

Travis Credit Union

Cover the Rising Cost of Education

Coverdell Education Savings Account





Live better

Travis Credit Union is focused on helping our members live better and achieve their financial goals at every stage of life. That's why we offer an assortment of products to help you plan for and enjoy every aspect of your child's financial needs. When it comes to planning for their education, opening a Coverdell Education Savings Account (CESA) is an excellent way to invest money to help pay for your child's K-12 or college education costs.

Why choose a Coverdell Education Savings Account?

A CESA is designed for the sole purpose of paying for your child's education. You can use CESA funds for qualified education expenses incurred during elementary and high school as well as college.

Withdrawals are tax-free when used to pay for qualified expenses, making the CESA a popular investment option for parents wishing to cover the cost of their child's education.

Who is the beneficiary of a CESA?

The term "designated beneficiary" is used to refer to the individual on whose behalf the CESA is established and who will eventually benefit by using the CESA assets for his/her education. Each Coverdell Education Savings Account may have only one child who is the designated beneficiary.

How much can I contribute?

You may contribute up to a maximum amount of \$2,000 per year as long as the child is under the age of 18. Once the child has turned 18, contributions are no longer allowed.

When is the deadline for contributing to a CESA?

The deadline for CESA contribution is your federal income tax filing due date, excluding extensions (usually April 15th).

What if I have more than one child?

If you have multiple children, you'll need to set up individual CESA accounts for each child. You may contribute up to the maximum of \$2,000 for each child.

Who can contribute?

Multiple people can contribute to your child's CESA as long as the combined total does not exceed the maximum \$2,000 per year. As a contributor, your allowable contribution depends on your modified adjusted gross income (MAGI) and tax filing status as shown below:

Single Tax Filers:

MAGI	Contribution Limit
≤\$95,000 or less	Full Contribution
Between \$95,000 and \$110,000	Partial Contribution
≥\$110,000 or greater	No Contribution

Married, Joint Filers:

MAGI	Contribution Limit
≤\$190,000 or less	Full Contribution
Between \$190,000 and \$220,000	Partial Contribution
≥\$220,000 or greater	No Contribution

What are the tax implications?

When you save with a CESA, your earnings grow tax-deferred. Contributions are not tax-deductible, but as long as the money is used for qualified education-related expenses, the earnings will be tax-free when withdrawn. Any distributions not used for qualified educational expenses will be subject to early withdrawal penalties and taxes on the earnings.

What is considered as a qualified education expense?

Expenses that are directly related to education such as tuition, fees, books, supplies, uniforms, transportation, equipment, and room and board. Expenses must be incurred during the same year that a distribution is taken. If distributions exceed the qualified expenses, the additional amount may be subject to tax and penalty.

What if the money is no longer needed?

What if your child decides not to go to college? What if there's money left over in his/her CESA after graduation? In this case, you can rollover or transfer the funds in the CESA to another beneficiary under the age of 30, as long as that beneficiary is a member of the original beneficiary's family. The IRS loosely defines the term "family member" to include everyone from siblings and parents to step-siblings and in-laws.

When must assets be distributed?

Assets need to be distributed when either one of the following two events occurs:

1. The designated beneficiary reaches age 30. The remaining assets must be distributed within 30 days after the beneficiary reaches 30. This rule doesn't apply if the beneficiary is a special needs beneficiary.
2. The designated beneficiary dies before reaching 30. The remaining assets must generally be distributed within 30 days after the date of death.

How might a CESA impact scholarships and/or financial aid?

According to the U.S. Department of Education, your CESA contributions won't hurt your child's chances of receiving scholarships or financial aid. Up to 5.64 percent of parent-owned assets – excluding qualified retirement assets, your primary residence and insurance policies – are considered in financial aid calculation.

Can I use CESA assets together with other forms of education funding?

You may use the Hope Scholarship and Lifetime Learning tax credits in the same year as tax-free CESA distributions as long as distributions and tax credits are for different expenses.

How do I open a CESA?

Visit any one of our convenient branches or contact the Member Service Center at **(800) 877-8328** and we will mail you a packet to get your CESA started.

Mailing & Shipping

Mailing Address

Travis Credit Union
P.O. Box 2069
Vacaville, CA 95696

Deposits & Loan Payments Only

Travis Credit Union
P.O. Box 8000
Travis AFB, CA 94535

Shipping & Overnight Mail

Travis Credit Union
One Travis Way
Vacaville, CA 95696

Account Access & Information

Web Site Address

www.traviscu.org

Call-24 Phone Banking

(707) 449-4700 or (800) 578-3282

Member Service Center

Account Assistance and Information

(707) 449-4000 or (800) 877-8328

PhoneLoan™

(707) 451-5350 or (800) 877-8328

Home Loan Center

One Travis Way, Vacaville, CA 95687
(707) 469-2000 or (888) 698-0000

Check Fraud Information

(707) 469-4384 or
(800) 877-8328, ext. 4384#

Debit/Credit Card Fraud Information

(707) 449-4000 or (800) 877-8328

Everyone who lives, works, worships or attends school in Alameda, Colusa, Contra Costa, Merced, Napa, Placer, Sacramento, San Joaquin, Sonoma, Solano, Stanislaus or Yolo County is eligible to join. Certain membership eligibility requirements may apply.

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