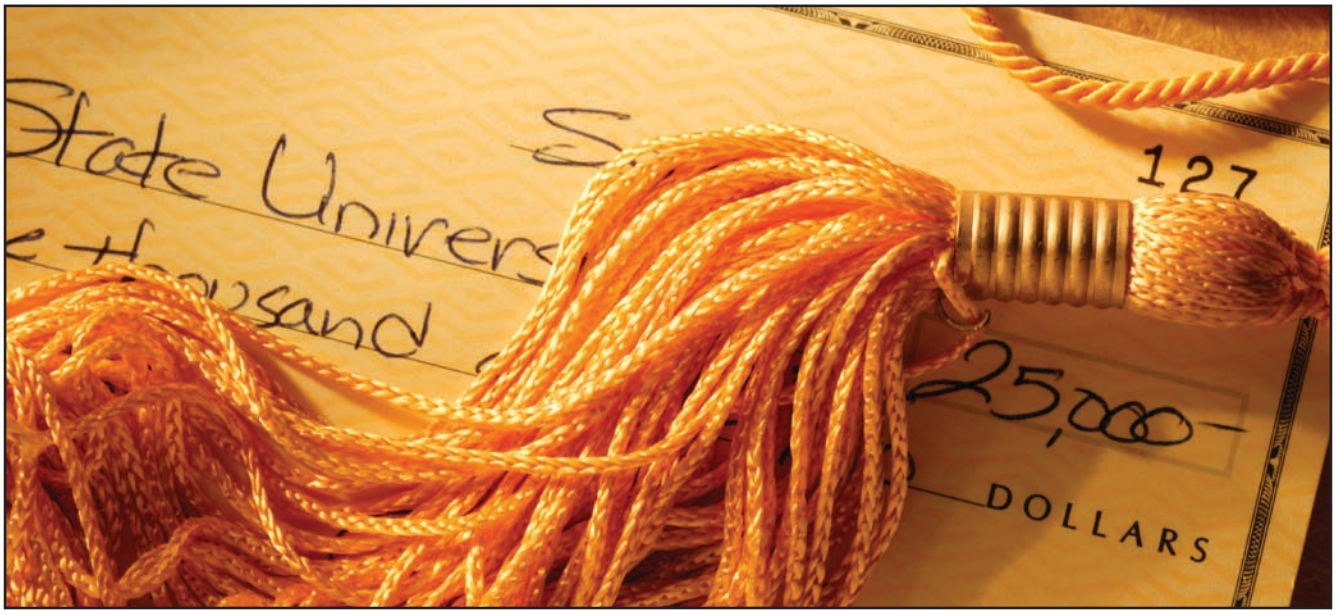
Coverdell Educational Savings Account

Stop Worrying about Paying for College! Save for your Childs Education Tax-Free, Investing in What You Know

EQUITY TRUST COMPANY

College Tuition is on the Rise, Are You Prepared?



The cost to attend college is increasing each year at an alarming rate. The following shows just how fast college prices have climbed (www.collegeboard.com):

- Tuition and fees at four-year public colleges average $6,185 in 2007-08. That is a $381 or 6.6 percent increase from the previous year. Plus, that number is only tuition. Include room and board for in-state students and add $13,589 to the cost.
- Tuition and fees at four-year private colleges averages $23,712 in 2007-08. That is a $1,404 or 6.3 percent increase from 2006-07. The total cost to attend a private college or university including room and board is $32,307.
- Even after grant aid and tax benefits are considered, full-time students enrolled in public four-year colleges and universities in their home state pay on average about $2,700 in net tuition and fees, compared to average published tuition and fees of $6,185.
- After grant aid and tax benefits are considered, full-time students enrolled in private colleges and universities still pay on average about $13,200 in net tuition and fees, compared to average published tuition and fees of $23,712.

Those are scary numbers, but imagine what they'll be in 10 or 20 years. The importance of education is not questioned, but figuring out how to pay for it has become a large problem for students and their parents.

The high price of tuition has led to more students taking loans to pay for college. In fact, according to collegeboard.com in 2003-04, the medium student debt among graduates who used loans to pay for college was $19,300 - a large amount of money for a recent graduate.

Equity Trust has a solution to pay for education costs and ease the burden of debt after college with a self-directed Coverdell Education Savings Account (CESA). A self-directed CESA allows you to invest anything you want, tax-free, while saving for education costs.

Plus, the CESA covers more than just tuition. One of the CESA's best benefits is that it includes not only enrollment to an accredited college, university, vocational or private grad school, but fees, books, supplies and certain expenses related to room and board.

It is Easy to Get Started and Become Eligible for a CESA

A self-directed CESA is similar to other self-directed plans at Equity Trust. You contribute funds to the account (or rollover an existing account) and invest in what you know (real estate, tax liens, foreign currency, stocks, etc.) tax-free.

When you are ready to establish a CESA, you must have a child under age 18 or with special needs. Unlike other savings plans that require earned income, you do not need income to open a CESA. However, if you do have earned income you must fall within certain modified adjusted gross income limits (MAGI). Your MAGI for the year must be less than $95,000 - $110,000 ($190,000 - $220,000 in the case of a joint return). If you meet those requirements you are ready to complete an application and open an account (It only takes 15 minutes!).

Plus, you are not the only one who can open a CESA for your child. If a relative or friend wants to help save for your child's education, it is possible for more than one individual to open a CESA for the same person.

Invest in What You Know and Build Your CESA

Once you establish your CESA, you are ready to make contributions. You can contribute $2,000 annually to a CESA. For example, if you contribute $1,400 to your child's account then a relative can contribute the other $600 (you are not permitted to exceed $2,000 for the same beneficiary's CESA in a year). In addition, there is no rule requiring earned income to contribute, allowing your child to use birthday money, holiday money or even money you give them to contribute to their own CESA. With a funded account you can invest in whatever you want and the profits from the investment grow tax-free.

Want to save more?

Invest in what you know and combine funds from other self-directed IRA accounts with your CESA. Equity Trust offers many retirement accounts that have higher contribution limits, up to $50,000. All profits are tax-free and if you use the money for qualified education expenses the distributions are tax-free, as well*.

And yes, all of this is completely legal. For more than 34 years Equity Trust has assisted clients in increasing their financial wealth (and save for college) by investing in a variety of opportunities from real estate and private placements to stocks and bonds in self-directed IRAs and small business retirement plans.

*Discuss with a CPA or financial professional as certain requirements might have to be met.

Explore the Many Ways the CESA Can Help Your Child Graduate College Debt Free

As we said earlier, tuition is not the only expense the CESA covers. The CESA can be conveniently used for many purposes including higher education expenses, as well as postsecondary school or elementary school expenses.

Qualified Higher Education Expenses

- Enrollment or attendance at an eligible post secondary school
- Tuition and fees
- Books, supplies and equipment
- Certain expenses related to room and board.

Qualified Elementary and Secondary Education Expenses

- Enrollment or attendance at an eligible elementary or secondary school
- Tuition and fees
- Books, supplies and equipment
- Academic tutoring, uniforms
- Transportation and expenses related to room and board
- Certain expenses related computer technology, equipment and/or internet access
- Certain extended day programs

Making Your CESA More Profitable is Easy Following These Limits and Rules

Want your CESA to grow successfully? Understanding the following limits and rules is important to avoid penalties from the IRS that could impact your account.

Singles or Married Filing Separately

For single individuals contributing to a beneficiary account, the maximum CESA contribution for each account cannot exceed $2,000 for 2008

- The amount an individual can contribute depends on modified gross income limits (MAGI) or adjusted gross income (AGI). MAGIs $95,000 or less allows for a full contribution and individuals with a MAGI between $95,000 - $110,000 can make a partial contribution
- Contributions must be made in cash
- Contributions cannot be made after the beneficiary reaches age 18, unless the beneficiary is a special needs beneficiary
- As with an IRA, contributions can be made up until April 15th for the prior tax year. The 2008 contribution limit for single individuals is $2,000 (total amount no matter how many CESAs are open for the beneficiary)
- When the beneficiary reaches age 30, the account must be distributed or the remaining funds moved to an account for a qualifying family member.

Families (Married Filing Joint)

For families, the maximum CESA contribution for each beneficiary cannot exceed $2,000 for 2008

- The amount a family can contribute depends on MAGI. MAGIs $190,000 or less allows for a full contribution and families with a MAGI between $190,000 - $220,000 can make a partial contribution.
- Contributions must be made in cash
- Contributions cannot be made after the beneficiary reaches age 18, unless the beneficiary is a special needs beneficiary
- As with an IRA, contributions can be made up until April 15th for the prior tax year. The 2008 contribution limit for families is $2,000 (total amount no matter how many CESAs are open for the beneficiary)
- When the beneficiary reaches age 30, the account must be distributed or the remaining funds moved to an account for a qualifying family member.

Special Note! If the amount you withdraw from your CESA is greater than the qualified education expenses for that year the beneficiary (student) has to pay income tax on the excess amount. The student will also have to pay a 10% additional tax on the amount of the distribution included in income. The only exceptions to exempt the distribution from the 10% penalty are death, disability, receipt by the student of a scholarship or fellowship and attendance of a student at a U.S. military academy. **An Equity Trust Retirement Specialist can answer any questions you have about a CESA, including withdrawal rules. Call 1-888-ETC-IRAS (382-4727).**

An Example How Your Child's Educational Expenses Are Paid Off for Life

For parents Joe and Sally Smith, paying for their children's educational expenses is very important. When their child Jack was born, the Smiths decide to open up a CESA to avoid the college debt Jack might have faced in the future.

Joe and Sally wanted to control how the money in their account was invested. They know only a truly self-directed CESA plan at Equity Trust would allow them to do that.

They were uncertain about investing their funds in the stock market. "We need to be able to trust that the money will be there when we need it for our children's education expenses," Sally pointed out. "With the ups-and-downs of the stock market, we can never be sure how much the account will be worth."

As knowledgeable investors in real estate options, the Smiths have done well in the past investing in property with their self-directed Equity Trust Roth IRA and making tax-free profits. They decided that a self-directed CESA with Equity Trust was a smart choice and opened the account with a $2,000 contribution.

Solving High Educational Costs with Just One Deal

Being familiar with real estate investing, the Smiths took full advantage of the CESA's tax-free qualities. Their first year they used $500 from their account to purchase an option on a real estate property, selling that option later in the year for $12,000 – a profit of $11,500 tax-free! At the end of the year, the $2,000 original contribution plus the $12,000 option sale (minus $500 in investments) had become a total of $13,500.

In just one year the Smiths had already stacked away enough money to put their child through college for one year. The Smiths gained control of their child's educational expenses with just one deal!

The CESA Increases Over the Years

The second year the Smiths continued to contribute the full $2,000 to their CESA account. That year, they purchased another real estate option for $1,000, which they sold during the year for $11,000, making another $10,000 in tax-free profits.

By the end of the second year the Smiths contributed just $4,000, but their account was now worth $25,500 - all tax-free if used for education.

Year one CESA contribution	+ $2,000
Year one option purchase	- $500
Year one option sale	+ $12,000
Year two CESA contribution	+ $2,000
Year two option purchase	- $1,000
Year two option sale	+ $11,000
TOTAL ACCOUNT VALUE END YEAR TWO	**$25,500**

After the success with the first two deals, the Smiths continued to do more real estate option deals, and once the account grew larger they purchased and rehabbed a property. When their child turned 18 and was ready to attend college, the Smiths had saved more than $100,000 in their CESA account. With the average cost to attend a public college being around $13,000 a year, the Smiths saved more than enough to put their child through four years of a college education.

It is not difficult to see how Joe and Sally Smith will continue in the future to gain control over their children's educational expenses and use the power of compounding interest tax-free to build the value of their Equity Trust CESA.

Invest in an Equity Trust Self-Directed CESA and Begin Experiencing Tax-Free Benefits to Pay for Your Child's Education

Are you ready to take control of your child's educational future? This savings plan can help eliminate what many college graduates dread: paying off debt years after college. With the raising cost of tuition, you need to start thinking about investment options now. Equity Trust has a solution - one that allows you to combine your own investment knowledge with the tax saving benefits of the self-directed CESA.

Equity Trust Company: Providing Education, Innovation and Commitment

The mission of Equity Trust Company is to help investors make tax-free profits through education, innovation and a commitment to understanding their individual needs. Now that you have learned the advantages of having a CESA, there is just one thing left to do, call Equity Trust Company and get started!

Equity Trust is Your ONLY Choice…

- 35 years experience assisting investors to create tax-free wealth
- Manage over $3 billion in IRA assets, to help clients secure their financial future
- More than 185 self-directed IRA specialists ready to serve clients
- Personalized account management teams for every client, including their own personal 800-number to ensure personalized attention for every call
- Low all-inclusive fee schedule–clients don't pay fees on every transaction
- Online account management 24 hours a day, seven days a week with eVANTAGE, the industry's first online account management tool–Pay bills online, fill-out forms, download information into Quicken or money financial software programs, check account status at anytime and from anywhere
- Quick and accurate investment processing (99.2% of transactions reviewed in 24 hours)–with the fastest urnaround times in the industry
- Online trading thru our affiliate, Mid–Ohio Securities, member NASD/SPIC
- Highly regulated–clients can trust Equity Trust with their investments
- 92% of Equity Trust clients are likely to refer friends and colleagues to Equity Trust

To open an Equity Trust HSA account, or for more information, go to **www.trustetc.com** or contact us at **1-888-ETC-IRAS.**

Frequently Asked Questions Regarding Coverdell Education Savings Accounts

Q. What is a CESA?

A. The Coverdell Education Savings Account (named after creator, Senator Paul Coverdell of Georgia) is a trust or custodial account created for the purpose of paying the qualified education expenses of the designated beneficiary of the account.

Q. When can a CESA be opened?

A. Anytime before the beneficiary turns 18 or if the individual is a special needs beneficiary.

Q. Can anyone set up a CESA?

A. Yes. As long as their modified adjust gross income (MAGI) for the year is less than $110,000 ($220,000 if filed jointly).

Q. What are considered qualified education expenses?

A. This includes but is not limited to enrollment to an accredited college, university, vocational or private grad school, as well as fees, books, supplies and certain expenses related to room and board. The IRS has defined qualified medical expenses in section Publication 970 of the Internal Revenue Code.

Q. How much can an account holder contribute to his/her account?

A. An individual (including the beneficiary) can contribute $2,000 to a CESA. Even if you have more than one contributor to the beneficiary's account, the contribution limit is still $2,000.

Q. What are the primary advantages of a CESA?

A.
- The account holder may choose his/her custodian and the types of investments used to help the account grow.
- The account holder decides how much to contribute in any one year up to the contribution limits.
- It covers not only higher education expenses, but also elementary and secondary education expenses.
- Amounts deposited in the account grow tax-free until distributed.

Q. When do assets need to be distributed from the account?

A. Assets must be distributed when the beneficiary reaches age 30 (rule does not apply to a special needs beneficiary). If there is a balance in the Coverdell ESA at the time the beneficiary reaches age 30 or dies (if earlier), it must be distributed within 30 days. A portion representing earnings on the account will be taxable and subject to the additional 10% tax. The beneficiary may avoid these taxes by rolling over the full balance to another Coverdell ESA for a family member who is under the age of 30.

Q. How does one open a CESA?

A. A Coverdell Education Savings Account may be opened by filling out an application with Equity Trust Company. Application may be downloaded online at **www.trustetc.com.** For more information on Coverdell Education Savings Account and how one can be established for you, contact an Equity Trust Retirement Specialist at **1-888-ETC-IRAS (382-4727).**

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