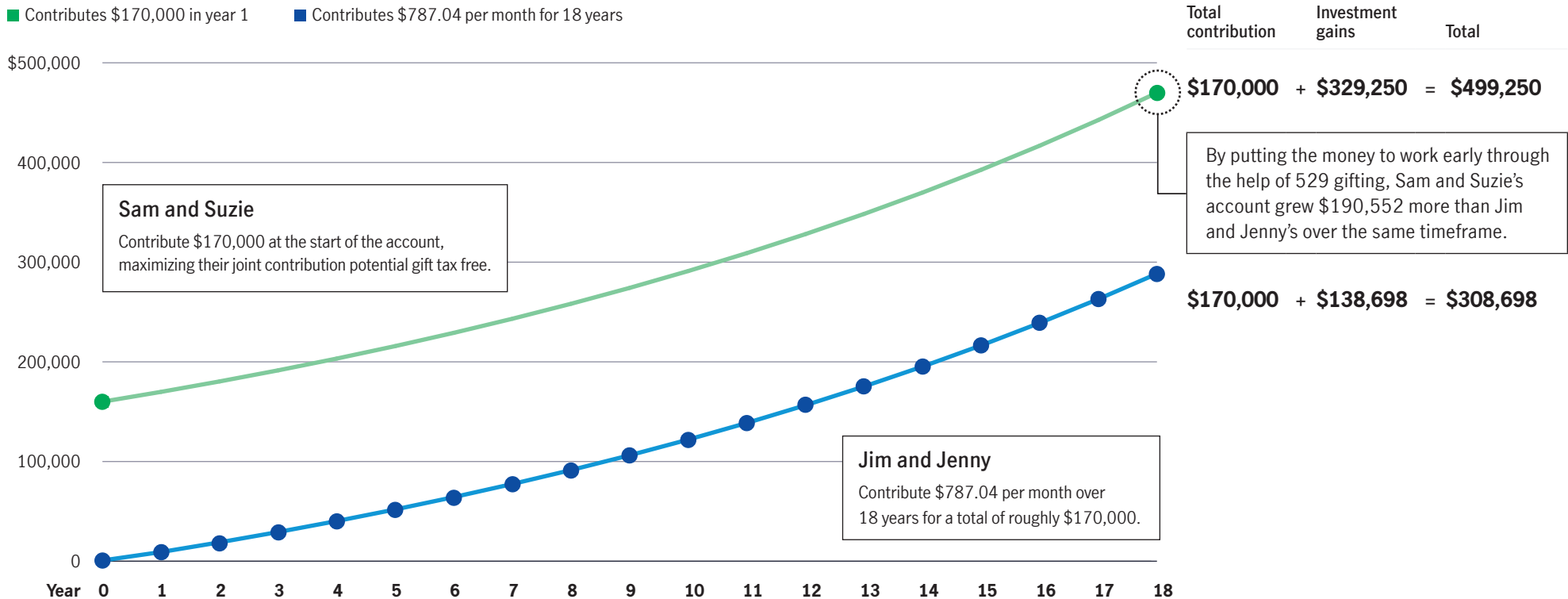


# The power of 529 gifting

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 \$85,000 (\$170,000 for couples filing jointly)<sup>1</sup> per child or grandchild—without triggering federal gift taxes.<sup>2</sup> When made at the start of the account, a large lump-sum gift may be the most cost-effective way to save.

## Maximizing a 529 plan's gifting limit early may help your account go further



Source: John Hancock Investment Management, 2023. 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 \$170,000 and a monthly contribution of \$787.04 are invested for 18 years at a hypothetical compound annual growth rate of 6%, accrued monthly.

# John Hancock Freedom 529 plan is a powerful way to save



## Tax advantages

- **Your account can accumulate and compound tax free**<sup>2</sup>—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**<sup>3</sup>—Eight states—Arizona, Arkansas, Kansas, Minnesota, Missouri, Montana, Ohio, 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.<sup>4</sup>
- **You can take advantage of special gifting flexibility**—You can make five years' worth of contributions in a single year—up to \$85,000 (\$170,000 for couples filing jointly) per beneficiary—without triggering federal gift taxes.<sup>1</sup> 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.<sup>5</sup>
- **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.<sup>6</sup>



## 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

Ask your financial professional if our 529 plan's accelerated gifting feature is right for your family.

**1** For 2023. 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. **2** 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. **3** Consult your financial, tax, or other professional 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** 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 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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 Investment Management

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