Planning for your child's higher education (pre-high school)

Yesterday, they were in diapers. Today, they're climbing trees. Tomorrow, they'll be graduating from high school. Your child may still seem young, but time goes by quickly. That's why it's never too early to start planning for your child's education by opening a 529 account. The sooner you start, the longer your contributions can potentially grow. Best of all, all distributions can be used tax free to pay for qualified education expenses, such as tuition, computers, books, and room and board.[1]

In addition to opening and funding a 529 account, what else can you do to help your child advance? Here are some suggestions.

At home

- Introduce your child to the benefits of saving money, including the concept of compounding interest. Encourage your child to put part of his or her allowance and gift money into an education savings plan.
- Help your child understand the importance of education and foster a passion for learning. Reward your child for good performance at school. Remember, not all rewards need to be monetary.
- Ask your child what he or she wants to be when grown. Explain the type of knowledge needed and the work expected in order to achieve that goal, then put together an action plan to help your child reach that goal.

At school

- Participate in your child's school-related activities. Be available for parent-teacher conferences to discuss your child's performance. If your child is having problems in a subject, look into hiring a tutor to help bridge the gap.
- While the Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT) is primarily taken by high school sophomores and juniors, children in middle school can take the test to see the areas where they excel and the areas where they may need help.
- When your child is in the last year of middle school, meet with the high school guidance counselor to discuss potential course loads and build an academic plan.

Resources

- **jhinvestments.com/529**
  Information about John Hancock Freedom 529 plan, investment options, calculators, and saving strategies
- **collegesavings.org**
  Clearinghouse for information on existing programs
- **savingforcollege.com**
  Analysis of 529 plans, as well as tools and calculators
- **finaid.org**
  Information on scholarships, loans, and financial aid applications
- **studentaid.ed.gov**
  Guidance on preparing for college and applying for financial aid
- **collegeboard.org**
  Resource for school-specific details and overall college planning

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.

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[2]—**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.[3]
	■ **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.[5]
	■ **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.

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. **3** Contributions cannot cause the account balance to exceed $475,000 per beneficiary. **4** For 2020. 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. 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. **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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