

An Investment Plan for Minors

JANUARY 1, 2024

Investing with
Biblical Principles



UNIFORM GIFTS TO MINORS ACT (UGMA)
UNIFORM TRANSFERS TO MINORS ACT (UTMA)



TIMOTHY PLAN

This page intentionally left blank.



Non-Retirement Account

NEW ACCOUNT APPLICATION

Check here if amendment.

1 Account Registration

Individual / Joint Account

i FOR ASSISTANCE with this form, call Shareholder Services at (800) 662-0201, or the Timothy Plan at (800) 846-7526.

i REGISTRATION TYPE:
JTWROS - Joint Tenancy With Rights of Survivorship
TBE - Tenancy by the Entirety
TIC - Tenancy in Common

+ **UNDER AGE 18:** Complete and attach the Special Request Form E, Account for Minors Indemnification.

NOT TO BE USED FOR INDIVIDUAL RETIREMENT ACCOUNTS.

NAME (First, Initial, Last)		GENDER: <input type="radio"/> Male <input type="radio"/> Female	DATE OF BIRTH	TAXPAYER ID NUMBER or SSN
JOINT NAME		REGISTRATION TYPE: <input type="radio"/> JTWROS <input type="radio"/> TBE <input type="radio"/> TIC	DATE OF BIRTH	TAXPAYER ID NUMBER or SSN
ADDRESS				
CITY		STATE	ZIP	
DAYTIME PHONE NUMBER		EMAIL (optional)		U.S. CITIZENSHIP STATUS: <input type="radio"/> CITIZEN <input type="radio"/> RESIDENT ALIEN <input type="radio"/> NONRESIDENT ALIEN

Gifts/Transfers To A Minor (UGMA/UTMA)

MINOR'S NAME (First, Initial, Last)		DATE OF BIRTH	MINOR'S TAX ID or SSN	
ADDRESS		CITY	STATE	ZIP
DAYTIME PHONE NUMBER		EMAIL (optional)		U.S. CITIZENSHIP STATUS: <input type="radio"/> CITIZEN <input type="radio"/> RESIDENT ALIEN <input type="radio"/> NONRESIDENT ALIEN
CUSTODIAN'S NAME (First, Initial, Last)		DATE OF BIRTH	CUSTODIAN'S TAX ID or SSN	
ADDRESS		CITY	STATE	ZIP
DAYTIME PHONE NUMBER		EMAIL (optional)		U.S. CITIZENSHIP STATUS: <input type="radio"/> CITIZEN <input type="radio"/> RESIDENT ALIEN <input type="radio"/> NONRESIDENT ALIEN

Trust or Business Account

i **NOTE:** Please list all individuals who will have authority to open and/or transact business for this account on behalf of the legal entity in whose name this account will be registered. Please also enclose documents supporting: (A) existence of legal entity (e.g., a photocopy of the title, signature, and appropriate pages of the trust document, articles of incorporation, business license, partnership agreement); and (B) authority of each individual authorized to transact business on this account (e.g., corporate resolution, partnership certificate, trustee(s)).

! **WARNING:** If you complete this section without providing the classification, per IRS regulations, we must default to an S Corporation.

+ **CORPORATIONS OR OTHER ENTITIES** (Include a copy of one of the following documents: registered articles of incorporation, government-issued business license, partnership papers, plan documents or other official documentation that verifies the entity and lists the authorized individuals. Failure to provide this documentation may result in a delay in processing your application.)

NAME OF: <input type="radio"/> TRUST <input type="radio"/> PARTNERSHIP <input type="radio"/> C. CORPORATION <input type="radio"/> S. CORPORATION <input type="radio"/> PARTNERSHIP <input type="radio"/> GOV. ENTITY (check one)			ENTITY'S TAX ID	
ADDRESS		CITY	STATE	ZIP
DAYTIME PHONE NUMBER		EMAIL (optional)		DATE OF TRUST (if applicable)
TRUSTEE'S NAME or AUTHORIZED SIGNER		DATE OF BIRTH	TRUSTEE'S TAX ID or SSN	
ADDRESS (if different than above)		CITY	STATE	ZIP
DAYTIME PHONE NUMBER		EMAIL (optional)		U.S. CITIZENSHIP STATUS: <input type="radio"/> CITIZEN <input type="radio"/> RESIDENT ALIEN <input type="radio"/> NONRESIDENT ALIEN
CO-TRUSTEE'S NAME or CO-AUTHORIZED SIGNER (if applicable)		DATE OF BIRTH	CO-TRUSTEE'S TAX ID or SSN	
ADDRESS (if different than above)		CITY	STATE	ZIP
DAYTIME PHONE NUMBER		EMAIL (optional)		U.S. CITIZENSHIP STATUS: <input type="radio"/> CITIZEN <input type="radio"/> RESIDENT ALIEN <input type="radio"/> NONRESIDENT ALIEN

A Non-Retirement Account

NEW ACCOUNT APPLICATION

Transfer on Death (TOD)

If you wish to designate beneficiary(ies) of this account in the event of your death, please list them below. If you want the children of a beneficiary you list to inherit that beneficiary's share (if that beneficiary predeceases you), check the box *Per Stirpes*. If you want the deceased beneficiary's share to be distributed to the other beneficiaries you list, please check the box *Pro Rata*.

_____	<input type="radio"/> Pro Rata to the survivors	<input type="radio"/> Per Stirpes	_____ %
TOD BENEFICIARY'S NAME (First, Initial, Last)			
_____	<input type="radio"/> Pro Rata to the survivors	<input type="radio"/> Per Stirpes	_____ %
TOD BENEFICIARY'S NAME (First, Initial, Last)			
_____	<input type="radio"/> Pro Rata to the survivors	<input type="radio"/> Per Stirpes	_____ %
TOD BENEFICIARY'S NAME (First, Initial, Last)			

2 Contribution Information

Reduced Sales Charge

Class A & C shares combined.

⚠️ \$750,000 BREAKPOINT: This selection is only applicable for Fixed Income and High Yield Bond Funds.

LETTER OF INTENT: Please be advised that over the course of the next thirteen months, I intend to purchase a cumulative amount of the Timothy Plan family of funds equal to or in excess of:

\$50,000 \$100,000 \$250,000 \$500,000 \$750,000 Over \$1 million

If you intend to invest a certain amount over a 13 month period, you may be entitled to reduced sales charges on Class A share purchases. If the amount indicated is not invested within 13 months, regular sales charge rates will apply to shares purchased and any difference in the sales charge owed versus the sales charge previously paid will be deducted from es-crowed shares. Please refer to the prospectus for terms and conditions.

RIGHT OF ACCUMULATION: The following accounts, if any, are related and should be included in my aggregate purchases to be calculated when assessing my reduced sales load.

1. _____ 2. _____ 3. _____ 4. _____

Net Asset Value (NAV)

⚠️ FOR ADVISOR/FUND USE ONLY.

This account is eligible for NAV purchases. (Both sections must be selected to be processed.)

I certify that this account is eligible for this option according to the terms set forth in the fund prospectus.

3 Payment Method

Payment Method

You can open your account using any of these methods. Please check your choice.

Check (Please make check payable to the Timothy Plan.)

Bank Wire (For instructions, please contact the Transfer Agent toll free at 1-800-662-0201.)

Automatic Investment Plan (Complete Section 5. No money is enclosed.)

Direct Transfer

Other _____

4 Investment Selection

Your Fund Choices

If no share class is indicated, a Class A share account will be established.

⚠️ TO PURCHASE CLASS I SHARES: You must be working with a Registered Investment Advisor.

FUND NAME(S)	CLASS	ALLOCATION
1. _____	<input type="checkbox"/> A <input type="checkbox"/> C <input type="checkbox"/> I	\$ _____ %
2. _____	<input type="checkbox"/> A <input type="checkbox"/> C <input type="checkbox"/> I	\$ _____ %
3. _____	<input type="checkbox"/> A <input type="checkbox"/> C <input type="checkbox"/> I	\$ _____ %
4. _____	<input type="checkbox"/> A <input type="checkbox"/> C <input type="checkbox"/> I	\$ _____ %
5. _____	<input type="checkbox"/> A <input type="checkbox"/> C <input type="checkbox"/> I	\$ _____ %

Dividend & Capital Gains Distribution

All dividends and capital gains will be reinvested in additional shares of the same fund and class if you do not make a selection.

*You may only reinvest distributions in the same class of shares.

A. DIVIDENDS: Reinvest. Paid in cash. Direct to my Timothy Plan account*: _____

B. CAPITAL GAINS: Reinvest. Paid in cash. Direct to my Timothy Plan account*: _____

If you choose to have any dividends and capital gains paid in cash, please check one of the options below. If you do not make a selection, we will send them to you, by check, at your current mailing address.

Send dividends and capital gains to my bank account. (Complete Section 5, Bank Information.)

5 Account Service Options

Automatic Investment Plan

i **NOTE:** If you are opening a new fund account and signing up for the Automatic Investment Plan, you must include a minimum initial investment of \$50 with this application.

*The bank account designated must have check or draft writing privileges. Complete Bank Information above.

I AUTHORIZE THE FUND'S AGENT TO DRAW CHECKS OR INITIATE AUTOMATIC CLEARING HOUSE (ACH) DEBITS AGAINST THE BANK ACCOUNT* ON THE ATTACHED VOIDED CHECK.

1. Amount (minimum \$50 per account, per month or equivalent): \$ _____
2. Frequency (choose one):
 Semi-Monthly Quarterly Annually
 Monthly Semi-Annually
3. Day in which deposit should begin (or the first business day thereafter, if a holiday or weekend): _____
4. Month in which deposit should begin: _____

Bank Information

*The bank account designated must have check or draft writing privileges.

CHECKING OR SAVINGS ACCOUNT INFORMATION*

NAME OF BANK _____		BANK'S PHONE NUMBER _____	ABA ROUTING NUMBER _____
BANK ADDRESS _____			
CITY _____	STATE _____	ZIP _____	
NAME (S) ON BANK ACCOUNT _____		BANK ACCOUNT NUMBER _____	ACCOUNT TYPE: <input type="radio"/> CHECKING <input type="radio"/> SAVINGS

→ NO CHECKS? If you do not have a check or preprinted deposit slip for this account, please contact your savings account provider for wiring instructions, or call (800) 662-0201.

JOHN AND JANE DOE 101
 123 Any Street
 Anytown, USA 12345 Date _____

Pay to the order of _____ Tape your voided check or preprinted deposit slip here. \$ _____

BANK NAME _____ PLEASE DO NOT USE STAPLES. Dollars

BANK ADDRESS _____

For _____

Systematic Withdrawal Plan

i **NOTE:** A minimum account balance of \$10,000 is required.

*Complete Bank Information above.

I authorize the fund's Agent to deposit checks into my bank account* from my account established by this application.

1. Amount (minimum \$100 per account, per month or equivalent): \$ _____
2. Frequency (choose one): Monthly Quarterly Semi-Annually Annually
3. Withdrawals are processed on the 25th of the appropriate month.
4. Month in which deposit should begin: _____

Telephone Transaction Privileges

If bank information is provided above, you may elect the convenience of Telephone Purchases. Whether you provide bank information or not, if you elect to do so, you may exchange and/or redeem by telephone.

NO, I DO NOT WANT THE FOLLOWING PRIVILEGES:

- Telephone Purchase. Telephone Exchange. Telephone Redemption.

Government/Payroll Direct Deposit

Yes, I Want to establish a Government/Payroll Direct Deposit.

Please indicate if you are establishing an account for this purpose. For additional information regarding the automatic deposit of your government or payroll check, please call us at (800) 662-0201.

6 Acknowledgement

Your Signature

WARNING. This application cannot be processed unless signed below by the Responsible Individual(s).

UNDER AGE 18: A parent or guardian must sign attach a completed Special Request Form E, Account for Minors Indemnification.

I (we) have received and read the current prospectus for the funds I (we) have selected for investment. I (we) agree that any shares purchased now or later will be subject to the terms of the funds' prospectus in effect from time to time. I (we) certify under penalties of perjury: 1) that the Social Security or Taxpayer ID Number provided here is correct and, 2) that unless the circle below is checked, I (we) am (are) not subject to tax withholding because a) I (we) have not been notified by the Internal Revenue Service that I (we) am (are) subject to such withholding because of a failure to report all interest or dividends, or b) the Internal Revenue Service has notified me that I (we) am (are) no longer subject to backup withholding.

I (we) am (are) subject to backup withholding.

I (we) agree that neither the fund nor its agents will be liable for any loss, expense, or cost arising out of any telephone request made pursuant to the features and services selected above, including any fraudulent or unauthorized request and that I, as the account holder, will bear the risk of loss, so long as the fund or its agents reasonably believe that the telephonic instructions are genuine based upon reasonable verification procedures. The verification procedures include recording instructions, requiring certain identifying information before acting upon instructions and sending written confirmations. I (we) certify that I (we) have the power and authority to establish this account and establish the features and services requested and that the authorizations hereon shall continue until the funds receive written notice of a modification signed by all appropriate parties or a termination signed by all parties. All terms shall be binding upon heirs, representatives and assigns.

SIGNATURE OF OWNER

DATE

SIGNATURE OF JOINT OWNER

DATE

I am exempt from the Foreign Account Tax Compliant Act. The IRS does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

USA Patriot Act Notice

IMPORTANT INFORMATION

Under the USA Patriot Act, the Board of Trustees of the Trust has approved procedures designed to prevent and detect attempts to launder money. The information you provide us is used exclusively as required under the Patriot Act and to provide the services you have requested.

WHAT THIS MEANS FOR YOU:

When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask for additional identifying documents. The information is required for all owners, co-owners, or anyone who will be signing or completing a transaction on behalf of a legal entity that will own the account. We must return your application if any of this information is missing. If we are unable to verify this information, your account may be closed and you will be subject to all applicable costs. If you have any questions regarding this application, please call **(800) 662-0201**.

7 For Dealer Use Only

Your Financial Representative

IF APPLICABLE.

BROKER/DEALER NAME

BRANCH NUMBER

BRANCH ADDRESS

REPRESENTATIVE'S NAME

PRODUCER NUMBER

PHONE NUMBER

8 Mailing Your Application

Return Completed Form

USE YOUR PREFERRED MAILING METHOD.

REGULAR DELIVERY:

Timothy Plan
c/o Ultimus Fund Solutions, LLC
Post Office Box 541150, Omaha, NE 68154

OVERNIGHT DELIVERY:

Timothy Plan
c/o Ultimus Fund Solutions, LLC
4221 N 203rd St, Ste 100, Elkhorn, NE 68022

Phone		(800) 662-0201
Local		(402) 493-4603
Fax		(402) 963-9094



Retirement & Non-Retirement Accounts

ACCOUNT FOR MINORS

1 Account Guardianship

Guardian Information

USA PATRIOT ACT, Federal law requires all financial institutions (including mutual funds) to obtain, verify, and record information that identifies each person who opens an account. The Guardian's identification will be researched and affirmed.

GUARDIAN'S NAME (First, Initial, Last) GUARDIANSHIP: Sole Joint RELATIONSHIP: Mother Father Other (please explain)

STREET ADDRESS, CITY, STATE, ZIP U.S. CITIZENSHIP STATUS:

DAYTIME PHONE NUMBER DATE OF BIRTH TAXPAYER ID NUMBER OR SSN

GUARDIAN'S NAME (First, Initial, Last) GUARDIANSHIP: Sole Joint RELATIONSHIP: Mother Father Other (please explain)

STREET ADDRESS, CITY, STATE, ZIP U.S. CITIZENSHIP STATUS:

DAYTIME PHONE NUMBER DATE OF BIRTH TAXPAYER ID NUMBER OR SSN

APPOINTING A PRIMARY GUARDIAN. Complete lined space only if Joint Guardians desire to appoint one or the other as individually authorized to effect activities, on behalf of the minor, in the minor's custodial account.

I/We hereby attest that I am/we are the guardian(s) of the minor and authorized to enter into this Agreement on behalf of the minor. We further agree that _____ (see sidebar) is the appropriate person to act as the guardian of the property of the minor for the Timothy Plan Account for the minor.

SIGNATURE OF GUARDIAN SIGNATURE OF JOINT GUARDIAN

DATE DATE

2 Account Establishment

Indemnification to Establish an Individual Retirement Account for a Minor ("Agreement")

FOR ASSISTANCE with this form, call Shareholder Services at (800) 662-0201, or the Timothy Plan at (800) 846-7526.

REQUIRED DOCUMENTS: An Account Application, IRA Application or other Retirement Account Application must accompany this document.

The undersigned hereby certifies that _____ (print name of guardian—only one guardian may be listed) is the legal guardian of the property of _____ (print name of minor), _____-____-_____ (minor's social security number), a minor, and such guardian wishes to establish a Timothy Plan-sponsored individual retirement account ("Account"), for which Ultimus Fund Solutions acts as administrative agent and Constellation Trust Company acts as Custodian if a sponsored retirement account.

In establishing such Account, the undersigned agrees to indemnify and hold harmless Timothy Plan, Constellation Trust Company, the Timothy Plan fund or funds in which the investment is made (collectively, the "Indemnitees"), and each of their officers, employees and directors from and against any and all liabilities, losses, obligations, damages, claims, costs and expenses (including attorney's fees and expenses), of any kind whatsoever directly or indirectly suffered or incurred by the Indemnitees, their officers, employees, directors, agents, affiliates, successors or assigns in any way relating to, or arising in connection with, any disaffirmance, voiding, unenforceability, cancellation or limitation of any purchase, exchange, transfer or redemption of shares relating to the Account, resulting in whole or in part by virtue of the fact that (i) the shareholder was a minor at the time the Account was opened or at any time during which the Account is maintained; or (ii) the person designated above was not the legal guardian of the property of the minor, whether or not the shareholder's minority or the guardian's identity is given as the express reason therefor. This Agreement shall be binding upon the undersigned and his/her executors, beneficiaries, heirs, administrators, legal representatives and assigns and shall inure to the benefit of the Indemnitees and their successors and assigns.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, has executed this Agreement as of this _____ day of _____, 20____.



Retirement & Non-Retirement Accounts

ACCOUNT FOR MINORS



Acknowledgment

Your Signature

WARNING. This application cannot be processed unless signed below by the Responsible Individual(s).

By my (our) signature below, we hereby affirm and attest that the minor listed herein has received earned income during the year for which the retirement plan is being established.

SIGNATURE OF OWNER

DATE

SIGNATURE OF JOINT OWNER

DATE



Mailing Your Application

Return Completed Form

USE YOUR PREFERRED MAILING METHOD.

REGULAR DELIVERY:

Timothy Plan
c/o Ultimus Fund Solutions, LLC
Post Office Box 541150, Omaha, NE 68154

OVERNIGHT DELIVERY:

Timothy Plan
c/o Ultimus Fund Solutions, LLC
4221 N 203rd St, Ste 100, Elkhorn, NE 68022

Phone		(800) 662-0201
Local		(402) 493-4603
Fax		(402) 963-9094

Non-Retirement Accounts

UGMA/UTMA SUCCESSOR CUSTODIAN DESIGNATION

1 Current Account Registration

Account Information

i FOR ASSISTANCE with this form, call Shareholder Services at (800) 662-0201, or the Timothy Plan at (800) 846-7526.

COMPLETE AS NAME(S) APPEAR ON APPLICATION OR MOST RECENT STATEMENT.

MINOR'S NAME (First, Initial, Last)

TAXPAYER ID NUMBER OR SSN

MINOR'S ADDRESS

CUSTODIAN'S NAME (First, Initial, Last)

TAXPAYER ID NUMBER OR SSN

CUSTODIAN'S ADDRESS

2 Successor Custodian Designation

Instructions

i In the event the custodian named in the application cannot or will not serve as custodian at anytime during the lifetime of the UGMA/UTMA, the persons named hereon are designated a successor custodian in the order in which they are listed.

SUCCESSOR CUSTODIAN LISTED IN ORDER OF SUCCESSION:

NAME OF FIRST SUCCESSOR CUSTODIAN (First, Initial, Last)

SSN

ADDRESS

CITY

STATE

ZIP

DAYTIME PHONE NUMBER

EMAIL (optional)

NAME OF SECOND SUCCESSOR CUSTODIAN (First, Initial, Last)

SSN

ADDRESS

CITY

STATE

ZIP

DAYTIME PHONE NUMBER

EMAIL (optional)

Current Owner Authorization

! **WARNING.** This application will not be processed unless signed by the person establishing the UGMA/UTMA.

Before signing, it is recommended that you seek the advice of an attorney with respect to the legal consequences of signing this direction. Neither Timothy Partners, Ltd. nor any Fund or any agent or affiliate thereof is responsible for determining the legal and tax consequences to you and your successors.

SIGNATURE OF PERSON ESTABLISHING THE UGMA/UTMA

DATE

SIGNATURE OF JOINT ACCOUNT OWNER

DATE

UGMA/UTMA Account

A CUSTODIAL ACCOUNT FOR MINORS

Parents and students who are currently completing the FAFSA and learning about financial aid may be kicking themselves for not having a better plan in place to pay for college. When it comes to college costs, a little planning can go a long way. There are several useful ways to save money for your child's college education, each of which has its pros and cons.

One of the more traditional methods is to open a custodial account, which children can access once they become adults, but this doesn't place any educational criteria on how money is spent. A custodial account is not an education-only savings account, and your kids may use the money you invest however they like. Another option is to utilize a UGMA or UTMA account.¹

UGMA AND UTMA CUSTODIAL ACCOUNTS

UGMA and UTMA accounts are considered the granddaddy of college savings accounts. The UGMA (Uniform Gift to Minors Act) and UTMA (Uniform Transfer to Minors Act) are nothing more than custodial accounts, which are used to hold and protect assets for minors until they reach the age of majority in their state. These accounts typically allow stock, bond, and mutual fund investments, but not higher-risk investments like stock options or buying on margin. Because the assets are considered the property of the minor, a certain amount of the investment income will go untaxed while an equal amount is taxed at the child's tax rate, instead of the parents' rate.²

POTENTIAL DISADVANTAGES

The same tax benefit that makes custodial accounts attractive can also make them unattractive. After the first amount of money in income is sheltered from higher taxes, excess income is taxed at the parents' marginal tax bracket.³ This effect would not occur in a Section 529 plan or a Coverdell ESA.^{4, 5} The account format also requires a custodian to hand over

control of the assets to the child anywhere from age 18–21, depending on the state. While parents who have a good relationship with their child might be able to coerce those assets into actually being spent on college, a strained relationship may present a problem.⁶

TAX BENEFITS

Every child younger than 19 (or 24 for full-time students) who files as part of their parents' tax return is allowed a certain amount of unearned income at a reduced tax rate. In 2020, for example, the first \$1,100 is considered tax-free, and the next \$1,100 is taxed at the child's bracket, which is 10% for federal income tax.^{7,8,9} Anything above those amounts is taxed at the parents' rate, which may be as high as 37%. This exemption is per child, not per account.

ELIGIBLE EXPENSES

A custodian can initiate a withdrawal for the benefit of the child, as long as the expenses are for legitimate needs. Any expense that is for the benefit of the child, such as pre-college educational expenses, may be paid from the custodial account at the custodian's discretion. Unlike other college savings accounts, however, these expenses are not limited to education and can be used for anything related to the child. Likewise, upon becoming a legal adult, the child can use the money without limitations.¹⁰

IMPACT ON FEDERAL FINANCIAL AID ELIGIBILITY

Custodial accounts are considered an asset of the child and are counted against financial aid. Approximately 20% of these assets will be expected to be used toward funding a student's education in any given year.¹⁰

CONTRIBUTION RULES

There are no contribution limits. However, someone setting aside money in one of these accounts needs to be aware of how larger gifts affect their annual gift tax and lifetime estate tax exclusions. Consulting a financial adviser is helpful.⁶

UNUSED FUNDS

Any unused money must be distributed by the time the child reaches the age of majority or the maximum age allowed for custodial accounts in their state. For classic UGMA accounts, this generally occurs at the age of 18. For the newer UTMA accounts, this age is usually 21, but may be as late as 25. Unlike Section 529 plans and Coverdell ESA's, there's no ability to transfer the account to another child or change beneficiaries.⁶

ARTICLE SOURCES

1. Charles Schwab. "Money Basics: Custodial Accounts." Accessed Feb. 6, 2020.
2. USAA. "UGMA & UTMA Accounts: Invest on Behalf of Minors." Accessed Feb. 6, 2020.
3. T. Rowe Price. "Compare College Savings Options." Accessed Feb. 6, 2020.
4. Internal Revenue Service (IRS). "Topic No. 313 Qualified Tuition Programs (QTPs)." Accessed Feb. 6, 2020.
5. Internal Revenue Service (IRS). "Topic No. 310 Coverdell Education Savings Accounts." Accessed Feb. 6, 2020.
6. Merrill. "What's the Difference Between 529s and Custodial Accounts Like UTMAs and UGMAs?" Accessed Feb. 6, 2020.
7. Internal Revenue Service (IRS). "Publication 929 (2018), Tax Rules for Children and Dependents." Accessed Feb. 6, 2020.
8. Internal Revenue Service (IRS). "Revenue Procedure 2019-44 (PDF)," Pages 7-8. Accessed Feb. 6, 2020.
9. T. Rowe Price. "General Investing Accounts for Minors." Accessed Feb. 6, 2020.
10. FINRA. "Saving for College: UGMA and UTMA Custodial Accounts." Accessed Feb. 6, 2020.

KEY TAKEAWAYS

- Custodial accounts help adults save and invest money on behalf of a minor—until the minor reaches a certain age when the account must be transferred to them.
- Money put into a custodial account is an irrevocable gift to the minor named as beneficiary on

the account—the custodian must ensure that it is invested or used for the minor's benefit.

- Between the age of 18 and 25 (it varies by state) legal control of the account must be turned over to the beneficiary, who can then use the money for any purpose they choose.

Looking for a convenient way to manage a child's money until they grow up? Whether the money comes from gifts, an inheritance, or earnings, a custodial account is one way to save and invest for a minor. Money put into these types of accounts becomes the property of the minor and can only be used for their benefit. The state legislation that allows for gifts to minors is the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act (UGMA/UTMA). One or both of those acronyms are often associated with custodial accounts.

The major advantage of custodial accounts is that they make it easy to give financial gifts to a child. The second related benefit is that you don't have to set up a trust to do it—which can be costly.

Custodial accounts can have some drawbacks though. UGMA/UTMA brokerage accounts are considered assets owned by the child, which can impact financial aid when applying to college. Also, no matter what kind of custodial account, the custodian must transfer the account to the beneficiary at a relatively young age (between 18 and 25) and the money can be used for any purpose.

HOW CUSTODIAL ACCOUNTS WORK

Here are the logistical details: The adult custodian opens the account for a specific beneficiary. The adult can then add money to the account and choose investments. When the child reaches the age of majority specified by the state, control of the account must be transferred to them. The age of majority varies by state but is generally between 18 and 25. In some cases, it's called the age of trust termination.

At some financial institutions, like Timothy Plan, the account may be restricted if the beneficiary passes the age of majority and control has not been transferred. Though it is a mandatory process, it has to be initiated by the custodian. If the account was restricted because of a delay in transferring control,

Traditional IRA Custodial Account

FORM 5305-A

any restrictions would be lifted once ownership was transferred.

At Timothy Plan, you can change your account registration online once the minor has turned 18 or reached the age of majority.

Of course, custodial accounts are not the only way to manage money for a child—a trust could also be established which may allow for more control over when the beneficiary can access the money and how it can be used.

THERE ARE SEVERAL TYPES OF CUSTODIAL ACCOUNTS.

- **A Roth IRA for Kids** allows an adult to save a minor's earned money in a retirement account that lets earnings grow tax-free as long as the money stays in the account. If the money is withdrawn before age 59½ without qualifying for an exception, there may be taxes and penalties due.

Like all custodial accounts, the minor will take control of the account when they reach the specified age in their state.

Learn more by reading: Turbocharge your child's retirement with a Roth IRA for Kids

- **The Coverdell ESA** is also a custodial education savings account. They have a \$2,000 annual contribution limit. There is also an income cap which can limit who can contribute to one of these accounts.
- **UGMA/UTMA brokerage accounts** are taxable investment accounts with no contribution limits. These accounts offer no tax benefits at the time the contribution is made and realized earnings like interest and dividends are taxable. At Timothy Plan, the UGMA/UTMA brokerage account offers comprehensive trading and a wide range of investments, including stocks, bonds, mutual funds, exchange-traded funds, options, CDs, and more.

UGMA/UTMA BROKERAGE ACCOUNT CONSIDERATIONS

UGMA/UTMA brokerage accounts can make sense when saving and investing on behalf of a minor, but there are some important things to know about the accounts.

IRREVOCABLE GIFT

Money put into a custodial account belongs to the beneficiary—it's called an irrevocable gift. At the age of majority, the custodian (often a parent) must transfer control to the beneficiary. At that point, they can do whatever they want with the money.

THE GIFT TAX MAY BE A CONSIDERATION

There's no limit to the amount you can put into an UGMA/UTMA. But gifts to an individual above \$15,000 a year typically require a form to be completed for the IRS. Also, any amount in excess of \$15,000 in a year must be counted toward the individual's lifetime gift-tax exclusion limits (the federal lifetime limit is \$11.58 million per individual in 2020).

REALIZED EARNINGS ARE TAXABLE

Earnings are subject to taxes. Income from investments is considered unearned income by the IRS. For children, unearned income above \$2,200 is taxed at the rates used for estates and trusts. If interest and dividend income comes to less than \$11,000, the parent can include that income on their return.

LITTLE CONTROL OVER HOW THE MONEY IS USED

Once the assets are transferred, the beneficiary can use them for any purpose. Each state has different rules for determining the age of termination when the beneficiary should take control of the account.

FINANCIAL AID MAY BE IMPACTED

Financial aid can be adversely affected by custodial accounts. They are considered assets owned by the child.

IS A CUSTODIAL ACCOUNT RIGHT FOR ME?

When choosing an account, it's important to consider your goals and needs as well as that of the child or teenager. There are situations where a custodial account makes a lot of sense and could make planning easier. For instance, if your child inherits or is gifted

money, you could use a custodial account to manage the money until they grow up and can manage it on their own. For people who need more control over the money, a preferable alternative could be setting up a trust.

On the other hand, if you are a parent saving your own money for a child's education, a 529 account may make more sense than a custodial 529 or an UGMA/UTMA. That's because 529 accounts offer a greater degree of flexibility and control, as well as tax benefits.

It may be a good idea to check with your attorney or tax advisor to help choose the best option for your situation. Before opening a custodial account, evaluate your goals, those of the beneficiary, and take stock of all your options to make sure that it's the right type of account for you.

This page intentionally left blank.

This page intentionally left blank.



TIMOTHY PLAN

Investing with Biblical Principles

HEADQUARTERS

1055 Maitland Center Commons
Maitland, FL 32751

800.846.7526

invest@timothyplan.com
timothyplan.com

SHAREHOLDER SERVICES

The Timothy Plan
c/o Ultimus Fund Solutions
Post Office Box 541150
Omaha, NE 68154

800.662.0201

APPLICATIONS MUST BE PRECEDED OR ACCOMPANIED BY A TIMOTHY PLAN PROSPECTUS.

The prospectus containing more complete information on any of the Timothy Plan® mutual funds or portfolios, including sales charges and expenses, may be obtained from your financial adviser, from the Timothy Plan Sales Desk, 800-846-7526 or by downloading it from our web site at timothyplan.com. Please read it carefully before investing. The Timothy Plan® is distributed by Timothy Partners, Ltd. Member FINRA.