Manulife Investments | John Hancock

JOHN HANCOCK FREEDOM 529 OFFERED BY EDUCATION TRUST OF ALASKA

Reexamining four common *beliefs* about paying for college

Many families find that just as their college plans come into focus, information about tuition and expenses becomes more confusing. To offer some context for families preparing to send a child to college, we take a closer look at some common beliefs—and a few misconceptions—about 529 education savings plans, student loans, financial aid, and what steps you can take today to better prepare for higher education expenses.

1 BELIEF — Borrowing is the best way to pay for college

Taking out loans is something most families have to do to help pay for their children's education. While the interest rates the state or federal government offers to families are typically less than those of private lenders, the payments can still be steep. The federal government offers two loan programs—Stafford loans, which are issued to students, and PLUS loans, which are issued to parents. If the student's parents are unable to obtain a PLUS loan, the maximum aggregate amount that an undergraduate student can borrow is $57,500. If the parents can obtain a PLUS loan, the amount is capped at $31,000. PLUS loans are limited to the total cost of attendance minus other financial aid.[1]

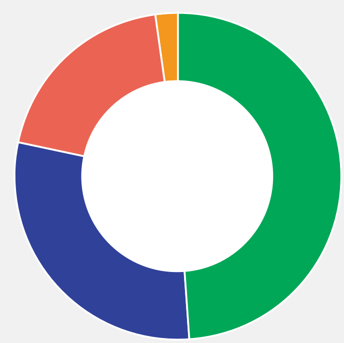
2 BELIEF — Financial aid is a reliable source of funding

Financial aid can certainly play a role in paying for college, but it's important to have realistic expectations. First the good news: Total financial aid provided in the most recent academic year climbed to an average $16,360 per full-time undergraduate student, and the majority of that aid—nearly 71%—came in the form of grants, essentially free money.[2]

Keep in mind, though, that the vast majority of grants are need based: According to a Sallie Mae study, 74% of families sending children to college requested federal funds in the 2023/2024 academic year. That means that the larger pool of funding is being divided among more families—and there may not be as much to go around.[3]

Where will the money come from?

Average breakdown of the sources of funding for college expenses (%)



Family income and savings	48
Grants and scholarships	27
Student borrowing	23
Relatives and friends	2

Source: "How America Pays for College," Sallie Mae, 2024.

3 BELIEF

Saving through a 529 plan will reduce the amount of aid our family qualifies for

The amount of federal financial aid a family qualifies for is dependent on the income and assets of both the parents and the student. While the assets in a 529 plan do count toward the expected family contribution for dependent student expenses, under the federal formula, the impact is fairly small: Only 5.64% of the value of the account is factored into the aid calculation, and if the account holder of the 529 plan is a grandparent of the student, the assets in the plan aren't counted at all.[4]

4 BELIEF

It's too late to start saving

It's never too late to start saving for college. Remember: Investing and potentially earning a return is less expensive in the long run than borrowing money and paying interest. Your 529 account can accumulate tax free,[5] plus you pay no federal income taxes on your earnings when you withdraw the money to pay for qualified college expenses. Since the earnings aren't taxed, your savings have the potential to accumulate faster than in a taxable account. Your financial professional can help you put together a plan that makes sense for your specific time horizon and investment goals, and there's no better time to get started than today.

To estimate how much federal financial aid your family is eligible for, go to **jhinvestments.com/529** and try our online calculator.

Resources

These websites offer education and guidance that can help you and your child prepare for college. Be sure to also enlist the help of your financial professional.

- **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.gov**
  Guidance on preparing for college and applying for financial aid

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 "Student loan limits: How much can you borrow," edvisors.com, July 2023. **2** "Trends in Student Aid," The College Board, 2024. **3** "How America Pays for College," Sallie Mae, 2024. **4** Assets withdrawn for college from a 529 plan owned by grandparents or others may be considered student income for financial aid purposes in the year following the withdrawal. **5** 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.

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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