



The Gift of Education



JOHN HANCOCK FREEDOM 529

THE MULTI-MANAGED WAY TO SAVE FOR COLLEGE

Offered by the **EDUCATION TRUST OF ALASKA**



Hopes. Dreams. Promises. Help make these a reality, today.

What do your children want to be when they grow up? A firefighter? A nurse? An artist? Whatever it may be, to help them fulfill their dreams they will need encouragement, support and a solid education.

With college costs on the rise, financing an education can be a challenge. John Hancock Freedom 529 can help you overcome that challenge and help you reach your college savings goals.

When putting together your college savings investment strategy, consider how John Hancock Freedom 529 can help you reach your goals and help make dreams come true.

The Benefits of Gifting

Investing in education is one critical way to help secure a child's future. Gifting money into a 529 savings plan can offer benefits to the Account Holder and the Beneficiary, including:

Tax Advantages

- Any investment growth is tax-deferred
- Federal tax-free distributions when used to pay for qualified higher education expenses¹
- Ability to make up to five years of contributions at one time — up to \$65,000 per Beneficiary or \$130,000 per Beneficiary if married filing jointly — without incurring a federal gift tax²
- Remove assets from donor's federal taxable estate

Flexibility

- High contribution amounts
- No income or age limitations
- Use funds to pay for expenses like tuition and room and board at any eligible college, university or graduate school in the U.S.
- Anyone can contribute to the account — parents, grandparents, friends, aunts, uncles, etc.

Control

- Account Holder decides who the Beneficiary is, how much money is to be invested and when and how the money is to be distributed
- Account Holder can change the Beneficiary to another member of the current Beneficiary's family at any time



¹ State tax laws and treatment may vary. Earnings on non-qualified distributions will be subject to income tax and a 10% federal penalty tax. Please consult your tax advisor for more information.

² 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.

How Gifting Works

Contributions to a 529 savings plan are considered completed gifts for federal gift tax purposes and therefore qualify for the federal gift tax exclusion. Generally, a gift up to \$13,000 from an individual or \$26,000 from a married couple filing jointly per Beneficiary recipient, per year is excluded from federal gift tax. Additional gifts may be given, but they may be subject to the federal gift tax.

Additionally, 529 savings plans have a special feature — known as accelerated gifting — that allows you to contribute up to a maximum of \$65,000 (individual) or \$130,000 (married filing jointly) to a single Beneficiary in the first year, but elect to treat it as if it were made evenly over a five-year period.³ This helps you benefit from the power of tax deferral, which can result in greater earnings accumulation over time.

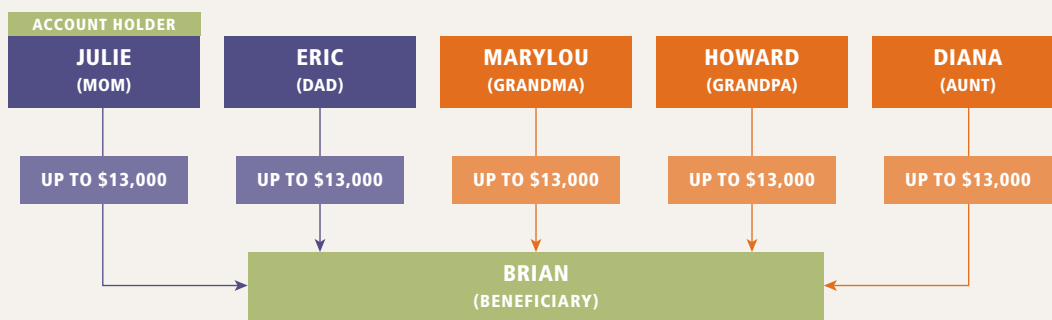
To take advantage of the five-year accelerated gifting provision, you as the donor must make a special election on IRS Form 709 when you file your federal tax return for the year the contribution was made. Please note that the limits apply to total gifts, including those made outside the 529 savings plan, given to the Beneficiary by the same person during the five-year period.

Gifting can be a powerful way to save for college. The following examples illustrate different scenarios to maximize the potential of John Hancock Freedom 529 accounts.

Single Year Gifting

Julie and Eric have a one-year old son, Brian. They opened a John Hancock Freedom 529 account with Julie as the Account Holder and Brian as the Beneficiary. Julie and Eric can each contribute up to \$13,000 in one year to the account, either as a lump sum or in multiple contributions, without incurring a federal gift tax.

Additionally, friends and other family members can each make contributions of up to \$13,000 per year without incurring a federal gift tax.

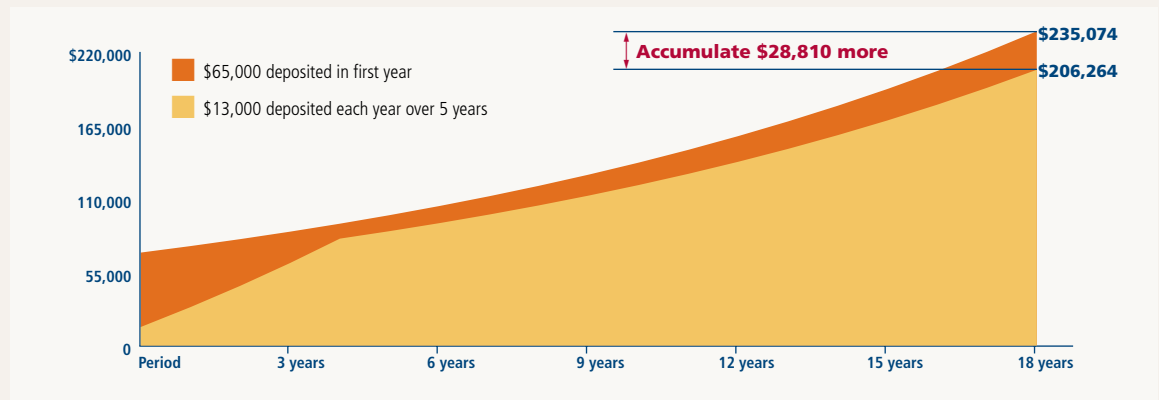


³ The donor must elect that the gift be treated as having occurred over a five-year period in order for it to qualify for the federal gift tax exclusion. If additional gifts are made to the same Beneficiary during this five-year period, a federal gift tax may apply. If the donor dies within this five-year 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.

Accelerated Gifting: Fully Funded in Year 1

Bill and Jennifer both gifted \$65,000 over five years. Bill gifted his \$65,000 all at once using the five-year acceleration provision while Jennifer deposited \$13,000 per year for five years in a row.⁴

Because he invested a greater amount up front, Bill's account was able to accumulate \$28,810 more than Jennifer's over the same 18-year time period.

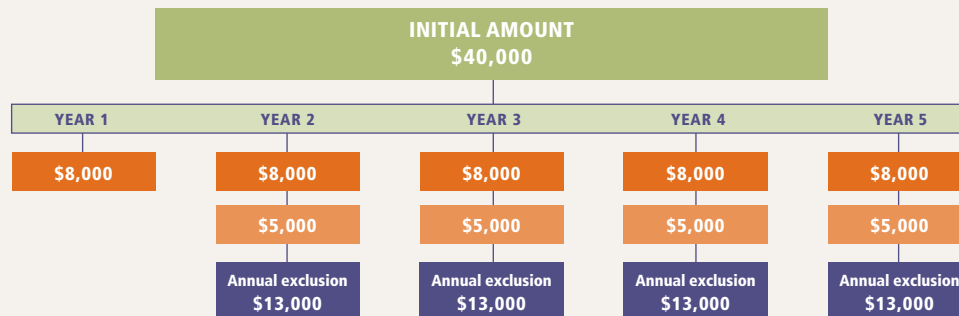


This chart is for illustrative purposes only and is not indicative of any rate of return of an investment option in the plan. Assumes a hypothetical 7% rate of return with earnings compounded annually. Assumes no fees or expenses, deductions, distributions, state or federal taxes. The rate of return is for illustrative purposes only and does not represent any specific investments. Returns will fluctuate.

Accelerated Gifting: Partially Funded in Year 1

The accelerated gifting feature can be elected so that contribution amounts greater than the single year exclusion amount are averaged over five years.⁴

Last year Holly opened an account with \$40,000 to be averaged over five years, equaling a gift of \$8,000 per year to her Beneficiary. In the next 2 through 5 years, she can contribute an additional \$5,000 per year without exceeding her annual federal gift tax exclusion limit. In year 6, she can begin the five-year averaging over again, contributing up to \$65,000, without exceeding her annual federal gift tax exclusion amount.



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.

Educating Future Generations

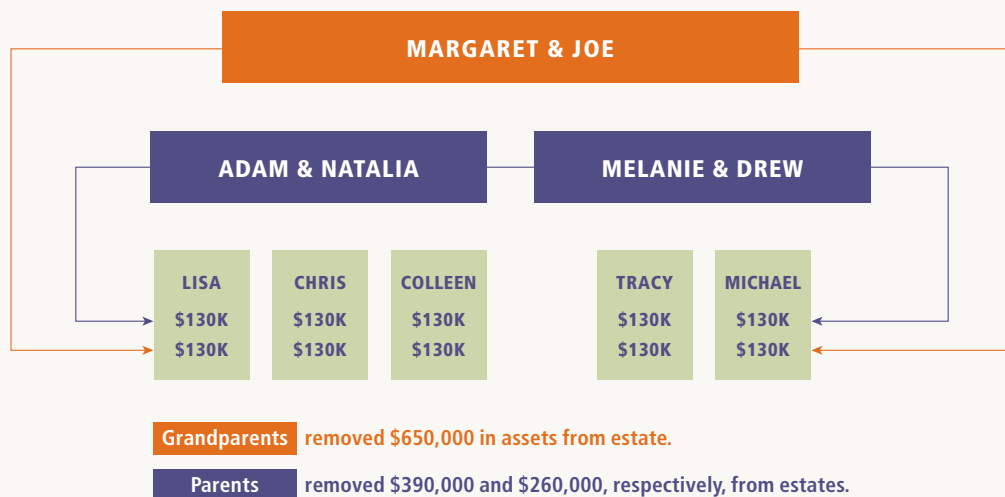


Grandparents can also help fund college educations by gifting money to a grandchild. Not only does this help prepare a child for his or her future, but contributions made to 529 savings plans remove assets from the donor's federal taxable estate.

Joe and Margaret want to help send their grandchildren to college. With John Hancock Freedom 529, they could gift up to \$65,000 individually or \$130,000 if married filing jointly, to each grandchild.⁵ With five grandchildren, they can:

- Help fund five college educations
- Remove \$650,000 from their federal taxable estate
- Maintain control of the assets if one of them is the Account Holder for each of the accounts

Joe's and Margaret's children can also make gifts to each of their children. This way, each John Hancock Freedom 529 account has a starting account balance of \$260,000.



⁵ 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 and Flexibility

Giftng the money to a child or grandchild doesn't mean you, as the Account Holder, have to give up control of your assets, which is not always true with other vehicles used for college savings such as UGMA/UTMA accounts. The Account Holder has the flexibility to control how the money is used, including:

- Changing the Beneficiary at any time. If the child's plans change, he or she earns a scholarship or not all of the money is needed for qualified education expenses, the Beneficiary can be changed to another family member of the current Beneficiary at any time.
- Selecting the investments. The Account Holder chooses which investment options within the plan receive contributions.
- Controlling when distributions are made. The Account Holder decides when to take distributions for qualified higher education expenses and how much money to take out at a time.
- Maintaining control of the assets. Even though contributions are considered a completed gift and are removed from the federal taxable estate, the Account Holder can take a non-qualified distribution at any time, though earnings will be subject to income tax and a 10% federal penalty tax.

A Few Things to Consider⁶



Who reports the gift to the IRS? What form is used?

The donor is responsible for reporting the gift on his or her tax return for the year in which the gift was made using IRS Form 709.

If the donor accelerates the gift, does he or she have to complete IRS Form 709 every year?

No. Form 709 only needs to be completed in the year the accelerated gift is given, as long as the donor is not otherwise required to file a Form 709 in subsequent years.

The donor accelerated the gift but did not fund the account for the full \$65,000. It is now year two. Can the donor go back and add money to reach the \$13,000 limit for the first year?

No. The donor can only add money for the remainder of the five-year period. The donor also needs to complete IRS Form 709 for the subsequent incremental contributions.⁷

The donor wants to contribute more than the accelerated gift tax exclusion limit. Can that be done?

Yes. The donor could consider making contributions above the gift tax exclusion amount and applying them toward their lifetime applicable exclusion amount, formerly known as the unified credit. The donor should consult a qualified tax adviser regarding his or her specific circumstances.

The donor accelerated the gift five years ago and would like to make another gift to the same Beneficiary. Is this allowed?

Yes. Once the initial five-year acceleration period has been completed, the donor can begin the accelerated gifting process again.

If the Account Holder is changed, is this considered a gift to the new Account Holder?

No. The donor is considered a completed gift to the Beneficiary. Please note policies and procedures governing Account Holder changes may vary by plan.

⁶ This material does not constitute tax, legal or accounting advice and neither John Hancock nor any of its agents, employees or registered representatives are in the business of offering such advice. It was not intended or written for use and cannot be used by any taxpayer for the purpose of avoiding any IRS penalty. It was written to support the marketing of the transactions or topics it addresses. Anyone interested in these transactions or topics should seek advice based on his or her particular circumstances from independent professional advisors.

⁷ 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.

The Account Holder needs to change the Beneficiary on an existing account. Is this considered a taxable event?

No. A change of Beneficiary is not a taxable event if the new Beneficiary is a family member of the previous one and belongs to the same generation. However, if the new Beneficiary belongs to a lower generation, the transfer may be a taxable gift from the old Beneficiary to the new one. If the new Beneficiary belongs to a generation two or more levels below the previous one, the transfer may also be subject to the generation-skipping transfer tax.

Please note that further rules regarding estate and gift taxes and the generation-skipping transfer tax may apply and are subject to change. When considering a change in Beneficiary or transfers to another account with a different Beneficiary, you should consult a tax adviser or the IRS regarding the impact of these complex rules on your situation.

What happens if the Beneficiary receives a scholarship?

There are a number of options. The Account Holder could use the account to pay for qualified expenses not covered by the scholarship. The Account Holder could take a distribution in an amount up to the value of the scholarship without incurring a penalty tax, though the Account Holder may be subject to federal and state income taxes. The Account Holder could leave the money in the account for use at a future date, such as for graduate school. Or, the Account Holder could change the Beneficiary to another member of the current Beneficiary's family.

What happens if the Beneficiary doesn't go to school?

If the planned Beneficiary does not go to college, the Account Holder has three options: leave the money in the account in case the Beneficiary decides to attend college later, leave the money in the account and select a new Beneficiary who is a member of the family of the current Beneficiary or take a distribution and pay both the 10% federal penalty and income taxes on the earnings.

Have another question?

Call your financial consultant to schedule a meeting to discuss your college savings strategy today.



The power of our multi-managed platform.

When it comes to saving for college, John Hancock Freedom 529 offers you more than other plans. Our multi-managed platform features four investment strategies, 22 investment options and access to more than 30 leading money managers, all designed to provide flexibility and choice that may not be found elsewhere.

John Hancock Freedom 529, the multi-managed way to save for college, offers a solution that makes saving for college easier. John Hancock Freedom 529 offers you:

Choice	4 investment strategies, 22 investment portfolios and access to more than 30 leading money managers.
Tax advantages	Earnings grow tax-deferred at the federal level. Distributions taken for qualified education expenses are federal income tax-free. ⁸
Estate tax and gifting benefits	Make five years of gift contributions at once without incurring a federal gift tax — up to \$65,000 per Beneficiary or \$130,000 per Beneficiary if married filing jointly. ⁹
Control and flexibility	Maintain control, deciding who the Beneficiary is, how money is to be invested, and when and how much money is to be distributed.
Contribution limits	\$320,000 per Beneficiary. Earnings can grow in excess of this amount.
Automatic Purchase	Make regular contributions electronically from any bank account on the time schedule and in the dollar amount of your choice (minimum of \$50 per portfolio per month).

⁸ State tax laws and treatment may vary. Earnings on non-qualified distributions will be subject to income tax and a 10% federal penalty tax. Please consult your tax advisor for more information.

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Start Investing Today

John Hancock Freedom 529 can be a significant part of your college savings strategy. Call your financial consultant to schedule a meeting to discuss your college savings strategy today.



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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 benefits it offers, 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 college savings plan to learn more about their features. Please contact your financial consultant or call 1-866-222-7498 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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