



Coverdell Education Savings Account (ESA)

What is it?

With the Coverdell Education Savings Account (ESA), you have flexibility in funding your children's education expenses from the moment they begin school to the moment they graduate from college.

- Up to \$2,000 can be contributed to a single beneficiary's account per year until the child reaches the age of 18 to be used for primary, secondary or post secondary school expenses.
- There is no tax deduction for the contribution. But all amounts withdrawn to meet qualified education expenses are tax-free.
- You do not need to have earned income to make a contribution.



Who is Eligible to Contribute to a Coverdell ESA?

The grid below outlines the income levels to be eligible to contribute to a Coverdell ESA:

Filing Status	Full contribution allowed if Annual Gross Income is:	Partial contribution allowed if Annual Gross Income is between:	No contribution allowed if Annual Gross Income is:
Joint	below \$190,000	\$190,000 - \$220,000	over \$220,000
Single	below \$95,000	\$95,000 - \$110,000	over \$110,000

Other advantages of having a Coverdell ESA:

- Entities, including tax-exempt organizations can contribute to your child's Coverdell account.
- Contributions can be made after the age of 18 for certain special needs children.
- There is no limit on the number of Coverdell ESA's to which one may contribute. For example, grandparents who have 3 grandchildren can give \$2,000 to an account for each grandchild, a total of \$6,000. But no individual beneficiary may receive more than \$2,000 in Coverdell ESA contributions per year.

Withdrawal of Funds

Once the child reaches age 18, you can no longer contribute to the ESA. Withdrawals are tax-free and may be made at any time as long as the money is used for qualified education expenses by the child's 30th birthday. After age 30, the funds may be subject to income tax and a 10% penalty tax. You may transfer funds to the Education Savings Account of a younger family member under the age of 30.

Talk to a Retirement Specialist at People's United. Call 1-800-772-1090 or visit your branch today.

The above is general information regarding the Coverdell Education Savings Account, and does not take your unique, personal circumstances into account. It is not intended to be complete and should not be relied upon in making final decisions concerning IRA accounts. The information is not meant to constitute legal or tax advice. Please contact your tax professional for full details or visit the IRS website at www.irs.gov.

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