

INVESTING FOR A MINOR

Saving for your child's future may be one of the most important investments you'll ever make. Taking action now can help ensure your child, grandchild or dependent has a strong financial foundation for the long road ahead. But where do you start?

A Custodial Account and a Coverdell Education Savings Account are two options offered through Janus Henderson that can help jump-start your investment planning. To help you choose the account that's best for both your child and you, the following pages describe the nuts and bolts of each option.

A Custodial Account is an account in which the child owns the money but an adult, known as “the custodian,” manages it until the child is no longer considered a minor (typically age 18 but can vary depending on the child’s state of residence).

Custodial Account (UGMA/UTMA¹)

How does it work?

- A Custodial Account can invest in nearly any asset, including mutual funds, stocks and bonds.
- The custodian manages all decisions regarding buying and selling assets.
- The assets are an irrevocable gift to the minor.
- The custodian may only take withdrawals from the account to pay for expenses that directly benefit the child. This could include items such as school supplies, like a new computer, or college tuition.
- When the minor reaches the legal age of termination, the age at which the state recognizes that minor can take control of the account, he/she can use the funds for any purpose.

How are Custodial Accounts taxed?

Custodial Accounts are not tax-deferred, and taxation of any income including capital gains resulting from any buying and selling of a security will depend on the minor’s income and age. See the chart below for details.

Tax Year 2017 Custodial Account Tax Rates

Child’s Age	2017 Amount of Yearly Unearned Income	2017 Applicable Federal Tax Rate
	\$0-\$1,050	Tax-free
Under 19 years (or if a full-time student, up to age 24)	\$1,051 - \$2,100	Child’s tax rate
	Above \$2,100	Parent’s marginal tax rate (39.6% maximum in 2017)

Source: Internal Revenue Code

How can I open a Custodial Account at Janus Henderson?

Almost anyone is eligible to open a Custodial Account for a child, whether it’s a parent, grandparent, relative or friend. The child named on the account must be under the legal age of termination (age depends on the state of residence) and have a Social Security number. The minimum investment to open a Custodial Account at Janus Henderson is \$1,000 per fund or \$500 with a \$50 automatic monthly investment.

A Custodial Account may be ideal if:

- You might want to use the money for some of your child’s expenses prior to or after college.
- Your child may not be applying for needs-based financial aid or you are planning to save more than \$2,000 per child, per year.
- You don’t mind handing over control of the account to your child when the time comes.
- You want to use your annual gift tax exclusion (up to \$14,000) to gift money to your child.

 **Open a Custodial Account online at janushenderson.com/open**

¹Uniform Gift to Minors Act/Uniform Transfers to Minors Act

Coverdell Education Savings Account (ESA)

How does it work?

- A Coverdell ESA allows you to make an annual non-deductible contribution to the account.
- Coverdell ESAs can be invested in individual stocks, bonds, CDs or mutual funds. They are not permitted to directly own real estate, precious metals, collectibles or partnerships in private businesses.
- Anyone may contribute to a child's Coverdell ESA, but the total amount of contributions may not exceed \$2,000 annually. However, your adjusted gross income may limit your contribution amount, as detailed in the chart below.
- Contributions cannot be made after the child reaches age 18, unless the child is a special needs student. Funds must be disbursed or rolled over by the child's 30th birthday.

How are Coverdell ESAs taxed?

Contributions to a Coverdell ESA are not tax-deductible. Distributions are tax-free as long as they are used for qualified education expenses, such as tuition and fees, required books, etc. Any taxable distributions (amounts not used for qualified educational expenses) may result in a 10% penalty and tax on the earnings.

How can I open a Coverdell ESA at Janus Henderson?

Almost anyone is eligible to fund a Coverdell ESA for a child, including a corporation or entity. The responsible individual, however, must be the child's parent or legal guardian.

The child named on the account must be under 18 years of age (or any age, for a child with special needs) and have a Social Security number.

The minimum investment to open a Coverdell ESA at Janus Henderson is \$1,000 per fund or \$500 with a \$50 automatic monthly investment.

A Coverdell ESA may be ideal if:

- You plan on saving up to \$2,000 per child, per year, specifically for college expenses.
- You have started saving for college early in your child's life.
- As a donor, you are under the income limits to make contributions (\$110,000 for single filers, \$220,000 for married couples).

Start an account for as little as \$500 with a \$50 monthly automatic investment.

 **Open a Coverdell ESA online at janushenderson.com/monthly**

An ESA should be considered a long-term investment. ESAs generally have expenses and account fees, which may impact the value of the account. Non-qualified withdrawals may be subject to taxes and penalties. Maximum contributions are subject to eligibility requirements. Depending on your eligibility, you may not be able to contribute the maximum amount. For more detailed information about taxes, review IRS Publication 970 or consult your tax advisor regarding your personal circumstances.

A Coverdell Education Savings Account (ESA) is a custodial account in which the child owns the money, but a parent or legal guardian manages the account. This account is exclusively intended for the purpose of paying for the child's education, and all funds must be withdrawn and used for approved educational expenses by the time the child reaches age 30.

Tax Year 2017 Contribution Limits Adjusted Gross Income

Single Filers	Married Filing Jointly	Maximum Contribution
\$95,000 and under	\$190,000 and under	\$2,000
\$96,500	\$193,000	\$1,800
\$98,000	\$196,000	\$1,600
\$99,500	\$199,000	\$1,400
\$101,000	\$202,000	\$1,200
\$102,500	\$205,000	\$1,000
\$104,000	\$208,000	\$800
\$105,500	\$211,000	\$600
\$107,000	\$214,000	\$400
\$108,500	\$217,000	\$200
\$110,000 and higher	\$220,000	\$0

Source: Internal Revenue Code

Investing for a Minor

At a Glance

A simple, side-by-side comparison of the Custodial Account and Coverdell ESA — two options offered by Janus Henderson to help you invest in your child's future.

Invest for as little as \$500 and a \$50 automatic monthly investment

	Custodial Account	Coverdell ESA
Annual contribution limit:	None (donor subject to gift tax if over \$14,000/year)	\$2,000/year
Income limit to contribute (Donor):	None	\$110,000 for single filer, \$220,000 for married couple
Tax-deferred earnings?	No	Yes
Who owns the assets?	Minor (irrevocable gift)	Minor
Who manages the assets for the minor?	Custodian (does not have to be parent or guardian)	Parent or guardian of minor
Assets can be used for:	Unrestricted if used to benefit the minor	Qualified education expenses
Access:	Money can be used at any time without penalty. Earnings may be taxed.	10% penalty and taxes on non-qualified distribution earnings. Qualified distributions are tax-free.

It is possible to contribute to both a Custodial Account as well as a Coverdell Education Savings Account. This might be an option if you like the idea of the ESA, but would like to contribute more than the \$2,000 maximum contribution per year.

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Please consider the charges, risks, expenses and investment objectives carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, please call Janus Henderson at 800.525.3713 or download the file from janushenderson.com/reports. Read it carefully before you invest or send money.

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