Saving for education: A 529 plan primer

The rising cost of education can make saving for your child's future feel like a daunting task. Regardless of when you start, a 529 plan allows you to prioritize their education savings in a tax-advantaged account that offers a host of other benefits.

Use this primer to understand how to best take advantage of a 529 plan based on your life stage. With the help of a financial professional, you can create an education savings and investment strategy designed to meet your family's individual needs.

New parents

Your children have a lifetime of potential ahead and you want to empower them to achieve their dreams. The journey of planning for their higher education begins here.

Ways to capitalize on a 529 plan

Calculate education costs. Education costs continue to rise and people often underestimate how much they need to save by the time their child is college age. Tuition is the tip of the iceberg. Room and board, books, supplies, and other related expenses can add up to a higher price tag.

Fortunately, anyone can contribute to a 529 plan, from grandparents to other relatives to friends. Knowing the level of financial support your child may need will inform your savings strategy. Ask yourself:

- Will I fully fund my child's education or will they or other people contribute?
- What type(s) of program(s) might they enroll in?
- What expenses will they incur while in school besides tuition?

- Will they live with me or on/off campus? Will they study abroad? And will these decisions make the cost of college more or less expensive?
- Will I be supporting multiple children through their schooling?
- Given my current financial situation, is it likely my child will qualify for financial aid or student loans?
- How do other forms of potential support related to my child's care factor into their education savings strategy (e.g., life insurance, guardianship/trusts)?

Get guidance from birth to graduation to plan the best college fit for your children and you. Visit our Education Planning Center at jhinvestments.inviteeducation.com.

Understand what you can afford. The early years can be a costly time for families and you may need to balance education savings with other goals, like retirement. A cash-flow analysis that takes into account your full financial picture can help you uncover savings opportunities.

Start early. The longer you save, the more you benefit from the power of compound growth. Every little bit counts. Consider setting up automated transfers between your bank and investment account to coincide with payroll deposits to benefit from dollar-cost averaging[1] and so that saving becomes just another bill. You can contribute up to $19,000 ($38,000 for a couple filing jointly) per beneficiary annually (for 2025 – in future years, the amount of federal gift tax exclusion may increase).

Enjoy tax-deferred growth. Your 529 account accumulates tax free, plus you pay no federal income taxes on your earnings when you use the money for qualified education expenses. Since the earnings are not taxed, your savings have the potential to grow faster than they would in a taxable account.[2]

Reduce future debt. Saving today can mean borrowing less tomorrow and does not necessarily reduce the amount of financial aid your family would qualify for. Helping your child graduate with less or no debt also gives them a head start on their own savings goals.

Reduce taxes. Many states offer a full or partial tax deduction or a credit on 529 plan contributions.[3]

Seek to perform. Seek to take advantage of market opportunities by working with a financial professional to select appropriate investments for your risk tolerance and child's age.

1 Dollar-cost averaging involves continuous investment despite fluctuating market conditions and does not ensure a profit or guarantee against loss in declining markets. Consider your financial ability to invest through volatile markets. **2** 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. **3** Consult your financial, tax, or other professional to learn more about how state-based benefits (including any limitations) would apply to your special circumstances.

The middle years to high school and beyond

As your child grows from toddler to teen to young adult, their education plan should grow with them. Your family may also be growing, bringing into focus the need to save and invest for multiple beneficiaries at different ages and stages. As a rule of thumb, your investments should become more conservative as your child gets closer to enrolling in post-secondary school to ensure the funds will be there when needed. Know how you will use the funds and work with a financial professional to find the right withdrawal strategy for your situation.

Ways to capitalize on a 529 plan

Enjoy choice and flexibility. 529 plans can be used at any accredited college or trade school and qualified apprenticeship program to pay for tuition, fees, room and board, and other qualified expenses. You can also spend up to $10,000 annually from a 529 plan on tuition expenses for elementary, middle, or high school or toward qualified education loans.[4]

Grow your savings. It is never too late to start saving for the future. In the long run, investing and potentially earning a return are less expensive than borrowing money and paying interest. For example, it takes $200 per month to save $35,000 over 10 years with an average 7% return but costs twice as much ($400 monthly) to borrow $35,000 and pay it back over 10 years at a 7% interest rate.

Top it up. Increase your savings as childcare costs like daycare decrease or as you earn more. Some 529 plans can accept up to $550,000 per beneficiary.

Withdraw funds tax-free. 529 plans are not subject to federal taxes and may also be free from state taxes based on where you live.[5]

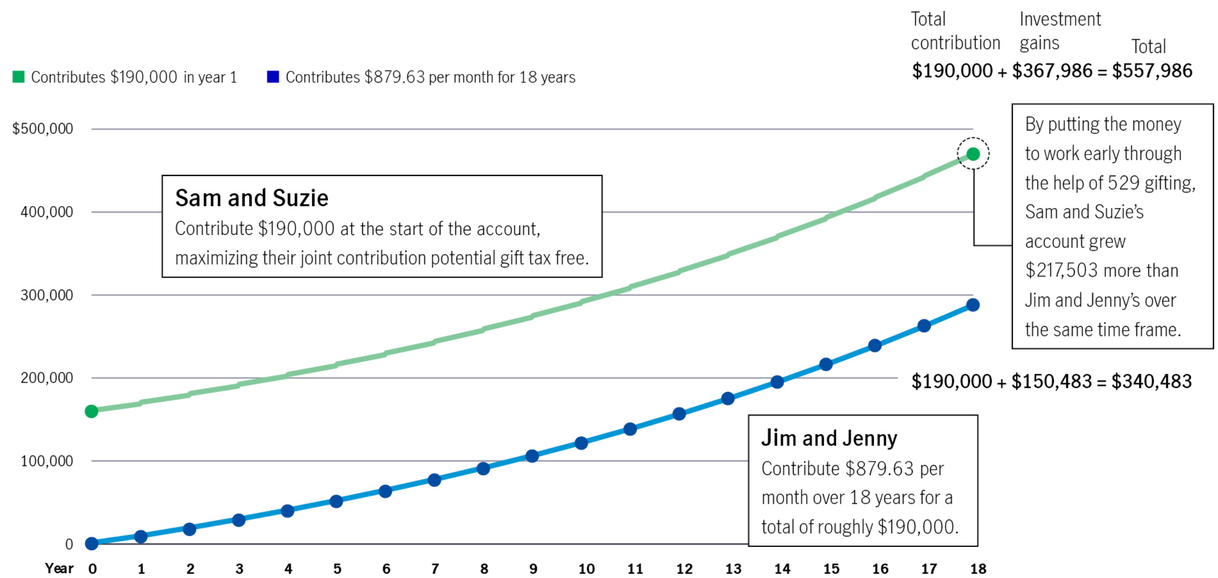
Support lifelong learning. 529 plans can also fund your own educational pursuits. You can set up a 529 plan for yourself for continuing education with new money or any unused funds from a beneficiary's account provided the beneficiary is your child/family member. You can even change beneficiaries to another family member if you decide not to use it for your child's education or if there is money left over.

529 account proceeds may be rolled over to the beneficiary's Roth IRA. Starting in 2025, Roth IRA rollovers are limited to the annual Roth maximum contribution limit and aggregate lifetime limit of $35,000.[6]

4 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. **5** 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. **6** Other restrictions apply. Please consult your tax advisor for more information.

The power of 529 gifting

Many families are taking advantage of a gifting feature unique to 529 education savings plans that helps account owners maximize the market's compounding potential. Parents and grandparents can make five years' worth of contributions in a single year—up to $95,000 ($190,000 for couples filing jointly)[7] per child or grandchild—without triggering federal gift taxes.[8] When made at the start of the account, a large lump-sum gift may be the most cost-effective way to save.



Source: Manulife John Hancock Investments, 2025. The above illustration does not depict an investment in John Hancock Freedom 529 and is a hypothetical example for comparison purposes only. Rates are subject to change. This illustration does not reflect the effect of asset charges and account fees. These fees would reduce the performance shown in the above illustration. The investment return and principal value of an investment may fluctuate so that distributed investments may be worth more or less than their original value. Tax deferral may work best for long-term goals. The projected values assume an initial lump sum of $190,000 and a monthly contribution of $$879.63 are invested for 18 years at a hypothetical compound annual growth rate of 6%, accrued monthly.

7 For 2025. 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. **8** State laws and treatment may vary. Earnings on nonqualified distributions will be subjected to a 10% federal penalty tax. Please speak with your tax advisor for more information.

Grandparents and other family members

The unique advantage of a 529 plan is that its value is removed from your taxable estate, helping to minimize potential gift and estate taxes, yet you retain full control of the account and can take back the money at any time. Certain actions may incur taxes.

Ways to capitalize on a 529 plan

Enhance your estate planning. With a 529 plan, you can move assets out of your taxable estate into a beneficiary's name while keeping control of the assets. By allowing for unlimited owner and beneficiary changes, a 529 plan can be an effective tax-planning tool to assist multiple generations with their education expenses.

Create an educational legacy. The accelerated gifting feature of 529 plans lets you make five years' worth of contributions in a single year. A couple filing jointly can contribute a lump sum of up to $190,000 (for 2025) per beneficiary without incurring federal gift taxes. That is $95,000 per person ($19,000 per year for 5 years). 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.

Maintain control. Unlike UGMA/UTMA accounts, you retain control over withdrawals for the life of the account. You can even change beneficiaries to another family member or if there is money left over.

Enjoy tax-free growth. Help maximize the market's compounding potential by making a large lump-sum contribution at the start of a 529 plan to provide it with the longest runway to potentially grow. Another strategy is to fund a 529 plan with your required minimum distributions (RMDs) starting at age 72 to help minimize gift tax and benefit from tax-free growth.

Help reduce your taxes. As the grandparent or other family member, the assets you hold in a 529 plan (within certain limits) are considered a completed gift and therefore treated as belonging to the beneficiary, not to you as the account holder(s). This offers a way to help pare down your estate and reduce potential estate tax liabilities.

Remember: it is never too late to start saving for education and helping the child in your life pursue their dreams. Discover our 529 plan investment options, calculators, and saving strategies at **www.jhinvestments.com/529**.

For more information, contact Manulife John Hancock Investments at 800-225-6020 or visit jhinvestments.com.

Manulife Investments | John Hancock

John Hancock Freedom 529
P.O. Box 17603 ■ Baltimore, MD 21297-1603 ■ 866-222-7498 ■ jhinvestments.com/529

John Hancock Investment Management Distributors LLC, Member FINRA, SIPC, 200 Berkeley Street, Boston, MA 02116, 800-225-6020, jhinvestments.com

MF4184006 529PRIM 02/25