John Hancock Investment Management

JOHN HANCOCK FREEDOM 529 OFFERED BY
EDUCATION TRUST OF ALASKA

Frequently asked *questions* about 529 plans

A 529 plan is a great savings vehicle that can help you provide for a loved one's education. **529 plans are offered by individual states, but you don't have to be a resident of a particular state to open an account.** Below are some commonly asked questions about the overall benefits of 529 plans and the specific features of John Hancock Freedom 529, which is offered by the Education Trust of Alaska in partnership with T. Rowe Price.

What is a 529 plan?

Created in 1996 by Section 529 of the Internal Revenue Code, a 529 plan is a qualified tuition program, which is a tax-deferred vehicle designed specifically to save for education. Tax-deferred growth on earnings and federal income-tax-free distributions[1] set 529 savings plans apart from other investment vehicles used to save for a child's education.

Can my spouse and I set up a joint account?

Joint accounts aren't permitted in this plan; however, you and your spouse may each establish separate accounts for the same beneficiary or you may both contribute to the same account.

Who can be a beneficiary?

Any individual can be named a beneficiary. The beneficiary may be of any age but must be a U.S. citizen or resident alien. The account holder can be the beneficiary.

Who can contribute?

Any individual can contribute to a beneficiary's account. That person doesn't have to be the account holder.

How do I open an account?

Simply complete the new account agreement provided to you by your financial professional. When you establish an account, you must name a beneficiary. The minimum contribution required to open an account is $250. This minimum is reduced to $50 if investing systematically on a monthly basis through automatic purchase or payroll deduction ($25 per paycheck if using payroll deduction and paying twice per month). The minimum subsequent contribution is $50.

Education savings resources

jhinvestments.com/529
Information about the John Hancock Freedom 529 plan, investment options, calculators, and saving strategies

savingforcollege.com
Analysis of 529 plans, as well as tools and calculators

finaid.org
Information on scholarships, loans, and financial aid applications

studentaid.gov
Guidance on preparing for college and applying for financial aid

collegeboard.org
Resource for school-specific details and overall college planning

privateschoolreview.com
Resource for the costs and benefits of a private school education

greatschools.org
Data on the rankings and reviews of private schools across the United States

What is the maximum amount that can be contributed?

You can invest until the combined account balances for a beneficiary reach $475,000.[2] It's acceptable for earnings (but not contributions) to cause the total account value to go over this amount. This limit may change to reflect the increasing cost of higher education.

How will my account be invested?

With John Hancock Freedom 529, you can choose to invest in any of our 22 investment options, each consisting of mutual funds specifically selected to meet a broad range of investment objectives. You can find the list of investment options at jhinvestments.com/529.

Can I move between investment options?

Yes, changes to your existing investments for a particular beneficiary are permitted twice per calendar year and any time there's a change in the beneficiary. Each time you make a contribution, you may select a different investment option.

Can I change the beneficiary?

Yes, the account holder can change the beneficiary at any time. If the beneficiary is changed, the new beneficiary must be a member of the family of the current beneficiary, as defined by the IRS.

What is the impact on financial aid?

The treatment of investments in a 529 savings plan varies from school to school, but assets are typically not treated as assets of the student. However, any investment in a 529 plan may still affect a student's eligibility to get financial aid based on need. You should check with the schools you are considering regarding this issue.

How is financial aid for college determined?

Financial aid is typically calculated by determining the cost of attendance of a school, which includes the tuition, fees, room and board, textbooks, and computers, less the Expected Family Contribution (EFC), which is the amount the family is expected to contribute to the cost of college for a particular year. The EFC methodology is as follows:

Expected contributions

Student	Family
50% of student's income	**22%–47%** of parents' income
20% of student's assets	**up to 5.64%** of parents' assets

Source: Free Application for Federal Student Aid, 2020.

What if my beneficiary doesn't go to college?

If your planned beneficiary doesn't go to college, you have three options:

- Leave the money in the account in case the beneficiary subsequently decides to attend college.
- Leave the money in the account and select a new beneficiary.
- Take a distribution from the account and pay both the 10% federal penalty and state income taxes on your earnings.

What can the money be used for?

Distributions from 529 plans can be used to cover qualified education expenses for college and apprentice programs. In addition to tuition, qualified expenses include any college-related purchases, such as room and board, books, and computers. Additionally, you may also withdraw up to $10,000 (lifetime limit) tax free for payments toward qualified education loans.[3]

Can I also pay for my child's primary and secondary school education?

Yes, you can use your 529 account to pay for kindergarten through grade 12. The maximum withdrawal is $10,000 per school year and can only be used for tuition expenses.[3] But check with your state: Some assess state taxes when 529s are used for this purpose.

What if I don't use the money in the account for qualified education expenses?

If a distribution isn't used for qualified expenses, any investment earnings will be subject to federal, and possibly state, income taxes—at the rate of whoever receives the distribution. The distribution will also be assessed a 10% federal penalty tax on any earnings.

I own an UGMA/UTMA account. Can I move those assets into a 529 account?

You can redeem assets from UGMA/UTMA (Uniform Gifts to Minors Act/Uniform Transfers to Minors Act) accounts, but you may be liable for income taxes on any gains on redemption. Once the UGMA/UTMA proceeds are used to contribute to a 529 plan, the minor must be named both the account holder and the beneficiary. The beneficiary of the 529 account can't be changed. For more information, please consult your financial professional.

Where can I receive performance information on the portfolios?

You can receive performance information at jhinvestments.com/529, or you can call us at 866-222-7498.

What are the annual account and asset-based fees associated with an account?

The account maintenance fee of $15 is charged annually. It's waived if the account holder is making automatic purchases, if the account holder's balances for a beneficiary are $25,000 or more, or if the account holder's total balances (regardless of beneficiary) are $75,000 or more. If investing through payroll deduction, the annual account maintenance fee is waived. Share class, as well as the expense ratios of the underlying mutual funds in which each investment option invests, determines the annual asset-based fees. You can find a list of this information in the Plan Disclosure Document.

Can I use my account to pay for any school?

For college, the account can be used for the beneficiary's attendance at any eligible institution of higher education that meets specific federal accreditation standards. These institutions include most four-year colleges and universities (both for undergraduate and graduate degrees), two-year institutions, proprietary and vocational schools, and foreign schools that are eligible to participate in financial aid programs under Title IV of the Higher Education Act of 1965.

For primary and secondary schools, the account can be used for tuition only, with a maximum withdrawal of $10,000 per year.[3]

What are the federal income-tax advantages?

Any earnings on the money you invest in your account will grow tax deferred until they're distributed. All qualified distributions for education expenses will be exempt from federal income tax. Please note that state income taxes may still apply. For more information, contact your financial professional.

What are the gift tax and estate planning advantages of an account?

Contributions made to a 529 savings plan are considered completed gifts for federal tax purposes. Generally, gifts to an individual that exceed $15,000 in a single year are subject to the federal gift tax. However, for 529 plans, gifts of up to $75,000 ($150,000 for a married couple filing jointly) can be made in a single year for a beneficiary and averaged over five years to qualify for exclusion from the federal gift tax.[4] If you die with money remaining in your account, it won't be included in your taxable estate for federal estate tax purposes. (However, there are exceptions should you die within five years of making contributions that were gifts using the five-year rule.)

A powerful way to save

Tax advantages

- **Your account can accumulate and compound tax free[1]—**You pay no federal income taxes on your earnings when you withdraw the money to pay for qualified education expenses. Since the earnings are not taxed, your savings can accumulate faster than in a taxable account.
- **Your contributions may qualify for a tax deduction[5]—**Seven states—Arizona, Arkansas, Kansas, Minnesota, Missouri, Montana, and Pennsylvania—allow you to deduct some or all of your contributions to the John Hancock Freedom 529 plan on your state income-tax return.

Flexibility

- **Anyone can invest on behalf of your child—**Parents, grandparents, aunts, uncles, and friends can all contribute to your child's account. There are no income or age limits for contributors, and each account can accept as much as $475,000 in total contributions.[2]
- **You can take advantage of special gifting flexibility—**You can make five years' worth of contributions in a single year—up to $75,000 ($150,000 for couples filing jointly) per beneficiary—without triggering federal gift taxes.[4] Contributions directly reduce the value of the donor's taxable estate, providing potential estate planning advantages.
- **You can use it at any accredited college, apprenticeship, and grades K–12—**529 plan proceeds may be used at any accredited college and qualified apprenticeship programs to pay for tuition, fees, room and board, and other qualified expenses. You may also use your 529 plan to pay for your child's primary and secondary private school education (of up to $10,000 per year in tuition only). Account owners may also withdraw up to $10,000 (lifetime limit) tax free for payments toward qualified education loans.[3]
- **You can get in-state tuition in Alaska—**As a John Hancock Freedom 529 account holder or beneficiary, you may qualify for in-state tuition at the University of Alaska, regardless of the state you live in. To qualify, you need to hold your account for at least the two years immediately preceding enrollment.

Control

- **You control the account—**Unlike with UGMA/UTMA accounts, you retain control over withdrawals for the life of the account. You can even change beneficiaries to another family member if you decide not to use it for your child's education or if there is money left over.
- **Creditor protection—**Alaska state law protects assets invested in the plan from claims by creditors of the account owner and beneficiaries in most cases.[6]

Diversification

- **You can benefit from a deeper level of diversification—**Jointly managed by John Hancock Investment Management and T. Rowe Price, the plan's ready-built investment options offer diversification by asset class, investment style, and manager, along with a level of investment oversight that's hard to match with other 529 plans.

Ask your financial professional | Talk to your financial professional today about the benefits of saving for education with the John Hancock Freedom 529 plan.

1 State tax laws and treatment may vary. Earnings on nonqualified distributions will be subject to income tax and a 10% federal penalty tax. Please consult your tax advisor for more information. **2** Contributions cannot cause the account balance to exceed $475,000 per beneficiary. **3** Consult your financial, tax, or other professional to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. Some states do not consider 529 withdrawals for primary and secondary school education, student loan repayments, and apprenticeship costs to be qualified withdrawals and, therefore, the investor may be subject to penalties. The $10,000 qualified education loan limit is a lifetime limit that applies to the 529 plan beneficiary and each of their siblings. Any student loan interest paid for with tax-free 529 plan earnings is not eligible for the student loan interest deduction. **4** For 2021. The donor must elect that the gift be treated as having occurred over a five-year period in order for it to qualify for the federal gift tax exclusion. If additional gifts are made to the same beneficiary during this five-year period, a federal gift tax may apply. If the donor dies within this five-year period, a pro rata share will be included in the donor's estate for federal estate tax purposes. State gift and estate tax laws may vary. **5** Consult your financial, tax, or other professional to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. **6** Each account is designed to be protected from the claims by creditors of the account holder and beneficiary, with the exception of contributions made to accounts after being in default of child support obligations for 30 days. Please refer to the Plan Disclosure Document for more information.

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If your state or your designated beneficiary's state offers a 529 plan, you may want to consider what, if any, potential state income-tax or other state benefits it offers, such as financial aid, scholarship funds, and protection from creditors, before investing. State tax or other benefits should be one of many factors to be considered prior to making an investment decision. Please consult with your financial, tax, or other professional about how these state benefits, if any, may apply to your specific circumstances. You may also contact your state 529 plan or any other 529 education savings plan to learn more about their features. Please contact your financial professional or call 866-222-7498 to obtain a Plan Disclosure Document or prospectus for any of the underlying funds. **The Plan Disclosure Document contains complete details on investment objectives, risks, fees, charges, and expenses, as well as more information about municipal fund securities and the underlying investment companies that should be considered before investing. Please read the Plan Disclosure Document carefully prior to investing.**

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