John Hancock Investment Management

JOHN HANCOCK FREEDOM 529 OFFERED BY
EDUCATION TRUST OF ALASKA

Taking *withdrawals* from a 529 account

The time has finally arrived. Your child or grandchild will soon be attending school. **All of your years of planning and saving for this day—including your contributions to your John Hancock Freedom 529 account—are ready to be put into action.** But before you do anything, you and your financial professional should meet to discuss strategies. As you formulate your plan, here are the answers to some commonly asked questions regarding 529 account withdrawals.

Who can make withdrawals?

The account owner and/or the financial professional are the only ones who can make withdrawals from a 529 account. Distributions can be made payable to the account owner, the account's beneficiary, or directly to the school.

What's the maximum amount that can be withdrawn?

For kindergarten through grade 12 tuition, in certain states, the maximum annual withdrawal is $10,000; for colleges, up to 100% of the qualified expenses listed below. However, single tax filers earning $80,000 or less or married couples filing jointly earning $160,000 or less may be eligible for the American Opportunity Tax Credit, which could reduce the amount that can be withdrawn by up to $4,000.

What's a qualified withdrawal?

Any withdrawals made to pay for tuition for kindergarten through grade 12 or for qualified higher education expenses at eligible educational institutions are federal and may be state tax free.[1] Qualified expenses for college include:

- **Tuition and fees**
- **Room and board** (Note: There's a limit for students living in off-campus housing; costs cannot exceed the school's cost of attendance for financial aid calculations or the amount the school charges for on-campus housing.)
- **Books, supplies, and equipment, including computers**

Eligible educational institutions are defined by the IRS as any college, university, vocational school, apprenticeship program, or other postsecondary educational institution eligible to participate in a student aid program run by the U.S. Department of Education. Please note that not all states consider withdrawals from a 529 plan to pay for primary or secondary school costs a permissible expense. As a result, an investor may incur negative consequences including taxes and/or penalties.

Can I take withdrawals without a penalty?

If the student beneficiary receives a scholarship, dies, or enrolls in a U.S. service academy, the withdrawal won't have a 10% tax penalty, although you may have to pay taxes on the earnings.

Work with a financial professional

Not all questions regarding 529 plan withdrawals have a straightforward answer, and it's important to create a personalized plan with your financial professional.

How does the withdrawal process work?

Plans offer options for withdrawal methods, such as online or by phone, and require you to determine who the distributee should be. It's important to discuss which method is best for you.

How do you balance multiple accounts?

Many parents plan to fund schooling from multiple sources, such as from income, savings accounts, and 529 plans. Financial professionals can look at the whole picture and develop a plan to maximize accumulated savings in the current market environment. They can help you decide which accounts to use first and how much to withdraw at a time.

Some other questions may include:

- Will you need loans and how do you apply?
- Should you keep contributing while making withdrawals?
- How should you invest to preserve gains as you start to spend from the account?
- When should grandparent-owned assets be used?

Can withdrawals be made for nonqualified expenses?

Yes, but any nonqualified withdrawals may be subject to federal, state, and local income taxes and a 10% penalty on investment earnings. The principal can always be withdrawn without penalty. Any earnings, however, are subject to income tax and a 10% penalty.

When should a request for withdrawal be made?

Even if you're making a distribution from your 529 directly to a school, always leave at least a week in between the request date and the due date set by the school to account for processing the transaction. Checks by mail will require a longer lead time.

Additionally, for higher education institutions, you should submit your request in the same calendar year—not academic year—as you make the payment. Failure to do so could result in the distribution being classified as a nonqualified withdrawal, for which you may owe taxes (including a 10% penalty on investment earnings).

What happens if the student receives a scholarship?

You can take a nonqualified withdrawal from the account up to the amount of the scholarship. You'll pay taxes on the investment earnings, but you won't be subject to the additional 10% penalty imposed on nonqualified withdrawals.

Resources

To withdraw from the John Hancock Freedom 529 plan, please call 866-222-7498 or visit the "Access your investment accounts" section of jhinvestments.com/529. Make sure to have your Social Security and account numbers available.

Other helpful websites:

- **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

What if there's money left over?

After graduation, you have a number of options.

1. You can leave the money in the account in case the student wants to attend graduate school or get another degree.
2. You can roll the proceeds into the 529 account of one of your other children or grandchildren without incurring penalties.
3. You can change the beneficiary to another family member, such as a niece or nephew, also without incurring any penalties.
4. You can withdraw up to $10,000 to repay a student loan.[2]

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** 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.

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