

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. Your company is offering you a wonderful opportunity to open and fund a 529 plan account directly through automatic payroll deduction. All contributions grow tax deferred and, if used for qualified education expenses, can be withdrawn without owing federal income taxes on the earnings. There are no fees to open an account and setting it up is easy.

Below are some commonly asked questions about the overall benefits of 529 plans and the specific features of the your company's plan, John Hancock Freedom 529.

What are the benefits of my company's 529 plan?

Your company's 529 plan offers a wide variety of benefits, including the following:

- Tax-deferred earnings and federally tax-free withdrawals if used for qualified educational expenses (including tuition, room and board, and supplies).¹
- Funds can also be used to pay for children attending grades K through 12 (tuition only, up to \$10,000 per year).²
- Easy contributions via automatic payroll deductions.
- Many investment options and strategies to choose from.

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.

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.

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 employer. When you establish an account, you must name a beneficiary.

What is the maximum amount that can be contributed?

You can invest until the combined account balances for a beneficiary reach \$475,000. 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 its 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.

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 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're considering regarding this issue.

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 Some states don't consider withdrawals from a 529 plan to pay for primary or secondary school costs a permissible expense. The tax consequences of such payments will vary depending on state law and may include penalties. Please consult with a tax or legal advisor.

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, 2018.

What can the money be used for?

Distributions from 529 plans can be used to cover qualified education expenses. In addition to tuition, qualified expenses include any college-related purchases, such as fees, room and board, books, and computers.

You can also 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. But check with your state: Some assess state taxes when 529s are used for this purpose.

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.

What if my beneficiary doesn't go to college or a private kindergarten through grade 12 school?

If your planned beneficiary doesn't go to college or a private kindergarten through grade 12 school, you have three options:

- Leave the money in the account in case the beneficiary subsequently decides to attend college or a private kindergarten through grade 12 school.
- 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 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.

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

Typically, 529 plans charge account maintenance fees. But through your employer-sponsored plan, these fees will be 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.

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 advisor.

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. 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.)



Education savings resources

- **[jhinvestments.com/529](https://www.jhinvestments.com/529)**
Information about the 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
- **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

A powerful way to save



TAX ADVANTAGES

- **Your account can accumulate and compound tax free¹**—You pay no federal income taxes on your earnings when you withdraw the money to pay for qualified college expenses. Since the earnings are not taxed, your savings can accumulate faster than in a taxable account.
- **Your contributions may qualify for a tax deduction³**—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 child²**—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.⁴
- **You can take advantage of special gifting flexibility⁵**—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.⁵ Contributions directly reduce the value of the donor's taxable estate, providing potential estate planning advantages.
- **You can use it at any accredited college nationwide, as well as K through grade 12²**—Unlike prepaid tuition plans, 529 plan proceeds can be used at any accredited college to pay for tuition, fees, room and board, computers, books, and other qualified expenses. Plus, you can now 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).²
- **You can get in-state tuition in Alaska²**—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 account²**—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 protection⁶**—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 diversification²**—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 advisor

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

3 Consult your financial, tax, or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. **4** Contributions cannot cause the account balance to exceed \$475,000 per beneficiary. **5** For 2019 and 2020. **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 advisor 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 advisor 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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 Investment Management

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