

Distributions From CESAs (continued)

Q. How do I determine if a distribution is taxable?

A. If the student had qualified education expenses in 2014 that were equal to or greater than the distribution amount, the distribution is tax-free. For the portion of the distribution that exceeds the amount of qualified education expenses for the student in 2014, any part of the distribution that is attributed to earnings on CESA contributions may be taxable. In addition, the earnings portion may be subject to the IRS 10% early distribution penalty. Please consult with your tax advisor to determine what taxes and penalties apply.

Q. What are qualified education expenses?

A. Generally, these are expenses incurred because a student enrolled in or attended an eligible school. The expenses could be incurred at an elementary, secondary or post-secondary school, and could include tuition, books, supplies or other equipment. IRS Publication 970—Tax Benefits for Education—details what expenses are qualified and any adjustments that are needed to tax-free educational assistance received by the student.

Q. How do I report amounts on Form 1099-Q to the IRS?

A. If the amount of the distribution exceeded the student's qualified expenses or is a return of an excess contribution, the taxable portion of the distribution is reported on line 21 of IRS Form 1040. Refer to IRS Publication 970—Tax Benefits for Education—for more information.

Q. Since transfers are not taxable, why are they reported on Form 1099-Q?

A. The IRS requires the tracking of CESA transfers. This does not mean that they are taxable. It just means that they are reportable to the IRS.

Q. Can a student take a tax-free distribution from a CESA and use the Hope or Lifetime Learning Credit in the same year?

A. Yes, as long as the same expenses are not used for both benefits.

Resources for Further Assistance

IRS Website—www.irs.gov

You can order or download IRS forms and publications and obtain other helpful information on the IRS website.

IRS Tax Help Line—800-829-1040

The IRS provides a toll-free telephone number staffed by representatives who can provide answers to your individual tax questions.

IRS TeleTax Topics—800-829-4477

IRS TeleTax Topics include recorded messages on various topics. A complete listing can be found in your IRS Form 1040 Instructions. This information is also available through the IRS website at www.irs.gov.

IRS Forms/Publications—800-TAX-FORM (800-829-3676)

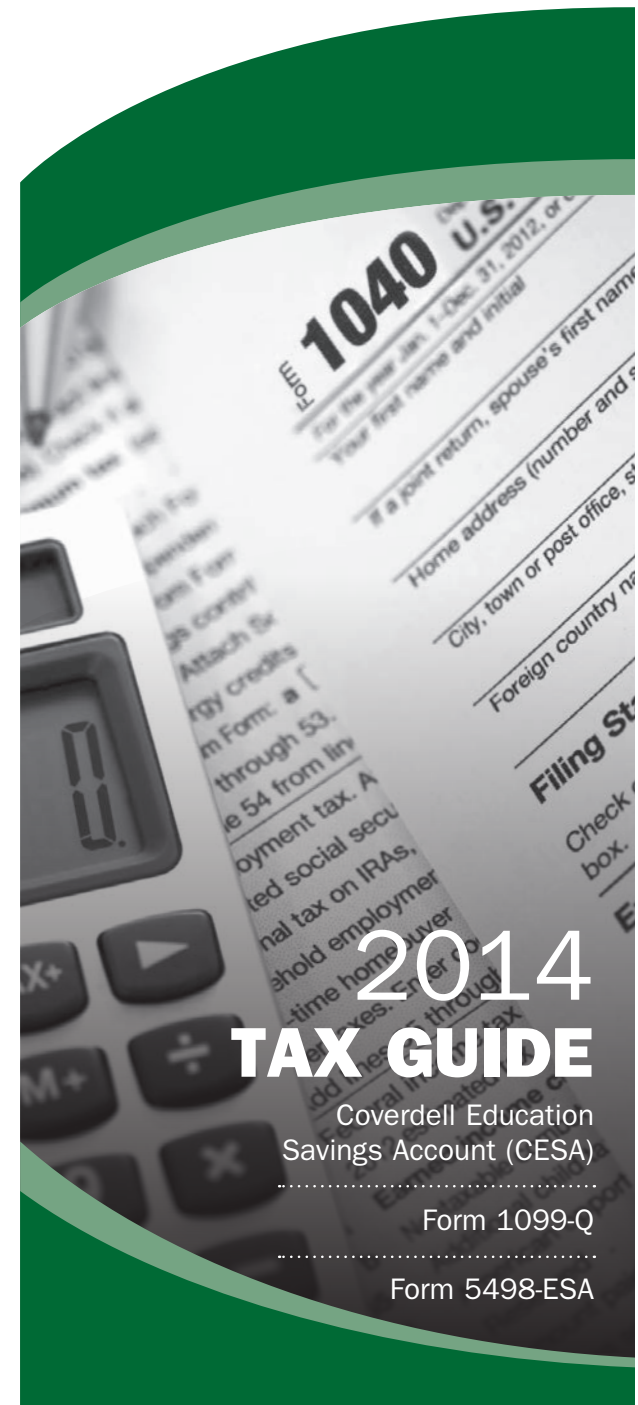
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Using Form 1099-Q

Below are descriptions of the boxes on Form 1099-Q. Refer to IRS Publication 970—Tax Benefits for Education—for more information.

<small>PAYER'S TRUSTEE'S Name, Street Address, City, State, ZIP Code and Telephone Number</small> Thrivent Mutual Funds P.O. Box 219348 Kansas City, MO 64121-9348 800-847-4836		TAX YEAR 2014 Payments From Qualified Education Programs (Under Sections 529 and 530) <small>(OMB No. 1545-1760)</small>					
<small>RECIPIENT'S Name, Street Address (including apt. no.), City, State, and ZIP Code</small> THRIVENT TRUST COMPANY CUSTODIAN COVERDELL ESA ALEX B SMITH JOHN W SMITH PO BOX 123 ANYWHERE WI 12345-6789		Form 1099-Q Copy B For Recipient Department of the Treasury-Internal Revenue Service (Keep for your Records)					
<small>This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.</small>							
RECIPIENT'S social security number		XXX-XX-1234					
Corrected (if checked) <input type="checkbox"/>							
Form 1099-Q • 2014 PAYMENTS FROM QUALIFIED EDUCATION PROGRAMS (UNDER SECTIONS 529 AND 530)							
Fund-Acct. no.	(1) Gross distribution*	(2) Earnings **	(3) Basis	(4) Trustee to trustee transfer	(5) Program type	(6) If this box is checked, the recipient is not the designated beneficiary	Coverdell ESA fair market value (FMV) as of 12/31/14 +
Fund: THRIVENT SMALL CAP INDEX FUND-A XX-XXXXXXXXXX	39.35			<input checked="" type="checkbox"/>		<input type="checkbox"/>	0.00
<small>PAYER'S Fed tax ID no: XX-XXXXXXX</small>				<small>Corrected (if checked) <input type="checkbox"/> (OMB No. 1545-1815)</small>			

Box 1—Gross distributions: Shows the gross distribution from a CESA. Types of distributions include:

- Distributions taken from a CESA in 2014.
- Distributions taken to remove an excess CESA contribution.
- Transfers from a CESA to another CESA or 529 plan.
- Distributions to a beneficiary due to the student's death.

Box 2—Earnings: Reports earnings attributable to an excess contribution return. You are responsible for determining the portion of other types of distributions that is attributable to earnings on CESA contributions.

Box 3—Basis: Will be blank for distributions from a CESA. You are responsible for determining the taxable amount, if any, on a distribution from your CESA.

Box 4—Trustee-to-trustee transfer: Will be checked if you transferred the amount in Box 1 to another CESA or 529 plan in a trustee-to-trustee transfer.

Box 5—Program type: Shows the type of education program that the gross distribution was made from (CESA, public 529 or private 529).

Box 6—Check if the recipient is not the beneficiary: Will be checked if you are not the designated beneficiary under the CESA or 529 plan.

CESA Fair Market Value as of Dec. 31, 2014: This value is included to assist you in determining the taxable portion of the distribution.

Using Form 5498-ESA

<small>TRUSTEE'S or ISSUER'S Name, Street Address, City, State, Zip Code and Telephone Number</small> Thrivent Mutual Funds P.O. Box 219348 Kansas City, MO 64121-9348 800-847-4836		TAX YEAR 2014 Department of the Treasury-Internal Revenue Service (Keep for your Records)
<small>BENEFICIARY'S Name, Street Address (including apt. no.), City, State, and Zip Code</small> THRIVENT TRUST COMPANY CUSTODIAN COVERDELL ESA ALEX B SMITH JOHN W SMITH PO BOX 123 ANYWHERE WI 12345-6789		Copy B for Beneficiary The information in boxes 1 and 2 is being furnished to the Internal Revenue Service.
BENEFICIARY'S social security number		XXX-XX-1234
Corrected (if checked) <input type="checkbox"/> (OMB No. 1545-1815)		
FORM 5498 - ESA • COVERDELL ESA CONTRIBUTION INFORMATION • 2014		
Fund-Acct. no.	(1) Coverdell ESA contributions	(2) Rollover contributions
Fund: THRIVENT LARGE CAP STOCK FUND - A XX-XXXXXXXXXX	0.00	3,989.99
Summary	0.00	3,989.99
<small>PAYER'S Fed tax ID no: XX-XXXXXXX</small>		

Box 1—Coverdell ESA contributions: Reports CESA contributions made for tax year 2014.

Box 2—Rollover contributions: Reports the amount of any rollovers made to your CESA in calendar year 2014. This includes a direct rollover from a qualified plan to a CESA.

Contributions to Coverdell Education Savings Accounts (CESAs)

Q. Who can contribute to a CESA for a student?

A. Anyone, including the student, can make a contribution to a CESA if the person's modified adjusted gross income (MAGI) is less than \$110,000 (\$220,000 if the person files a joint return). Organizations such as corporations or trusts can also make a contribution to a CESA. Contributions cannot be made to the CESA once the student reaches age 18 unless the student has special needs.

Q. Are contributions to a CESA tax-deductible?

A. No. Contributions are made after-tax and can be removed from the account at any time without being subject to taxes or penalties. However, any earnings associated with the contributions are taxable and possibly subject to early withdrawal penalties if not used to cover qualified education expenses.

Q. What is the due date for CESA contributions?

A. Contributions must be made by the due date of the contributor's tax return. You have until April 15, 2015, to make your CESA contribution for tax year 2014.

Contribution Limits	
2014	2015
\$2,000	\$2,000

Distributions From CESAs

Q. How long can the student keep the CESA?

A. Assets in a CESA must be distributed within 30 days of the student reaching age 30, unless the student has special needs. A CESA can also be transferred or rolled over to a CESA for another member of the student's family who is under age 30.