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JOHN HANCOCK FREEDOM 529 OFFERED BY EDUCATION TRUST OF ALASKA

Understanding financial aid

Is college right around the corner? Before you and your child make your decisions, take the time to learn how financial aid is calculated. Don't assume that because your income and/or savings are high that your child won't qualify for aid. Many factors are used to determine who has a financial need, including your marital status, size of your household, your age, and the type of assets you own. Eligibility can be the key to determining which schools to apply to.

How to calculate your financial aid eligibility

Many elements influence financial aid, so you should complete a FAFSA regardless of your income and savings. The table below shows key income and asset levels used to calculate an applicant's student aid index, which the U.S. Department of Education began using in 2024 to determine aid eligibility. While the assets in a 529 plan do count toward the student aid index, the impact is fairly small compared with other savings vehicles. The benefits of tax-free[1] growth, control, and flexibility that it offers make it a powerful college savings vehicle.

Annual college costs

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Income and assets used to calculate an applicant's student aid index (parents + child)

	Parents	Child
Income	22% to 47% of available after-tax income	50% of adjusted gross income over $11,510[2]
Assets	0% to 5.64% of assets, including 529 accounts for which the aid applicant is a beneficiary, bank accounts, CDs, mutual funds, and other securities	20% of assets held in the child's name, including bank accounts, CDs, savings bonds, and UGMA/UTMA accounts and minor trusts not held in a 529 plan

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Financial aid eligibility

Can include: loans, grants, scholarships, self-help

FAFSA and CSS: what's the difference?

Eligibility for financial aid is determined by filling out the Free Application for Federal Student Aid (FAFSA). While most schools only require the FAFSA, approximately 250 institutions also require completion of the CSS/Financial Aid Profile. The two calculations are very similar, but have a couple of key differences.

- FAFSA looks at income from a high level and incorporates the age of the oldest parent in determining how much income can be sheltered.
- CSS delves deeper into income and assets and considers additional assets such as home equity.

For the 2025/2026 aid award year, CSS/Financial Aid Profile filing generally began on October 1, 2024, but can vary from institution to institution; for the FAFSA, filing began on December 1, 2024.

Source: FAFSA, 2024.

1 State laws and treatment may vary. Earnings on nonqualified distributions will be subjected to a 10% federal penalty tax. Please speak with your tax professional for more information. **2** Amount is for the 2025/2026 aid award year, indexed annually.

529 plans: did you know?

Benefits of converting an UGMA/UTMA to a 529[3]

- A child-owned UGMA/UTMA is assessed as the child's assets for financial aid calculations, at a 20.00% rate (versus 5.64% for the parents). A 529 account is reported as the parents' asset even if the account is owned by the child.
- Interest, dividends, capital gains, and distributions from an UGMA/UTMA are reported as income on the child's tax return and assessed at the 50% rate. Distributions from a 529 account are federal tax free if used for qualified education expenses.[1]
- Unlike UGMA/UTMAs, 529 accounts can accumulate and compound tax free.[1]

Changes to the grandparent rule

Starting in the 2024/2025 school year, qualified distributions from a grandparent-owned 529 account are no longer reported as untaxed income to the beneficiary. And since FAFSA uses income from two years prior to determine aid eligibility, grandparent-owned 529 accounts will no longer affect financial aid beginning in 2022.

Previously, any qualified distribution from a 529 plan owned by a grandparent for the benefit of a grandchild counted as untaxed income to the beneficiary.

Stretching your 529

If your child is finishing up his or her education and you've still got assets left over in the 529 account, did you know that you can stretch it for other beneficiaries?

- Special gifting flexibility allows you make five years' worth of contributions in a single year—up to $95,000 ($190,000 for couples filing jointly) per beneficiary—without triggering federal gift taxes.[1,4]
- One account may continue to grow to support multiple generations. Siblings, cousins, and even grandchildren and great-grandchildren are all eligible to benefit from the tax-free growth of a 529 account.[1]

Ask your financial professional

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

Source: FAFSA, 2024.

3 Converting your account to a 529 may be subject to taxation. Please speak with your tax professional for more information. **4** 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.

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