EQUITY TRUST®

Coverdell Education Savings Account

SAVE FOR YOUR CHILD'S EDUCATION BY INVESTING IN WHAT YOU KNOW

REIMAGINE YOUR RETIREMENT™

College Tuition is on the Rise. Are You Prepared?

The cost to attend college is increasing each year at an alarming rate. According to the 2023 College Board Trends in College Pricing Report[1], over the two decades from 1993-94 to 2023-24, published tuition and fees at public four-year colleges and universities, adjusted for inflation, has doubled.

The College Board report lists average prices of tuition, fees, and room and board for different types of institutions during the 2023-24 school year:

Public Four-Year Institutions:	**$24,030**
Private Nonprofit Four-Year Institutions:	**$56,190**

You can open an Equity Trust account to help you pay for education costs and ease the burden of student loan debt after college. A self-directed Coverdell Education Savings Account (CESA) allows you to invest in most anything, tax free, while saving for education costs. Plus, the CESA covers more than just tuition to an accredited college, university, vocational or private grad school. Funds can also be used to pay for fees, books, supplies and certain expenses related to room and board.

It's Easy to Get Started

A self-directed CESA is similar to other self-directed accounts at Equity Trust. You contribute funds to the account (or roll over an existing account) and invest tax-free in what you know, such as real estate, tax liens, foreign currency, stocks, and more.

To establish a CESA, you must have a child under age 18 (special needs individuals are also eligible following certain guidelines). Unlike other savings plans that require earned income, it isn't necessary to open a CESA. However, if you do have earned income, you must fall within certain modified adjusted gross income limits (MAGI). Your MAGI for the year must be less than $95,000-$110,000 ($190,000-$220,000 in the case of a joint return).

You're not the only one who can open a CESA for your child. If a relative or friend wants to help you save for your child's education, it's possible for more than one individual to open a CESA for the same person.

INVEST IN WHAT YOU KNOW TO GROW YOUR CESA

Once you establish a CESA, you're ready to make contributions. You can contribute $2,000 annually to a CESA. For example, if you contribute $1,400 to your child's account, a relative can contribute $600 (you're not permitted to exceed $2,000 for the same beneficiary's CESA in a year regardless of the number of accounts opened for any one individual). In addition, there's no rule requiring earned income to contribute, allowing your child to use birthday money or holiday money to contribute to their own CESA. With a funded account you can invest in what you're familiar with and the profits from the investment grow tax-free.

WANT TO SAVE MORE?

Invest in what you know and combine funds from other self-directed IRA accounts. There are many retirement accounts that offer additional savings benefits. With a CESA, all qualifying profits are tax-free and if you use the money for qualified education expenses, the distributions are tax-free as well.*

[1]The College Board's Trends in College Pricing 2023 report, https://research.collegeboard.org/trends/college-pricing
*The expenses must be incurred by the designated beneficiary

For decades, Equity Trust has been assisting clients to increase their financial wealth (and save for college) by investing in a variety of opportunities from real estate and private placements to stocks and bonds in self-directed IRAs and small business retirement plans.

Visit IRS.gov Publication 970 for more information as well as consult with a tax or financial professional before making any investment decisions.

Explore the Many Ways a CESA Could Help Your Child Graduate College Debt-Free

As noted earlier, tuition isn't the only expense a CESA covers. A CESA can be used for many purposes including higher education expenses, as well as postsecondary school or elementary school expenses.

QUALIFIED HIGH EDUCATION EXPENSES

Enrollment or attendance at an eligible postsecondary school is required for the following expenses to be eligible:

- Tuition and fees
- Books, supplies, and equipment
- Certain expenses related to room and board

QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES

Enrollment or attendance at an eligible postsecondary school is required for the following expenses to be eligible*:

- Tuition and fees
- Academic tutoring, uniforms
- Certain extended-day programs
- Books, supplies, and equipment
- Transportation and expenses related to room and board
- Certain expenses related to computer technology, equipment, and/or Internet access

*The expenses must be incurred by the designated beneficiary

How to Help Your CESA Grow Successfully

Understanding the following limits and rules is important to avoid penalties from the IRS that could impact your account.

- CESA contributions to each beneficiary can't exceed $2,000 in a year (total amount no matter how many CESAs are open for the beneficiary). A partial contribution can be made if the person who opens the account fits into one of the following categories:
  - Singles or Married Filing Separately with a modified adjusted gross income (MAGI) of $95,000-$110,000
  - Married Filing Jointly with a MAGI of $190,000-$220,000
- Contributions must be made in cash
- Contributions can't be made after the beneficiary reaches age 18, unless the beneficiary is a special-needs individual
- As with an IRA, contributions can be made up until April 15 (or tax filing deadline) for the prior tax year
- When the beneficiary reaches age 30, the account must be distributed or the remaining funds moved to an account for a qualifying family member

Special Note

If the amount you withdraw from your CESA is greater than the qualified education expenses for that year, the beneficiary (student) has to pay income tax on the excess amount. The student will also have to pay a 10-percent additional tax on the amount of the distribution included in income.

The only exceptions to the 10-percent penalty are death, disability, receipt by the student of a scholarship or fellowship, and attendance of a student at a U.S. military academy.

Case Study: Saving for Education with Real Estate Investments

For parents Joe and Sally Smith, paying for their child's education expenses is very important. When their child Jack was born, the Smiths decided to open a CESA to avoid the college debt Jack might face in the future.

Joe and Sally wanted to control how the money in their account was invested. They knew only a self-directed CESA plan would allow them to do that.

They were uncertain about investing their funds in the stock market. "We need to be able to trust that the money will be there when we need it for our child's education expenses," Sally pointed out. "With the ups-and-downs of the stock market, we can never be sure how much the account will be worth."

As knowledgeable real estate investors, the Smiths have done well in the past investing in property with their self-directed Equity Trust Roth IRAs. They decided that a self-directed CESA with Equity Trust was a smart choice and opened the account with a $2,000 contribution.

Being familiar with real estate investing, the Smiths took full advantage of the CESA's tax-free qualities. The first year, they used $500 from the account to purchase an option on real estate, selling that option later in the year for $12,000— a profit of $11,500 tax-free! At the end of the year, the $2,000 original contribution plus the $12,000 option sale (minus the $500 initial investment) had become a total of $13,500.

In just one year, the Smiths had already saved enough money to put their child through college for one year. The Smiths gained control of their child's education expenses with just one investment!

THE CESA INCREASES OVER THE YEARS

The second year, the Smiths continued to contribute the full $2,000 to the CESA account. That year, they purchased another real estate option for $1,000, which they sold during the year for $11,000 making another $10,000 in tax-free profits.

By the end of the second year, the Smiths had contributed just $4,000, but the account was now worth $25,500– all tax-free if used for education.

After the success of the first two investments, the Smiths continued to purchase more real estate options and once the account grew larger, they purchased and rehabbed a property. When their child turned 18 and was ready to attend college, the Smiths had saved more than $100,000 in the CESA account. With the average cost to attend a public college being around $21,000 a year, the Smiths saved more than enough to put their child through four years of college.

It's not difficult to see how Joe and Sally Smith gained control over their child's education expenses and benefit from the power of tax-free compounding interest.

Year one CESA contribution	+$2,000
Year one option purchase	-$500
Year one option sale	+$12,000
Year two CESA contribution	+$2,000
Year two purchase option	-$1,000
Year two option sale	+$11,000
TOTAL ACCOUNT VALUE END YEAR TWO	**$25,500**

Invest in an Equity Trust Self-Directed CESA and Begin Experiencing Tax Advantages to Help Save for Your Child's Education

Are you ready to take control of your child's educational future? This savings plan can help eliminate what many college graduates dread: paying off debt years after college. With the rising cost of tuition, it's smart to start thinking about investment options now. Equity Trust allows you to combine your own investment knowledge with the potential tax benefits of the self-directed CESA.

The Equity Trust Advantage

You have your choice of self-directed account custodians. So why choose Equity Trust? The difference is clear.

- Nearly limitless investment options include real estate, private entities, cryptocurrency, stocks, bonds, mutual funds, and more
- Wealth Bridge portal and Investment District online marketplace helps you locate potential investment opportunities
- State-of-the-art online account management system myEQUITY provides easy, around-the-clock account and investment management capabilities from any device
- 50 years of experience in the financial services industry
- Clients from all 50 states have entrusted us with the custody and administration of over $45 billion in retirement assets (as of 1/1/2024)
- Dedicated representatives provide personal service
- Regular educational and inspirational opportunities include newsletters, webinars, videos, case studies, and more

To open an Equity Trust CESA or for more information, contact us at Help@TrustETC.com or (855) 673-4721.

Frequently Asked Questions:
Coverdell Education Savings Accounts

Q. What is a CESA?

A. The Coverdell Education Savings Account is a trust or custodial account created for the purpose of paying the qualified education expenses of the designated beneficiary of the account.

Q. When can a CESA be opened?

A. Any time before the beneficiary turns 18 or if the individual is a special-needs beneficiary, an account can be opened at any time.

Q. Can anyone contribute yearly to a CESA?

A. Yes. As long as their modified adjusted gross income (MAGI) for the year is less than $110,000 ($220,000 if married filing jointly).

Q. What are considered qualified education expenses?

A. These are expenses recognized by the Department of Education through an accredited institution.

According to IRS Publication 970, the expenses can be neither qualified higher education expenses or qualified elementary and secondary education expenses.

Some examples of qualified education expenses may include tuition, room and board, books, supplies, equipment, uniforms, software, academic tutoring, special needs services, and others.

Q. How much can an account holder contribute to his/her account?

A. An individual (including the beneficiary) can contribute $2,000 per year to a CESA. Even if you have more than one contributor to the beneficiary's account, the contribution limit is still $2,000. If the beneficiary has more than one CESA in his/her name, the limit remains $2,000 for all accounts per year.

Q. What are the primary advantages of a CESA?

A. Higher education expenses may be covered as well as elementary and secondary-education expenses. In addition, contributions and investment growth is tax-free until funds are distributed as long as all guidelines are followed.

Q. When must assets be distributed from the account?

A. Assets must be distributed when the beneficiary reaches age 30 (rule doesn't apply to a special-needs beneficiary). If there's a balance in the CESA at the time the beneficiary reaches age 30 or dies (if earlier), it must be distributed within 30 days. A portion representing earnings on the account will be taxable and subject to the additional 10-percent tax. The beneficiary may avoid these taxes by rolling over the full balance to another beneficiary who is under the age of 30.

Q. How do I open a CESA?

A. You can open an Equity Trust CESA by completing an application at https://www.trustetc.com/openaccount. For more information on a CESA and how one can be established, contact an Equity Trust Senior Account Executive at (855) 673-4721.

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1 Equity Way | Westlake, OH 44145
(855) 673-4721 | TrustETC.com