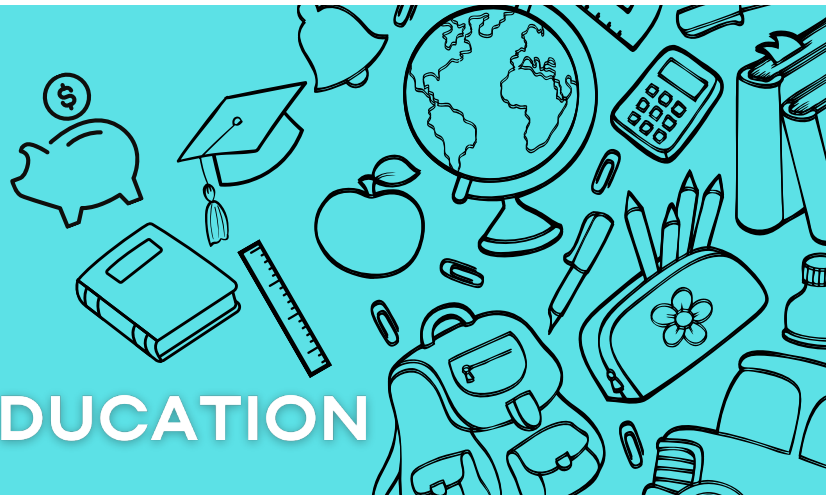


EDUCATION SAVINGS ACCOUNTS

FOR CATHOLIC SCHOOL EDUCATION



While more states slowly begin to welcome parent choices in their children's education through specific programs, there are two options in Washington state that could help lower-income parents with Catholic school tuition and other K-12 education expenses.

TUITION AND EXPENSES

Coverdell Education Savings Accounts are investment programs for your child's K-12 tuition and expenses - including items such as computers, required books, musical instruments, tutoring, field trips, etc. These accounts provide a variety of investment options. Contributions to a Coverdell Account are not deductible, but amounts deposited in the account grow tax-free until distributed, and there is no tax on distributions if they are for enrollment or attendance at an eligible educational institution or qualified education expenses.

There is an income limit on contributors and a limit on the amount that can be contributed yearly. The contributor must have an adjusted gross income that is less than \$110,000 (single) or \$220,000 (married filing jointly). Contributions to the account may not exceed \$2,000 per year.

Contributions can also be made from corporations and trusts without an income limitation.

Portfolio plans could help parents build up an account to help pay tuition and other expenses. The accounts include investments in stocks and bonds, so there are risks and rewards to consider when choosing an investment plan. Depending on when an account is opened, investments in the account could help pay all or most of a child's tuition and expenses over the years.

Some Important Items to Consider:

A beneficiary must be under the age of 18 (under age 30 if the beneficiary qualifies under the Individuals with Disabilities Education Act).

Contributions are made with after-tax dollars, must be made in cash and are not deductible.

Qualified expenses are reduced by [tax-free scholarships](#), grants and fellowships, veterans' educational assistance, employer tuition assistance, the American Opportunity Tax Credit (AOTC), the Lifetime Learning Tax Credit (LLTC) and tax-free distributions from 529 plans and prepaid tuition plans.

If you use the funds for nonqualified expenses, the amount used is subject to income tax at the beneficiary's rate plus a 10% tax penalty.

Coverdell ESAs are reported as a parent asset on the [Free Application for Federal Student Aid \(FAFSA\)](#) and distributions are ignored.

Many Coverdell programs allow anyone to open an account on behalf of a child without a starting deposit.

Unused Coverdell funds can be rolled over into a 529 college savings plan or transferred to another child when the current beneficiary graduates from high school. **Coverdell ESA providers**

Savingforcollege.com assembled this list of low-cost Coverdell Education Savings Accounts (ESA). This list is a sample. Other entities also offer Coverdell plan.

ESA Sponsor	Custodian	Account Fee	Minimum Contribution	Account Type
Buffalo Funds	U.S. Bancorp Fund Services	None	\$100 initial contribution	Mutual Fund
Charles Schwab & Co.	Charles Schwab & Co. Inc.	None	None	Discount Brokerage
E*Trade	E*Trade Clearing LLC	None if electing online statements	None	Discount Brokerage
TD Ameritrade	TD Ameritrade Clearing, Inc.	None	\$0	Discount Brokerage
Thrivent Mutual Funds	Thrivent Trust	\$15, waived	\$1,000 or \$0 with a \$50 per month automatic contribution	Mutual Fund

To be included on this list, the annual maintenance cost charged by the ESA must be \$10 or less. Savingforcollege.com also prefers, but does not require as a condition of being on this list, that the ESA have low minimum contribution requirements.



TUITION ONLY

Dream Ahead is marketed across the state as a savings option for college expenses. But Dream Ahead accounts may also be used to pay tuition in private and religious elementary, middle and high schools.

Dream Ahead is an investment program for your child's K-12 tuition through college expenses. For K-12, Static Portfolio plans could help parents build up an account to help pay tuition. Depending on when an account is opened, investments in the account could help pay all or most of a child's tuition over the years.

Anyone can open a Dream Ahead account on behalf of a child with as little as a \$25 deposit to start.

No matter your budget or timeline, this plan is designed to help you reach your education goals.

It's for anyone

You can open an account for yourself, a child, or a loved one. It only takes \$25 to get started.

It's helpful

It's never too early or too late to start saving. With DreamAhead, you can make contributions at any time, set recurring monthly transfers, and set yearly goals to keep you on target.

It's versatile

Use the money you save for K-12 Catholic school tuition expenses, and keep your plan open for almost any type of public or private college, university or technical school in the U.S., and even in some schools around the world.

It's adjustable

With various investment options to choose from, you can pick, change, and adjust your selections to your needs. You can even transfer the account to another eligible beneficiary.

It's ambitious

The money you earn is tax-free with a higher earning potential (and risk of losing money) because it's based on the market's performance. Friends and family can also help your account grow by making gift contributions.

For K-12 Tuition Expenses, choose a static Portfolio

Static Portfolio options range from very aggressive stock accounts, with greater risk, to more conservative options that combine lower risk with slower growth. Options can be reviewed at

<https://529.wa.gov/sites/default/files/2021-08/static-portfolio-descriptions.pdf>

Learn more and open your account at <https://529.wa.gov/plan-intro>. While the website focuses on college expenses, K-12 tuition is also an eligible use for your plans funds.
