



Form **5305-E**  
 (Rev. October 2010)  
 Department of the Treasury  
 Internal Revenue Service

# Coverdell Education Savings Trust Account

(Under section 530 of the Internal Revenue Code)

Do not file  
with the Internal  
Revenue Service

Name of grantor		Grantor's identification number _____ - _____ - _____	Check if amendment <input type="checkbox"/>
Name of designated beneficiary		Designated beneficiary's identification number _____ - _____ - _____	
Address of designated beneficiary		Date of birth of designated beneficiary	
Name of responsible individual (generally the parent or guardian of the designated beneficiary)			
Address of responsible individual			
Name of trustee Saturna Trust Company		Address or principal place of business of trustee 1300 N. State Street, Bellingham, WA 98225	

The grantor named above is establishing a Coverdell education savings trust account under section 530 for the benefit of the designated beneficiary exclusively to pay for the qualified elementary, secondary, and higher education expenses, within the meaning of section 530(b)(2), of such designated beneficiary.

The grantor has assigned the trust \_\_\_\_\_ dollars (\$ \_\_\_\_\_) in cash.

The grantor and the trustee make the following agreement:

### Article I

The trustee may accept additional cash contributions provided the designated beneficiary has not attained the age of 18 as of the date such contributions are made. Contributions by an individual contributor may be made for the tax year of the designated beneficiary by the due date of the beneficiary's tax return for that year (excluding extensions). Total contributions that are not rollover contributions described in section 530(d)(5) are limited to \$2,000 for the tax year. In the case of an individual contributor, the \$2,000 limitation for any year is phased out between modified adjusted gross income (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 trust account funds may be invested in life insurance contracts, nor may the assets of the trust account be commingled with other property except in a common trust fund or a common investment fund (within the meaning of section 530(b)(1)(D)).

### Article III

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

### Article V

The "responsible individual" named by the grantor shall be a parent or guardian of the designated beneficiary. The trust 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 trust after the designated beneficiary attains the age of majority under state law and until such time as all assets have been distributed from the trust and the trust 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.

**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 trustee’s procedures.

**Article VII**

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

**Article VIII**

The Custodian or Trustee may amend this Agreement in any respect (including retroactively) so that the Agreement may conform with applicable provisions of the Internal Revenue Code (“Code”), or with any other applicable law as in effect from time to time, or to make such other changes to this Agreement as the Custodian or Trustee deems advisable. Any amendment made to comply with the Code, or applicable law, does not require the grantor’s consent. The grantor will be deemed to have consented to any other amendment unless, within 30 days from the date the Custodian or Trustee mails the amendment, the grantor notifies the Custodian or Trustee in writing that the grantor does not consent and that the Account should be distributed or transferred to another Trustee or Custodian.

**Article IX**

The Trustee or Custodian may be removed or may resign at any time. As a condition of resignation or removal, a successor Trustee or Custodian shall be appointed, provided that any such successor shall satisfy the requirements of the Code. Upon the successor’s acceptance of appointment, the assets of the Account(s) shall be transferred to the successor, provided, however, a portion of the Account(s) may be reserved for payment of any liabilities that may constitute a charge against the Account(s). Upon acceptance of appointment, the successor shall be vested with all power of the Custodian or Trustee pursuant to this Agreement. The Custodian or Trustee shall not be liable for the acts or omissions of any predecessor or successor to it. In the event that no successor accepts an appointment, the custodial or trustee Account(s) shall be terminated, and the assets of the Account(s), reduced by the amount of any unpaid fees, liabilities or expenses, will be distributed to the grantor (or following the death of the grantor, the beneficiary).

**Article X**

Article X may be used for any additional provisions. If no other provisions will be added, draw a line through this space. If provisions are added, they must comply with applicable requirements of state law and the Internal Revenue Code.



Grantor’s signature ..... Date .....

Trustee’s signature ..... Date .....

Witness’ signature ..... Date .....

(Use only if signature of the grantor or the trustee is required to be witnessed.)

**General Instructions**

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

**What’s New**

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

**Purpose of Form**

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

If the model account is a custodial account, see **Form 5305-EA**, Coverdell Education Savings Custodial Account.

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

**Definitions**

**Trustee.** The trustee must be a bank or savings and loan association, as defined in

section 408(n), or any person who has the approval of the IRS to act as trustee. Any person who may serve as a trustee of a traditional IRA may serve as the trustee of a Coverdell ESA.

**Grantor.** The grantor is the person who establishes the trust account.

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

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

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

**Identification Numbers**

The grantor and designated beneficiary’s social security numbers will serve as their identification numbers. If the grantor is a nonresident alien and does not have an identification number, write “Foreign” in the block where the number is requested. The designated beneficiary’s social security number is the identification number of his or her Coverdell ESA. If the designated

beneficiary is a nonresident alien, the designated beneficiary’s individual taxpayer identification number is the identification number of his or her Coverdell ESA. An employer identification number (EIN) is required only for a Coverdell ESA for which a return is filed to report unrelated business income. An EIN is required for a common fund created for Coverdell ESAs.

**Specific Instructions**

**Note:** *The age limitation restricting contributions, distributions, rollover contributions, and change of beneficiary are waived for a designated beneficiary with special needs.*

**Article X.** Article X and any that follow may incorporate additional provisions that are agreed to by the grantor and trustee to complete the agreement. They may include, for example, provisions relating to: definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the trustee, trustee’s fees, state law requirements, treatment of excess contributions, and prohibited transactions with the grantor, designated beneficiary, or responsible individual, etc. Attach additional pages as necessary.

**Optional provisions in Article V and Article VI.** Form 5305-E may be reproduced in a manner that provides only those optional provisions offered by the trustee.