Franklin Templeton **Coverdell Education Savings Account Distribution Request**

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

For assistance, please call your financial advisor or Franklin Templeton Retirement Services at 1-800/527-2020.

1 ACCOUNT INFORMATION Please Print

First name of Beneficiary | M.I. | Last name | Social Security Number (required)

Account number | Date of birth (required) (mm/dd/yyyy)

Street address Check here if new address* ☐ | City | State | ZIP

Name of Responsible Individual (also known as "Authorized Person") (must be Parent or Legal Guardian)

FINANCIAL ADVISOR INFORMATION (if any):

Name of Financial Advisor | Daytime phone number ( ) | FAX number ( )

*Signature Guarantee required for distributions to new address.

2 DISTRIBUTION EVENT Check One

Please read the **Coverdell ESA Distribution Guide** on the reverse side before completing the rest of this form.

☐ **Qualified Education Expenses** (Refer to Distribution Guide)

☐ **Non-qualified Expense.** (Account earnings that are withdrawn are subject to a 10% excise tax, as well as income tax.)

☐ **Permanent & Total Disability of the Beneficiary.** (Please see reverse side for certification requirement.)

☐ **Excess Contribution Removal** (Refer to Distribution Guide)

- ☐ Apply excess contribution towards tax year **20**____ and refund earnings (if withdrawn). **NOTE:** Coverdell ESA contributions are not permitted after the date on which the Beneficiary attains age 18. This restriction does not apply to a special needs beneficiary.
- ☐ Apply both excess contribution and earnings (if withdrawn) towards tax year **20**____.
- ☐ Other – See "Payment Instructions" Section Below

☐ **Beneficiary's Death** (A certified copy of the Coverdell ESA Beneficiary's death certificate must be provided.) If a Contingent Beneficiary had been designated on the account, complete Box A otherwise refer to Box B.

A. PLEASE COMPLETE INFORMATION CONCERNING THE CONTINGENT BENEFICIARY, AND THEN CHECK 1, 2, OR 3.

First name | M.I. | Last name | Date of birth (mm/dd/yyyy) | Social Security Number

If the Contingent Beneficiary is under age 30, the account must be transferred to a Coverdell ESA in his/her name.

1. ☐ A Coverdell ESA Application for the Contingent Beneficiary is attached.
2. ☐ Transfer the balance to Contingent Beneficiary's Coverdell ESA number _____.
3. ☐ The Contingent Beneficiary is over 30, send proceeds to the address shown in the Payment Instructions (Please provide an Inheritance Tax Waiver if the Coverdell ESA Beneficiary resided in Puerto Rico or a state that requires one.*)

B. IF THERE IS NO CONTINGENT BENEFICIARY, THE ASSETS WILL GO TO THE BENEFICIARY'S ESTATE. PLEASE PROVIDE THE FOLLOWING SUPPORTING DOCUMENTS:

- A **certified** copy of the Letters Testamentary or Letters of Administration (must be certified within the last 60 days).
- A valid Tax Identification Number for the Estate.
- Inheritance Tax Waiver if the Coverdell ESA Beneficiary resided in Puerto Rico or a state that requires one.*

*(Please contact the appropriate agency (usually the Dept. of Revenue) of the state in which the ESA Beneficiary resided to determine if an Inheritance Tax Waiver is required.)

Please consult your tax advisor to determine the tax consequences, if any, of this distribution.

3 AMOUNT OF DISTRIBUTION

☐ Balance of Account ☐ Partial Payment of: $_____; _____%; or _____ Shares

4 PAYMENT INSTRUCTIONS Check One

☐ Forward check(s) to me.

☐ Deposit to Beneficiary's/Responsible Individual's personal Franklin Templeton account number _____

☐ Send to My Bank Account** or other Address (Signature Guarantee required)

Account number | Name of Bank or Institution

Address | City | State | ZIP | Phone number ( )

**Please include account number, name, address, and phone number of the bank or other institution.

5 RESPONSIBLE INDIVIDUAL'S CERTIFICATION

I certify under penalty of perjury that all information contained herein is true and correct. I hereby acknowledge that I have received and read the Coverdell ESA Distribution Guide regarding this distribution.

X _____ | _____ | Daytime phone number ( )

Signature of Responsible Individual (must be Parent or Legal Guardian) | Date

SIGNATURE GUARANTEE***

***Your signature must be guaranteed if your distribution is over $100,000 or if your funds are to be sent to an address other than the address of record, to a new address, or payable to a third party. Signatures may be guaranteed by one of the following: (1) national or state banks, savings associations, savings and loan associations, trust companies, savings banks, industrial loan companies, and credit unions; (2) national securities exchanges, registered securities associations, and clearing agencies; (3) securities broker/dealers which are members of a national securities exchange or clearing agency, or which have a minimum net capital of $100,000; or (4) institutions that participate in the securities Transfer Agent Medallion Program ("STAMP"). *A notarized signature will not be sufficient for the request to be in proper form.*

Upon completion, please send to:

WEST COAST
Franklin Templeton Bank & Trust
c/o Retirement Services
P.O. Box 997153, Sacramento, CA 95899-7153
1-800/527-2020

EAST COAST
Franklin Templeton Bank & Trust
c/o Retirement Services
P.O. Box 33033, St. Petersburg, FL 33733-8033
1-800/527-2020

Certification of Permanent & Total Disability

One of the following must be provided as proof of the Coverdell Education Savings Account Beneficiary's Permanent & Total Disability:

☐ Copy of Beneficiary's valid Social Security Award Certificate ☐ The certification below completed by the Beneficiary's physician.

PHYSICIAN'S CERTIFICATION OF PERMANENT & TOTAL DISABILITY

I hereby certify that the Coverdell ESA Beneficiary named on the reverse side has become unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment that is expected to last at least 12 months, and will be permanent and continuous during the remainder of his/her lifetime. I understand that this will serve as proof of Permanent and Total Disability of the Beneficiary in order for his/her distributions to be exempt from the IRS' 10% earl;y distribution excise tax.

X _____ _____

Physician's Signature Date

Name (please print or type)

Name of Hospital/Clinic

Street address City State ZIP

☐ Certification was previously provided to FTB&T, and I certify that it is still valid. Date (mm/yyyy) 2 0

Coverdell Education Savings Account Distribution Guide

The term **"qualified education expenses,"** as defined in Section 530(b)(2) of the Internal Revenue Code (26 USC 530), means:

(a) *Qualified elementary and secondary education expenses* including the following:

- Tuition, fees, academic tutoring, special needs services in the cases of a special needs beneficiary[1], books, supplies, and other equipment which are incurred in connection with the enrollment or attendance of the designated beneficiary at an eligible educational institution[2];
- Room and board, uniforms, transportation, and supplementary items and services (including extended day programs) which are required in connection with such enrollment or attendance; and
- Expenses for the purchase of any computer technology or equipment or Internet access and related services, if such technology, equipment, or services are to be used by the beneficiary and the beneficiary's family during any of the years the beneficiary is in school. (Computer software designed for sports, games, or hobbies is not considered an expense unless the software is predominately educational in nature.)

(b) *Qualified higher education expenses* including the following:

- Tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary at an eligible educational institution2, as well as special needs services in the case of a special needs beneficiary which are incurred in connection with such enrollment or attendance; and
- If the beneficiary is at least a half-time student, room and board while attending such institution; however, the expense shall not exceed the allowance for room and board included in the cost of attendance as determined by the eligible educational institution for such period, or, if greater, the actual invoice amount the student residing in housing owned or operated by the eligible educational institution is charged by such institution for room and board costs for such period.

(c) *A distribution from a Coverdell ESA may be used to contribute to a qualified tuition plan.*

Beginning in 2002, a HOPE or Lifetime Learning tax credit may be claimed in the same taxable year in which the beneficiary takes a tax-free distribution from a Coverdell ESA, provided the distribution from the Coverdell ESA is not used for the same expenses for which the credit is claimed. In addition, one can now make contributions to a Coverdell ESA and a qualified tuition program in the same year for the same beneficiary.

DISTRIBUTIONS FROM A COVERDELL ESA ARE TAX FREE PROVIDED THE FOLLOWING REQUIREMENT IS MET:

- Withdrawals from a Coverdell ESA do not exceed the Beneficiary's qualified education expenses for the tax year.

DISTRIBUTIONS THAT ARE *NOT* USED TOWARDS THE BENEFICIARY'S QUALIFIED EDUCATION EXPENSES, OR EXCEED THE BENEFICIARY'S QUALIFIED EDUCATIONAL EXPENSES, WILL RESULT IN THE FOLLOWING *TAX CONSEQUENCES*:

- The Beneficiary will be subject to both income tax and an additional 10% federal tax penalty on the portion of the distribution that represents **earnings** accumulated in the account. However, the 10% federal tax penalty will not apply if the designated beneficiary is permanently disabled, dies, or the distribution is made because the beneficiary received a qualified scholarship, an educational assistance allowance, or other payment excludable from gross income.
- Each distribution is treated as representing a pro-rata share of the principal (i.e., contributions) and accumulated earnings in the account.

  EXAMPLE: A Coverdell ESA has a total balance of $2,000, of which $1,500 represents past contributions and $500 represents earnings. If $1,000 (½ of the balance) were withdrawn, $250 of the distribution would represent accumulated earnings. Unless the distribution is used towards a qualifying education expense, the $250 portion will be subject to taxes and (assuming the beneficiary has not died or become permanently disabled) a 10% federal tax penalty.
- A withdrawal from a Coverdell ESA may be rolled over tax free to another Coverdell ESA for the benefit of the same beneficiary or certain eligible members of the beneficiary's family within 60 days. Eligible members of the beneficiary's family include his/her children and their descendants, stepchildren and their descendants, siblings and their children, parents and grandparents, stepparents, spouses of the foregoing and first cousins of the beneficiary. The $2,000 annual contribution limit to the Coverdell ESA does not apply to these rollover contributions.
- **The amount remaining in a Coverdell ESA upon the beneficiary's 30th birthday must be distributed within 30 days. This does not apply to a special needs beneficiary.**

EXCESS CONTRIBUTION TO A COVERDELL ESA The total Coverdell ESA contributions from ALL sources for the designated beneficiary during the tax year may not exceed $2,000. Aggregate contributions for the benefit of the beneficiary in excess of $2000 are treated as excess contributions. If the excess contributions and any earnings attributable to them are not withdrawn before the first day of the sixth month following the taxable year (June 1st), the excess contributions are subject to a 6% excise tax for each year the excess remains in the Coverdell ESA. The excess contribution withdrawn is not taxable, but the earnings must be included as income for the tax year the excess was made and may be subject to a 10% premature penalty tax. The excise tax is imposed on the beneficiary and not the contributor. [IRC §530(d)(4)(C); IRC § 4973(e); IRS Notice 97-60]

NOTE: In the event the Responsible Individual dies or becomes incapacitated, the Beneficiary shall become the Responsible Individual if he or she has reached the age of majority and is not incapacitated. If the Beneficiary does not satisfy these requirements and the Responsible Individual was a parent, the other parent shall become the Responsible Individual. If there are no remaining parents, the Beneficiary's legal guardian will become the Responsible Individual.

1. A *"special needs beneficiary"* is one who, because of a physical, mental or emotional condition (including a learning disability) requires additional time to complete his or her education, as determined by Department of Treasury regulations.

2. An *"eligible educational institution"* is any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under state law, including a public, private or religious school; and generally any college, university, or post-secondary vocational institution offering credit towards an associate, bachelor's, graduate or professional degree, or other recognized post-secondary credential, that is eligible to participate in a Department of Education student aid program.