for institutions apply for the Hope Scholarship Credit, the Lifetime Learning Credit, and early withdrawals from IRAs for qualified higher education expenses.)



**What happens if a designated beneficiary withdraws an amount from an ESA but does not have any qualified higher education expenses to pay in the taxable year he/she makes the withdrawal?**

Generally, if a designated beneficiary withdraws an amount from an ESA and does not have any qualified higher education expenses during the taxable year, a portion of the distribution is taxable. The taxable portion is the portion that represents earnings that have accumulated tax-free in the account. The taxable portion of the distribution is also subject to a 10 percent additional tax unless an exception applies.

**Is a distribution from an ESA taxable if the distribution is contributed to another ESA?**

Any amount distributed from an ESA and rolled over to another ESA for the benefit of the same designated beneficiary or certain member of the designated beneficiary's family is not taxable. An amount is rolled over if it is paid to another 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, and spouses of all the foregoing. The \$2,000 annual contribution limit to ESAs does not apply to these rollover contributions. For example, an older brother who has \$2,000 left in his ESA after he graduates from college can roll over the full \$2,000 balance to an ESA for his younger sister who is still in high school without paying any tax on the transfer.

**What happens to the assets remaining in an ESA after the designated beneficiary finishes his/her post-secondary education?**

There are two options. The amount remaining in the account may be withdrawn for the designated beneficiary. The designated beneficiary will be subject to both income tax and the additional 10 percent tax on the portion of the amount withdrawn that represents earnings if the designated beneficiary does not have any qualified higher education expenses in the same taxable year he/she makes with withdrawal. Alternatively, if the amount in the designated beneficiary's ESA is withdrawn and rolled over to another ESA for the benefit of a member of the designated beneficiary's family, the amount rolled over will not be taxable.

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**5. Taxes**

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

Yes, provided: (1) the terms of the particular trust or custodial account permit a change in designated beneficiaries (each trustee or custodian will control whether options like this one are available in the accounts they offer), and (2) the new designated beneficiary is a member of the previous designated beneficiary's family.

**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 an ESA on a tax-free basis?**

The Hope or Lifetime Learning Credit can be claimed in the same year the beneficiary takes a tax-free distribution from a Coverdell ESA as long as the same expenses are not used for both benefits. This means the beneficiary must reduce qualified higher education expenses by tax-free educational assistance, and then further reduce them by any expenses taken into account in determining a Hope or Lifetime Learning Credit.

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**9. Prohibited Transactions**

If you or your beneficiary engage in a prohibited transaction with the account, as described in IRC Section 4975, the account (or the portion of the account engaged in the prohibited transaction) will lose its exemption from tax and then you must include the fair market value of the amount involved in the prohibited transaction in your gross income for the year during which the prohibited transaction occurred in addition to any regular income tax that may be payable. It is your responsibility to determine if a transaction constitutes a prohibited transaction. The Custodian is not responsible for determining if a transaction constitutes a prohibited transaction. The Custodian reserves the right to request certification from you that the direction provided by you does not create a prohibited transaction. If such certification is not forthcoming, the Custodian reserves the right to take whatever action it deems within its discretion to be appropriate, including but not limited to resigning from the account and/or distributing the assets. Not requesting such a certification regarding a transaction is not a determination that a prohibited transaction does not exist.

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**10. Beneficiaries**

You can name one or more beneficiaries to whom the balance of your Coverdell Education Savings Account (ESA) will be paid when you die. To do so, fill out the designation of beneficiary form provided by the Custodian. Your designation of beneficiaries will not be effective until received and accepted by the Custodian.

You should review your designation periodically, especially if there is a change in your family status such as marriage, divorce, death of a family member or birth or adoption of children. You may change your beneficiary at any time by filling out a new form and sending it to us. You can use a new designation to revoke your prior designation in whole or in part.

If the Coverdell Education Savings Account (ESA) continues after your death, your beneficiary has the same right to name beneficiaries as you had before your death. If you do not name beneficiaries, or if all your beneficiaries die before you or disclaim, the Custodian will pay your Coverdell Education Savings Account (ESA) to your spouse first, if he or she survives you. If you have no spouse who survives you, then the money will go to your children who survive you in equal shares. If you

have no children who survive you, the assets in your Coverdell Education Savings Account (ESA) will be paid to your estate.

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### **11. Self-Direction Requirements**

Under the Directed Trust Company Coverdell Education Savings Account (ESA) Account Agreement, you are required to direct the Custodian with respect to the investment of funds in your account. In the absence of direction from you or your authorized agent, the Custodian will not make or dispose of any investments or distribute any funds held in the account, except Custodian may liquidate assets, chose in the Custodian's sole discretion, to pay fees and expenses, including the Custodian's fees and expenses. The Custodian has no power or duty to question or investigate any investment agent, as to a specific investment of the Coverdell Education Savings Account (ESA)'s overall portfolio, to review any investments held in the account or to make any suggestions to you with respect to the investment, retention, or disposition of any asset in the account. The Custodian will not be liable for any loss of any kind which may result by reason of any action taken by it in accordance with direction from your or your designated agent, or by reason of any failure to act because of the absence of any directions. The Custodian may resign rather than execute an investment direction if it determines in its discretion that the investment would not be administratively feasible.

The assets in your Coverdell Education Savings Account (ESA) will be invested only in accordance with directions received from you or your designated Investment Agent. Directed Trust Company offers no investment management, recommendations, or investment advice as to which investments may be best for your Coverdell Education Savings Account (ESA). As Custodian, Directed Trust Company accepts custody of a wide range of different types of assets. The fact that Directed Trust Company accepts custody of an asset does not constitute an endorsement of that asset or the entity or principals which/who sell or manage such assets. You alone are responsible to do the appropriate investigation of the investment, entity and principals involved before you invest. Likewise, you alone are responsible for continuing oversight for all your investments. Growth in value of the retirement account is neither guaranteed nor projected, and depends entirely on the success of your investment strategy. The profits and/or losses of each individual retirement account are allocated to that account. Your fees are for custodial and administrative services.

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### **12. Approved Form**

The Directed Trust Company Coverdell Education Savings Account (ESA) Account is treated as approved, as to the form, by the Internal Revenue Service since it utilizes precise language of Form 5305-EA, currently provided by the Internal Revenue Service, plus additional language permitted by such form. The Internal Revenue Service approval is a

determination only as to the form of the account, and does not represent a determination of the merits of the account.

The provisions of the Coverdell Education Savings Account (ESA) Custodial Account Agreement and this Disclosure Statement shall be construed and interpreted under the laws of the State of Arizona.

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### **13. No Tax Advice**

This Disclosure Statement together with the Custodial Agreement should answer most questions concerning the Coverdell Education Savings Account (ESA). However, the fact that Coverdell Education Savings Account (ESA) state tax laws vary should be noted by you. If you have additional questions regarding Coverdell Education Savings Account (ESA)s, you should consult your tax advisor or attorney. Also, you may obtain additional information regarding Coverdell Education Savings Account (ESA) s from any District Office of the IRS. Further information is contained in IRS Publication 970. Directed Trust Company does not render tax or legal advice.

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### **14. Uninvested Cash**

Directed Trust Company will receive and retain a reasonable rate of interest not to exceed 3.75% per annum of the average daily balance on Account Owner's uninvested cash as further compensation for the services it renders to Account Owner. This shall be deducted from the cash balance prior to the crediting of any rate higher than the reasonable rate of interest as stated above to the Account Owner's custodial account at the end of each month. The account is only eligible to earn interest if it is open as of the interest crediting date, and any interest that may accrue on the account during a month that the account is closed prior to the interest crediting date to Directed IRA as an additional fee.

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### **15. Fee Disclosure, Referral Fees, Fund Custodian**

In connection with the Coverdell Education Savings Account (ESA), you agree to pay the fees set forth on the accompanying Fee Schedule. The services and fees on the Fee Schedule can be changed or additional fees added from time to time without notice to you.

The Custodian may pay a referral fee, one time or recurring, to brokers, financial institutions, investment sponsors, and other entities or individuals, which/who referred you/your Account to the Custodian.

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### **16. Privacy Disclosure**

The mission of the Custodian is to meet the desires of our customers. As a financial services professional entrusted with sensitive information, the Custodian respects the privacy of customers and is committed to treating customer information responsibly. The applicable Customer information Privacy Principles serve as standards for all employees for the collection, use, retention, and security of individual customer information.

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**17. Information the Custodian Collects About You**

The Custodian collects nonpublic information about you from the following sources:

- Information the Custodian receives from you on applications and other forms,
- Information about your transactions with the Custodian, our affiliates, or others.

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**18. No Disclosures Outside of Exceptions**

The Custodian does not reveal specific information about your Coverdell Education Savings Account (ESA) or other personally identifiable data to outside parties for their independent use unless: 1) the information is provided to help complete a transaction initiated by you; 2) the information is provided to a reputable credit bureau or similar information reporting agency; 3) the information goes to, agents, vendors, and service suppliers in connection with the services they supply to the Coverdell Education Savings Account (ESA); 4) you request or authorize disclosure; and 5) the disclosure otherwise is lawfully permitted or required. The Custodian does not provide account or personal information to outside companies for the purpose of independent telemarketing or direct mail marketing of any non-financial products or services of those companies.

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**19. Confidentiality and Security**

The Custodian restricts access to nonpublic personal information about you and the Custodial Account to those employees, vendors and agents who need to know that information to provide products or services to the Coverdell

Education Savings Account (ESA). Custodian maintains physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

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**20. 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.

What this means for you: When you open an Account, you will be asked for your name, address, date of birth, and other information that will allow the Custodian to identify you.

**Acknowledgment**

By signing the Coverdell Education Savings Account (ESA) Application document, you acknowledge the opening of the account and agree to be bound by the terms of the Coverdell Education Savings Account (ESA) Custodial Account Agreement including this Disclosure Statement, and the Privacy Notice included herein. Although not a part of the Application process, you authorize the Custodian to make inquiries from any consumer reporting agency or other personal information agency or service, including a check protection service, in connection with this Account, if deemed necessary at a future time.

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Account Owner Signature

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Date

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**INVESTMENTS: NOT FDIC INSURED ■ NO GUARANTEE ■ MAY LOSE VALUE**

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<b>Email Forms to:</b> <a href="mailto:Clients@directedira.com">Clients@directedira.com</a>	<b>Send Mail to:</b> 3033 N. Central Ave. Ste. 415 Phoenix, AZ 85012	<b>Fax:</b> 602-899-9641	<b>Questions?</b> (800) 818-1322 <a href="mailto:Clients@directedira.com">Clients@directedira.com</a>
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Directed IRA is a tradename of Directed Trust Company, an Arizona Corporation



## Privacy Notice – What We Do with Your Information

### Purpose of this Notice

Financial Companies choose how they share your personal information. Federal law gives consumers the right to limit some, but not all, sharing. Federal Law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

### What do we Collect?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and account balances
- Account transactions and payment history
- Assets and investment experience

When you are no longer our customer, we continue to share your information as described in this notice.

### How do we Share Your Information?

All financial companies need to share customers’ personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers’ personal information; the reasons Directed Trust Company chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Do we share this?	Can you limit this sharing?
For our everyday business purposes - such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes - to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	We Don't Share
For our affiliates' everyday business purposes – information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes – information about your creditworthiness	No	We Don't Share
For our affiliates to market to you	Yes	Yes <input type="checkbox"/> Opt out- Do not share my information
For non-affiliates to market to you	No	We Don't Share

## Privacy Notice – Continued

<i>How does Directed Trust Company protect my personal information?</i>	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
<i>How does Directed Trust Company collect my personal information?</i>	We collect your personal information, for example, when you <ul style="list-style-type: none"> <li>• Open an account or deposit money</li> <li>• Provide account information or give us your contact information</li> <li>• Direct us to buy or sell securities</li> <li>• Use your credit or debit card</li> </ul>
<i>Why can't I limit all sharing?</i>	Federal law gives you the right to limit only <ul style="list-style-type: none"> <li>• Sharing for affiliates' everyday business purposes — information about your creditworthiness</li> <li>• Affiliates from using your information to market to you</li> <li>• Sharing for non-affiliates to market to you</li> </ul> State laws and individual companies may give you additional rights to limit sharing.
<i>What happens when I limit sharing for an account I hold jointly with someone else?</i>	Your choice will apply to everyone on your account, unless you tell us otherwise.

### Questions?

- Call (800) 818-1322 or visit our website [www.directedira.com](http://www.directedira.com)

### Want to limit our Sharing?

- Contact us – Speak to one of our representatives today by calling (800) 818-1322

### Definitions

<i>Non-affiliates</i>	Companies not related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"> <li>• Neither Directed Trust Company nor its affiliates, (if applicable) share your information with non-affiliates for marketing purposes.</li> </ul>
<i>Joint Marketing</i>	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none"> <li>• Directed Trust Company does not participate in joint marketing with non-affiliates.</li> </ul>

**INVESTMENTS: NOT FDIC INSURED ■ NO GUARANTEE ■ MAY LOSE VALUE**

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## Fee Schedule

### Account Fees

Account Establishment .....	\$50
Annual Account Fee (Includes one Asset) (All IRA's, SEP's, HSA's, & ESA's,) .....	\$350
(Qualified & Nonqualified Custodial Accounts).....	\$495
Each Additional Asset .....	\$150

**\*\*All accounts must maintain a minimum monthly balance of \$500\*\***

### Transaction Fees

Check (One-time Distribution, Investment, Transfer).....	\$35	Recurring Check Distribution (RMDs) .....	\$15
ACH/Domestic Wire Out .....	\$35	Recurring ACH Distribution .....	\$15
International Wire Out.....	\$50	Check (Expense Payment) .....	\$15
Cashier's Check .....	\$50	Real Estate Purchase Fee.....	\$100

*Directed Trust Company does not charge for incoming ACH or Wire transfers.*

### Mail Fees

Priority Mail .....	\$15
Overnight Mail .....	\$35
International Mail .....	\$50

### Processing Fees

Next Day Service (All requests must be received by 10 am MST and in good order to be processed the following business day).....	\$150
Same-Day Service (All requests for same-day service must be received prior to 10 am MST and in good order) .....	\$250

### Other Fees

Account Research .....	\$100/hr	Roth Conversion Fee .....	\$95
Medallion Stamp.....	\$25	Each Additional Asset for Roth Conversion .....	\$25
Re-registration Fee-1 <sup>st</sup> Asset.....	\$95	Paper Statements.....	\$20/yr
Re-registration Fee for Each Additional Asset .....	\$25	Distressed Asset Maint. Fee <sup>1</sup> .....	\$100/yr
Processing for Returned Wire .....	\$35	IRS Form Facilitation/Preparation Fee .....	\$100/yr
Processing for Stop payment of Check Sent Out .....	\$35	Legal Action Fee <sup>2</sup> .....	\$150/hr
Rejected Credit Card/Returned (NSF) Check .....	\$25	Late Payment Penalty <sup>3</sup> .....	\$50
		Account Termination.....	\$200

1 Asset subject to dissolution, bankruptcy, receivership, or alternative disposition or status. 2 Relating to production of documents related to subpoena or legal action. 3 For failure to pay any outstanding invoice by provided deadline. Uninvested Cash shall be deposited with banks and will be insured by the FDIC up to the federal deposit insurance limits (currently \$250,000, per account holder) and any excess amount will not be insured by the FDIC. Directed Trust Company shall receive and retain interest on uninvested cash pursuant to the Custodial Account Agreement. See the Uninvested Cash section of your Custodial Account Agreement and Disclosure Statement for more information about the Uninvested Cash fee.

Directed IRA reserves the right to effect changes to this Fee Schedule, including the uninvested cash fee, upon thirty (30) days' prior written notice to the Account Owner.

Fees will continue to accrue and be payable even if the Account contains no assets from which Directed IRA can collect amounts owed by the Account Owner.

The Account Owner is responsible for reporting any inaccuracy of all assessed account fees and must report any inaccuracies to Directed IRA's Client Services within 45 days of the Fee Statement date.

Accounts holding \$499 or less in cash, and no other assets, may be closed at Directed IRA's sole discretion, and the Account Termination fee of \$200 will be deducted from cash balance. The remainder of the account balance will be paid to Account Owner by check. It is Account Owners responsibility to deposit the funds into another qualified retirement plan within 60 day(s), if applicable, or to pay the distribution tax.

Directed IRA may charge the Account Owner, and/or the custodial account, and/or the maintained credit/debit card held on file, and shall be reimbursed by the Account Owner or the custodial account, for any reasonable expense incurred by Directed IRA in connection with any account services or activities that Directed IRA determines are necessary or advisable, or which are expressly directed by the Account Owner, and which are not included in the services provided by Directed IRA for its normal fees. See the Custodial Account Agreement for more details.

All outstanding account fees/balances must be satisfied prior to the completion of an asset transfer out or an account closure.

Certain costs in this Fee Schedule may apply after notification of account closure. Examples include: research/special services costs, such as trailing dividends, check/wire costs, and requests for copies of records. Costs that remain unpaid after account closure will be subject to collections and payment according to the terms of the Custodial Account Agreement.