



# Guam College Savings Program

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## APPENDIX C

### Account Forms



### **What is a 529 plan?**

The 529 plan was created by the Internal Revenue Code Section 529 to help individuals meet the rising cost of higher education. The money that is contributed to a 529 plan grows tax deferred and may be withdrawn tax free to pay for qualified education expenses.

Until recently, Guam residents had to open 529 accounts with a provider in the U. S. mainland and was subject to that states' tax laws. Effective January 2008, the 529 Guam College Savings Program was signed into Law so that Guam residents would be able invest under Guam's tax laws.

### **What expenses are covered by the 529 plan?**

Money in the account can be used to pay for qualified higher-education expenses of eligible schools, including trade schools, two and four year colleges, and even graduate schools. Qualified expenses include tuition and fees, the cost of books, supplies, and other equipment, and the cost of room and board.

### **Does the 529 Guam College Savings Program only cover cost for colleges on Guam?**

No. The plan covers expenses for any college or trade school that is eligible to participate in the U.S. Financial Aid Program.

### **Who can open a 529 plan?**

The Program is open to all U.S. citizens and resident aliens with a valid Social Security or taxpayer identification number. The account owner need not be related to the beneficiary. Each account may have only one beneficiary, but you can open more than one account for the same person. You can also open accounts for as many beneficiaries as you'd like. You can even open an account for yourself.

### **Who can contribute to the account?**

Anyone can contribute to an account, but only the account owner has control over the assets in an account.

### **Who controls the money of the account?**

The person who signs the account application for the program is the account owner and maintains control over how the money in the account is used. The beneficiary does not have any control over the account even though they have reached legal age.

### **Are there age or income limitations for participating in a 529 plan?**

Anyone can participate in a 529 plan regardless of income of the account owner and in most states, regardless of the age of the beneficiary.

### **Is there a minimum or maximum contribution amount requirement?**

There are no minimum contribution requirements. The current maximum contribution limit is \$300,000 per account.

### **What are the tax advantages/consequences of a 529 Plan?**

The money that is contributed to a 529 plan is not tax deductible to the individual making the contribution but the earnings on the investments grow tax deferred. The money in the account may be withdrawn tax free to pay for qualified education expenses of the beneficiary. If the money is withdrawn for non-qualified expenses, the earnings (not the contribution amount) would be subject to applicable state and federal tax plus a 10% federal tax penalty on the earnings.

### **Are there other tax benefits with the program?**

An individual may contribute up to \$14,000 annually (\$28,000 for married couples filing jointly) without paying gift taxes or filing a gift tax return (assuming no other gifts are made to the beneficiary in the same year). You also may accelerate up to five years' worth of the annual exclusion amount and reduce the value of your estate by contributing up to \$65,000 (\$130,000 for married couples filing jointly) per beneficiary (this amount is subject to "add-back" in the event of the participant's death within five years and also assumes no other gifts are made to the same beneficiary during the same period).

### **What if my child doesn't go to college?**

You have several options available if the beneficiary decides not to go to college:

- Change the beneficiary to a member of the beneficiary's family.
- Defer use of your savings and leave contributions invested in the account.
- Withdraw the assets in your account for a "non-qualified" distribution (a distribution that is not for qualified higher education expenses). As stated above, earnings (but not contribution amounts) would be subject to applicable state and federal tax plus a 10% federal tax penalty on the earnings.

### **How can I change the beneficiary on an account?**

Each 529 plan can provide the forms necessary for changing the beneficiary on an account. Contact your 529 plan to determine the specific requirements and forms necessary to complete this procedure. Depending on the relationship of the new and old beneficiaries, changing the beneficiary of an account may trigger a taxable event, which could also include a penalty, gift tax or both.

### **Who qualifies as a family member of the beneficiary?**

A qualifying family member includes:

- Natural or legally adopted children
- Parents or ancestors of parents
- Siblings or stepsiblings
- Stepchildren
- Stepparents
- First cousins
- Nieces or nephews
- Aunts or uncles

In addition, the spouse of the beneficiary or the spouse of any of those listed above also qualifies as a family member of the beneficiary.

### **How is the money invested?**

ASC's offers two types of Profile Allocation Services:

1. Risk - Based Allocation Service
2. Age - Based Allocation Service

These portfolio management programs give an individual who lacks time or expertise, a convenient way to allocate their funds and to rebalance their assets on a periodic basis.

### **Can you change investment options once you have opened an account?**

You may transfer all or any portion of the funds already invested in a particular Investment Option to another Investment Option **once per calendar year** or upon a change of the Beneficiary of your Savings Trust Account to a Member of the Family of the Beneficiary. However, each time a new contribution is made to an account, the investor can select a different investment option for the new contribution into the plan.

### **Can a 529 account be rolled over to another 529 program?**

Yes. The account owner can choose to move funds from one state's 529 plan to another states' plan one time within a 12-month period for the same beneficiary.

### **Are there restrictions regarding a 529 Plan and Education IRAs?**

Beginning in January 2002, individuals can contribute to both 529 plans and Education IRAs (now called Coverdell Education Savings Accounts). The Economic Growth and Tax Relief Reconciliation Act of 2001 permits contributions to the Coverdell Education Savings Account to cover K-12 education expenses on a tax favored basis. Individuals may benefit by funding a 529 plan for the child's college expenses and utilizing the Coverdell Education Savings Account for elementary and secondary education expenses.

### **If I contribute to a 529 plan, can I also claim a Hope Scholarship or Lifetime Learning Credit?**

The beneficiary or the beneficiary's parent may claim a Hope Scholarship Credit or Lifetime Learning Credit for qualified tuition and related expenses, provided other eligibility requirements are met, but cannot use the same expenses to justify a tax-free distribution from a qualified tuition program.

### **How will participating in a qualified tuition program affect federal financial aid eligibility?**

When it comes to financial aid, ANY assets that you or the beneficiary own (not just 529 plan assets) can affect your eligibility for need-based financial aid. With 529 plans, your account is considered to be an asset of the account owner. Assuming the account owner is the parent this means that, on average, about 5.6 percent of the value of the account is considered in determining the Expected Family Contributions (EFC).

The EFC is the amount the family of the beneficiary is expected to pay toward that beneficiary's higher education. With many other savings vehicles, such as a custodial accounts or assets that are in the name of the student, 20 percent of the value of the assets is considered in determining the EFC.

The majority of need-based financial aid is in the form of student loans, so whatever savings you accumulate for college expenses may help reduce the parent's or student's future debt load.

### **What are the fees to open up a 529 plan with ASC Trust Corporation?**

Quarterly Program Account Fee:	\$12.50
Quarterly Asset Wrap Fee:	0.25% Assets \$0 - \$100,000
	0.20% Assets \$100,0001 - \$250,000
	0.15% Assets \$250,001+

For more information, please contact ASC Trust Corporation at (671) 477-2724 or visit our website at [www.asctrust.com](http://www.asctrust.com).



# Guam College Savings Program New Account Application

Welcome to the Guam College Savings Program managed by ASC Trust Corporation where we help you save for your child's dreams, one paycheck at a time! Please complete this application including all relevant information about the account owner(s), beneficiary, means of funding the account and investment selection.

## 1 Account Registration

Please print clearly.

**INDIVIDUAL**  Mr.  Mrs.  Ms.  Dr. Transferring from UTMA/UGMA?  Yes  No

Account Owner's Name \_\_\_\_\_  
First Name MI Last Name  
Date of Birth \_\_\_\_\_ Soc. Sec. # [ ] [ ] [ ] — [ ] [ ] — [ ] [ ] [ ] [ ]  
mm / dd / yyyy

Citizenship\*  U.S.  Resident Alien  
\* Non-resident aliens are not eligible to participate in the program.

**TRUST** (copy of trust document required.)

Name of Trust \_\_\_\_\_  
Trust's Taxpayer Identification # [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] Date of Trust \_\_\_\_\_  
mm / dd / yyyy

Trustee\* \_\_\_\_\_  
\* If more than one Trustee, attach a sheet with additional Trustees including Name, Date of Birth, Social Security and Permanent Address)

Date of Birth \_\_\_\_\_ Soc. Sec. # [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]

**ORGANIZATION** Check one:  Governmental Entity  Tax-Exempt Organization  Company  Corporation  Other \_\_\_\_\_

Name of Entity/Organization \_\_\_\_\_  
Entity's Taxpayer Identification # [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] Name of Person Authorized to Transact on this Account \_\_\_\_\_

## 2 Account Owner's Address

Additional account owner information.

Mailing Address \_\_\_\_\_  
Contact Numbers \_\_\_\_\_  
Email Address \_\_\_\_\_

## 3 Beneficiary Information

The beneficiary is the person whose qualified education expenses can be paid from this account.

Beneficiary Name \_\_\_\_\_  
First Name MI Last Name  
Date of Birth \_\_\_\_\_ Soc. Sec. # [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]  
mm / dd / yyyy  
Beneficiary's relationship to Account Owner (no relationship required)  child  grandchild  Other \_\_\_\_\_  
Mailing Address \_\_\_\_\_

Contact Numbers \_\_\_\_\_  
Email Address \_\_\_\_\_

Provide the anticipated year the Designated Beneficiary will begin college: **20** \_\_\_\_\_ .

Note: If no year is entered, we will add 18 years to the Designated Beneficiary's date of birth if the birth month is January through August and 19 years if the birth month is September through December.



## 4 Contribution Information

You have several easy ways to contribute.

**CHECK.** Make check or money order payable to "ASC Trust Corporation FBO: Guam College Savings Program". You may make additional contributions at any time (subject to \$300,000 maximum limit).    ,    .

**ROLLOVER from another Qualified Tuition Program.** Complete the Payroll Deduction Form and return with this enrollment form.

**TRANSFER from UGMA/UTMA, Coverdell ESA or US Savings Bond.** Complete the Savings Transfer Form and return with this enrollment form.

**AUTOMATIC DEDUCTION from your bank account.** Complete the information below. To make an automatic deduction, fill out the following information and attach a voided check.

Checking Account

Savings Account

\$

Amount to be transferred\*

Monthly: 1<sup>st</sup> of each month

Quarterly: March, June, Sept, Dec

Annually: (specify month & date)

Start Date of deductions

mm / dd / yyyy

ATTACH VOIDED CHECK HERE FOR AUTOMATIC DEDUCTION

I hereby authorize the Program Manager to initiate debit entries to the bank account indicated above, and the bank indicated above to debit the same amount. This authority is to remain in full force and effect until the Program Manager has received written notification from me of its termination in such time as to afford the Program Manager 10 business days to act on it. In the case of unsuccessful debits, I understand that the Program Manager reserves the right to cancel this authorization and that the Program Manager will notify me in writing of such action. I acknowledge that the origination of ACH transactions to my account must comply with the provisions of applicable law. I further agree, if my draft is dishonored for any reason, with or without cause, the Program Manager will not bear any liability.

X

Signature of Bank Account Owner

X

Signature of Joint Bank Account Owner

Authorization must be received approximately 10 business days prior to the first transfer date. The Program Manager, on behalf of the Guam College Savings Program, will provide you a copy of this authorization and information on the date of the first transfer.

