FIRST ASSET FINANCIAL INC. 529 PLAN DISCLOSURES FOR:

Account Owner (Custodian) Printed Name:	
ACCOUNT OWNER/CUSTODIAN SIGNATURE EVIDENCING REVIEW AND RECEIPT OF THIS DISCLOSURE:	
x	Date Signed:
First Asset Associated Person:	FAF Number:

General Considerations:

- There are fees and expenses associated with the purchase of 529 Plan shares for funds in the plan. Discuss the level of these with your First Asset Financial Inc. (FAF) financial professional or Associated Person (AP)and review the prospectus associated the 529 Plan you are considering. Page 5 contains more information.
- May be used for qualified education expenses Under Section 529 of the Code to include tuition for elementary or secondary school and eligible higher education to include vocational education (see pages 4 & 9)
- Earnings can grow free from federal income tax
- The earnings on a <u>Qualified</u> Withdrawal used to pay Qualified Education Expenses are free from federal income tax. Earnings on a Non-Qualified Withdrawal are subject to federal income tax and a 10% federal tax penalty.
- Individuals can take advantage of the annual gift tax exclusion by contributing up to \$18,000 (\$36,000 for married couples) per year per Beneficiary (2024), and any higher levels offered in subsequent years.
- Rollovers of unused funds into a Roth IRA in the name of the Beneficiary are free from federal income tax and penalties, subject to applicable limits and restrictions.
- Generally, if the Contributor dies while there is still money in the Account, the value of the Account is not included in the Contributor's estate.

Some state residents allow take a state income tax deduction for 529 Plan contributions. Rules differ if you do not reside in the state of your 529 Plan Sponsor. Talk to your tax advisor about your specific tax questions or issues regarding the ability to take advantage of state tax deduction related to the specific state 529 plan you use.

If you are using a 529 Plan sponsored by a state, other than your state of residence, and that state offers state income tax relief and other state benefits (such as financial aid, scholarship funds) and protection from creditors, such benefits may not be available to you.

Section 529 Qualified Tuition Programs (529 Plan) are intended to be used only to save for Qualified Education Expenses. These programs are not intended to be used, nor should they be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. Taxpayers may wish to seek tax advice from an independent tax advisor based on their particular circumstances. Your FAF representative or Associated Person (AP) does not offer tax advice.

529 investments are not deposits or obligations of, or insured or guaranteed by, any state or any agency or instrumentality thereof, the U.S. government, the Program Manager, any financial institution, the Federal Deposit Insurance Corporation or any other federal or state governmental agency, entity or person. Your investment in the funds may lose value. The likelihood of loss is greater if you invest for a shorter period of time.

Definitions

Plan Sponsor Most states have initiated a 529 program and reference to "Plan Sponsor" will be a state 529 plan.

Program Manager Each 529 Plan of each sponsor has an investment manager (usually an investment company or insurance company) who administers the plans assets and is responsible for managing the plan's asset.

Account Owner/Custodian Each 529 Plan has an adult designated as Account Owner who controls the plan on behalf of the beneficiary. The Account Owner may open the account, make changes in fund selection, change beneficiaries, contribute funds, designate a successor owner, receives statements and other administrative functions.

Beneficiary Each 529 Plan has only one beneficiary who is the designee to receive the assets of the 529 Plan oriented toward educational expenses. This beneficiary is designated by the Account Owner and may be changed, with certain restrictions, after the initial opening of the account.

Fund investment objectives, investment strategies and risks Information may be obtained from the applicable prospectuses, which can be obtained from the 529 Plan Sponsor or from your FAF AP.

Opening and contributing to an Account

Opening an Account Any individual who is of legal age to own securities and a U.S. citizen or legal U.S. resident may open a 529 Plan Account. In addition, U.S. trusts, corporations, partnerships, Non-Profit Organizations and other entities may open an Account. Only a trust whose terms are consistent with the requirements of Section 529 should open a 529 Plan Account. It is the responsibility of the trustee of a trust to determine whether any provision of the trust is inconsistent with the requirements of Section 529. If, after investing in a 529 Account, the trustee determines that the trust cannot be administered in a manner consistent with the requirements of Section 529, FAF or the Program Manager will not be liable for any market losses or other charges imposed in connection with any withdrawals from the Account.

To open a 529 plan Account, you must complete the sponsor's (state specific) Account application and an FAF Account Application. You do not have to be a resident of the sponsor's state to open an Account in a plan sponsored by another state. There are no income restrictions to open an Account. There may be only one Account Owner (joint ownership is not permitted).

Designating a Beneficiary When you open an account with a 529 sponsor (Account), you must designate a Beneficiary, who may be anyone, including yourself. A Beneficiary must be either a U.S. citizen or legal U.S. resident. Non-Profit Organizations are not required to designate a Beneficiary.

Contributing to an Account Any person or entity may make contributions to a 529 Plan Account for the benefit of a Beneficiary at any time. Individuals or entities other than the Account Owner that contribute funds to the Account will have no subsequent control over the contributions and may not receive state tax benefits, if available, from the contributions. Only the Account Owner may request transfers, Rollovers, investment changes, withdrawals and Beneficiary changes.

Form of contribution All contributions must be in cash or cash equivalent and cannot be in the form of securities or other property. Contributions may be made by check or automatic withdrawal from a bank account.

Automatic contributions An authorization to make contributions by automatic withdrawal from a bank account will remain in effect until the Program Manager has received written notification of its termination. The Account Owner or the Program Manager may terminate contributions by automatic withdrawals at any time.

Successor owner The Account Owner is strongly encouraged to designate a successor owner at the time the 529 Plan Account is established. The Account Owner may also designate a contingent successor owner in the event the primary successor owner dies. A successor owner and contingent successor owner must be of legal age to own securities and a U.S. citizen or legal U.S. resident. If an Account Owner dies, the successor owner becomes the Account Owner. If the Account Owner dies and there is no successor owner, the Beneficiary will become the Account Owner if the Beneficiary is of legal age to own securities. Otherwise, the individual(s) responsible for the estate of the Account Owner will be authorized to name a new Account Owner. The Account Owner can change the successor owner and the contingent successor owner by written notification to the Program Manager provided that a primary successor owner may not change a contingent successor owner if one has been designated.

Purchases You may purchase through your FAF financial professional shares of one or more of the Plan Sponsor's Funds offered in the chosen 529 Plan. Each fund share class has different fees and expenses. Discuss which class of funds might be best for you with your FAF AP. See pages 4 & 5 for more information on fees and expenses.

Changes The Account Owner may change the fund or funds in which the Account invests only twice per calendar year and upon a change in the Beneficiary of the Account.

Contribution limits

Maximum The maximum contribution limit for a 529 college savings plan in 2024 depends on a few factors:

Single plan

As of 2024, individuals can contribute up to \$18,000 per beneficiary per year without it counting against their lifetime gift tax exemption. Married couples filing jointly can contribute up to \$36,000 per child.

Superfunding

Individuals can contribute up to \$90,000 in a single year to a 529 plan by funding it with up to five years' worth of contributions at once. Married couples filing jointly can contribute up to \$180,000 over five years.

• State limits

Each state plan sets its own contribution limits, which are usually total account limits per beneficiary. These limits can range from \$235,000 to \$575,000 (2024). Check with your tax professional to determine your state's limits.

Contributions to 529 plans are considered gifts for tax purposes by the IRS, so excess contributions must be reported on IRS Form 709.

Any person or entity may make contributions to a 529 Plan Account for the benefit of a Beneficiary.

Minimum To open an Account, you must invest at least the minimum amount required by each of the funds within the sponsor's fund options for the one(s) you select. In addition, each fund reserves the right to redeem the shares of any shareholder for their then-current net asset value per share if the shareholder's aggregate investment in the fund falls below the fund's minimum initial investment amount. If shares are redeemed for this reason, the proceeds will be paid from the Account to the Account Owner. Please refer to the applicable fund prospectus for additional information regarding minimum contributions and subsequent investments.

Changes to an Account

Changing investments The Account Owner may change the fund or funds in which the Account invests are generally only twice per calendar year and upon a change in the Beneficiary of the Account. For purposes of the investment change rule, all accounts maintained by the Account Owner for the same Beneficiary in 529 Plan and other state sponsored plans will be aggregated. Once two investment changes are made in any of these accounts, a subsequent investment strategy change within the same calendar year will be treated as a withdrawal. The Account Owner may, however, change the investments in more than one account for the same Beneficiary twice per calendar year without tax consequences, provided that the change to all accounts is made at the same time.

Changing the Beneficiary An Account Owner may change the Beneficiary of the 529 Plan Account at any time. To avoid treatment of the change as a withdrawal, **the new Beneficiary must be a Member of the family of the previous Beneficiary**. The Account Owner must complete a Beneficiary change form indicating the relationship of the new Beneficiary to the previous Beneficiary.

Rollovers and transfers

Qualified Tuition Programs Some Plan Sponsors will accept Rollovers from other Qualified Tuition Programs to 529 Plan. To rollover your funds from your current Qualified Tuition Program to 529 Plan, please complete the appropriate 529 Plan form. We will need to receive appropriate documentation from the transferring institution that shows the earnings portion of the Rollover. If such documentation is not provided, the entire Rollover will be treated as earnings.

Please note that, if you withdraw funds from a Qualified Tuition Program with the intention of contributing these funds to 529 Plan, you must do so within 60 days of the initial withdrawal in order to retain the tax-free treatment of the Rollover.

If you are not changing the Beneficiary, you may roll over a 529 Plan Account to another Qualified Tuition Program provided that the Account has not been rolled over in the previous 12 months. The Program Manager will provide to a transferee 529 program manager a statement providing the earnings portion of the Rollover by the earlier of: (1) 30 days after the Rollover or (2) January 10 of the calendar year following the calendar year in which the Rollover occurred.

Rollover of certain unused amounts to Roth IRAs You may rollover unused funds in your 529 Plan Account directly into a Roth IRA in the name of the Beneficiary of the Account free from federal income tax and penalties, provided that (i) the Qualified Tuition Program of the Beneficiary has been maintained for 15 years, (ii) the amount of the Rollover does not exceed the aggregate amount contributed to the Qualified Tuition Program account (including earnings) before the 5-year period ending on the date of Rollover, (iii) the amount of the Rollover does not, together with amounts previously rolled over in the same or a prior taxable year from this 529 Plan Account or from any other Qualified Tuition Program account established for the same Beneficiary, exceed \$35,000, and (iv) the Rollover amount is within IRA annual contribution limits which would include any other IRA contributions made by the Beneficiary in the year of the Rollover.

Please consult your tax advisor regarding the tax consequences of Rollovers.

Coverdell Education Savings Accounts Most Plan Sponsor will accept transfers from a Coverdell Education Savings Account to 529 Plan. The transfer is considered a nontaxable withdrawal from the Coverdell Education Savings Account. You will need to complete a 529 Plan Account application and provide appropriate documentation F:\2025 FORMS\2025 MS Word Files\529 Disclosure V1 2025.docx

from the trustee or custodian of the Coverdell Education Savings Account that shows the earnings portion of the transfer. If such documentation is not provided, the entire transfer will be treated as earnings.

Qualified U.S. Savings Bonds Most Plan Sponsors will accept transfers of Qualified U.S. Savings Bonds to 529 Plan. You will need to complete a 529 Plan Account application and provide appropriate documentation, such as a 1099-INT form or a written statement from the financial institution that redeemed the Qualified U.S. Savings Bonds, that shows the earnings portion of the transfer. If such documentation is not provided, the entire transfer will be treated as earnings. Please consult your tax advisor regarding the tax consequences of such a transfer.

UGMA or UTMA contributions A 529 Plan Account may be opened with UGMA/UTMA funds. These types of accounts involve additional restrictions. <u>Generally, UGMA/UTMA custodians/Account Owners may not change the Beneficiary of a custodial 529 Plan Account.</u> Account Owners wishing to change Beneficiaries should seek legal advice as funds held in UGMA/UTMA accounts represent an irrevocable gift to a specific individual.

The Beneficiary of an UGMA/UTMA account will become the Account Owner upon appropriate notice to the Program Manager that the Beneficiary has assumed control of the Account. Additional contributions to the 529 Plan Account holding UGMA/UTMA funds will be subject to these restrictions.

Transfers from UGMA/UTMA accounts create significant legal considerations and may be restricted by FAF. Please consult your FAF AP before making such a transfer.

ABLE Programs For distributions made after December 22, 2017 and before the year 2026, individuals may roll over funds from a 529 Plan Account to an ABLE Program account for the same Beneficiary or a Member of the family of the Beneficiary.

Withdrawals

Withdrawals in general Only the Account Owner may request withdrawals from an Account. The Account Owner may use the funds in the Account for any purpose and may make withdrawals at any time.

Generally, each withdrawal from an Account comprises two pro rata components: (1) a return of principal and (2) earnings. The return of principal portion of any withdrawal, whether Qualified or Non-Qualified, is not taxable. As explained in more detail below, the earnings portion of a withdrawal may be subject to taxation, and possibly penalties, depending upon whether the withdrawal is Qualified or Non-Qualified. The Account Owner or the Beneficiary is responsible for determining whether a withdrawal is Qualified or Non-Qualified and whether a penalty applies.

529 Plan withdrawals can be sent to the Account Owner, an educational institution and/or in limited amounts to the Beneficiary of the Account. Most Plan Sponsors generally prohibit distributions to other third parties without additional documentation, including but not limited to a signature guarantee.

Qualified Withdrawals If the Account Owner withdraws funds to pay for Qualified Education Expenses of the Beneficiary, the withdrawal will be Qualified. The earnings on Qualified Withdrawals used to pay Qualified Education Expenses are free from federal income tax and are not subject to a 10% federal tax penalty. In some states, withdrawals are not subject to state income tax but this determination requires consultation with a tax professional.

Qualified Education Expenses Qualified Education Expenses are:

- 1) Tuition incurred by a Beneficiary attending an **elementary or secondary public, private or religious school (kindergarten through 12th grade) to a maximum of \$10,000 incurred during the taxable year;** and
- 2) Expenses that are incurred by a Beneficiary attending an Eligible Higher Educational Institution. Generally, these expenses include:
 - · tuition;
 - all mandatory fees;
 - textbooks, supplies and required equipment;
 - room and board during any academic period during which the Beneficiary is enrolled at least half- time in a degree, certificate or other program that leads to a recognized educational credential awarded by an Eligible Higher Educational Institution;
 - special needs services for a special needs Beneficiary; and
 - computer or peripheral equipment, computer software or internet access and related services used primarily by the Beneficiary during the time enrolled at the Eligible Higher Educational Institution.
 - To be considered Qualified Education Expenses, room and board costs may not exceed the following amounts:

- on-campus: actual invoice amount for room and board; or
- off-campus: up to the applicable room and board portion of the Cost of Attendance as determined by the Eligible Higher Educational Institution.
- 3) Expenses for fees, books, supplies, and equipment required for the participation of the Beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act.
- 4) Amounts paid as principal or interest on any Qualified Student Loan of the Beneficiary or a sibling of the Beneficiary, up to a lifetime maximum of \$10,000. A sibling includes a brother, sister, stepbrother, or stepsister.

Recontributions of refunded amounts You may recontribute amounts that are refunded to you that are attributable to a distribution used to pay Qualified Education Expenses, provided that such amount is recontributed not later than 60 days after the date of such refund. A Recontribution of Refunded Amounts may preserve the Qualified status of the distribution.

Non-Qualified Withdrawals Any earnings on Non-Qualified Withdrawals are subject to a 10% federal tax penalty in addition to federal and, if applicable, state income tax. The Account Owner or the Beneficiary is responsible for determining whether a withdrawal is Non-Qualified, for making the appropriate filings with the IRS, and is also responsible for paying the 10% federal tax penalty on earnings.

Account statements and confirmations

Account Owners will receive a confirmation of all fund transactions in their 529 Plan Account. The Program Manager will issue quarterly statements to all Account Owners reflecting activity in their 529 Plan Account. Account Owners are encouraged to review each statement upon arrival and report any errors discovered. Most Plan Sponsors have e-delivery of statements, transaction confirmations and fund reports available to Account Owners.

Fees and expenses

A and C Unit accounts are established with the assistance of a financial professional and will be subject to the expenses described in the appropriate prospectus or plan description. The fees relating to the Account's investment in one or more 529 Plan Sponsor funds will vary, depending on the class of units and funds selected. Funds generally come in two unit classes, A units and C units.

A Units You will purchase A Units at the offering price, which includes the net asset value plus any applicable initial sales charge. The initial sales charge you pay when you purchase A Units will vary depending on the amount you invest and the sales charges schedule that applies to your account. This unit (share) class normally has a sales charge of 1.5% to up to 5.75% within the share price as a concession based on the initial price of the unit. That sales charge is shared by the Program Sponsor, FAF and your FAF AP. There is normally an annual distribution fee of 0.25% on A Units. Refer to the prospectus for the specific sales charge for your selection of funds. A Units sales charges may be reduced by employing the following elements if the Program Sponsor allows:

- Aggregating accounts
- Concurrent purchases
- Rights of accumulation
- •Rights of accumulation
- Statement of Intention

Check with your FAF AP to see if you qualify for any of these situations.

C Units There is no initial sales charge if you and your FAF AP select C Units. However, there is normally a 1% payment of your contribution from the Program Manager initially to FAF. Annually an assessment of .75% to 1% on your average balance of your account paid to FAF and shared with your FAF AP.

Some of the 529 Plan Sponsors have accounts that may incur an Account setup fee and/or an annual Account maintenance fee (often \$10 each). This varies by account sponsors and these fees and expenses are described in the program description or prospectus.

Program risks and special considerations

Plan Disclosure You should carefully read and understand this Plan Disclosure and prospectus before making contributions to a 529 Plan. Please keep this Plan Disclosure for future reference. Additional risks relating to 529 Plan investment options may be obtained from the applicable prospectuses.

The information contained herein is believed to be accurate as of the date of the Plan Disclosure and is subject to change without prior notice. Account Owners should rely only on the information contained in this Plan Disclosure. No one is authorized to provide information about 529 Plan that is different from the information contained in the Plan Disclosure.

No guarantee of principal Total withdrawals from an Account may be worth more or less than the amount invested initially.

Possible change or termination of 529 Plan Plan sponsors and the Program Managers all reserve the right to make changes to 529 Plan at any time. Neither Plan Sponsors nor the Program Manager is required by law to continue offering 529 Plan Accounts, to accept additional contributions to existing 529 Plan Accounts or to allow new 529 Plan Accounts to be opened.

Meeting educational expenses not guaranteed Even if an Account balance for a Beneficiary reaches the maximum limit allowed in 529 Plan, there is no assurance that the value of the Account will be sufficient to cover all the education expenses a Beneficiary may incur or that the rate of return on an Account will equal or exceed the rate at which education expenses may rise each year. The rate of inflation on education expenses is uncertain and could exceed the rate of return on an Account. Neither Plan Sponsors nor the Program Manager is responsible for paying any education expenses that exceed the balance of a 529 Plan Account at the time a withdrawal is requested.

Admission to, continuation at or graduation from college not guaranteed Having a 529 Plan Account does not guarantee that: (1) a Beneficiary will be admitted to any institution of higher education; (2) a Beneficiary will be allowed to continue enrollment at any institution of higher education after admission; (3) a Beneficiary will graduate from any institution of higher education; or (4) a Beneficiary will qualify for in-state tuition rates at any state-supported public college or university.

Changing legal regulations It is possible that the U.S. Congress, the U.S. Treasury Department, the IRS, the applicable state of the sponsor and other taxing authorities or the courts may take actions that will adversely affect 529 Plan and that such adverse effects may be retroactive. There can be no assurance that a change will not adversely affect 529 Plan and/or the value of your investment in an Account.

Treatment of Accounts for financial aid purposes 529 Plan Accounts may affect a Beneficiary's ability to qualify for federal need-based financial aid. A 529 account, such as a 529 Plan Account, is regarded as an asset of the student if the student is an independent student and an asset of the parent if the student is a dependent student. An independent student generally includes an individual who:

- is age 24 by December 31 of the award year,
- is an orphan, in foster care or a ward of the court (other rules may apply),
- · is an emancipated minor,
- is a veteran or a member of the U.S. armed forces.
- is a graduate or professional student.
- is married,
- has legal dependents other than a spouse,
- is homeless (other rules may apply), or
- has special and unusual circumstances which can be documented to his or her financial aid administrator.

529 Plan Accounts should not affect a Beneficiary's eligibility for merit-based scholarships. In addition, 529 Plan Accounts may not affect a Beneficiary's eligibility for other grants or scholarships for those who attend an eligible private, nonprofit institution of higher education in the state of the sponsor of the 529 plan.

Medicaid eligibility A 529 Plan Account may adversely affect an Account Owner's eligibility for federal and state assistance programs, particularly Medicaid. Please consult your financial professional for additional information.

Use Limitations Limit on Account duration For Beneficiaries who have not graduated from high school at the time a 529 Plan Account is opened, the Account Owner has 30 years after the projected date of the Beneficiary's high school graduation to use all assets in their 529 Plan Account. For Beneficiaries who have graduated from high school at the time an Account is opened, the Account Owner has 30 years after the date the 529 Plan Account was opened to use all assets in their 529 Plan Account. Any time spent by a Beneficiary as an active-duty member of any branch of the U.S. Armed Services will be added to the 30-year period. If an Account is rolled over to a new Beneficiary, the applicable 30-year time limit will begin again, based on the new Beneficiary's age and date of Account inception. Requests for extensions of this Account duration limit will be considered by the Program Manager on a case-by-case basis.

Claims against Accounts Federal bankruptcy law may protect from creditors contributions to an Account made on behalf of a Beneficiary who was a child, stepchild, grandchild, or step grandchild of the debtor in the year in which F:2025 FORMS:2025 FORMS:2025 MS Word Files:2025 MS Word:2025 MS:2025 MS

the contribution was made. All contributions made at least two years prior to the filing of the bankruptcy petition are protected. Contributions up to \$6,425 that are made more than 365 days, but less than 720 days, before the filing of the bankruptcy petition are protected. Contributions made less than one year before the filing of the bankruptcy petition are not protected.

Many states of the Plan Sponsors have laws that also provides Account Owners and Beneficiaries protection from creditors. If applicable, if those laws apply, an Account may not be attached, garnished, seized or appropriated by any creditor to pay any debt or liability.

In addition, federal law provides that an Account cannot be used as security or collateral on any loan. Neither Plan Sponsors nor the Program Manager represents or warrants protection from creditors. You should consult a legal advisor about the application of these laws to your particular situation.

529 Plan Accounts may affect a Beneficiary's ability to qualify for federal need-based financial aid.

Other considerations An investment in 529 Plan may not be the appropriate investment program for everyone. You should evaluate other tax-advantaged education savings programs and consult your financial professional.

Federal securities laws

Exemption from registration 529 Plan Accounts are considered municipal fund securities and have not been registered as securities under the Securities Act of 1933 in reliance on an exemption from registration available for obligations issued by a public instrumentality of a state. In addition, the Accounts have not been registered with any state in reliance on an exemption from registration available for obligations issued by an instrumentality of a state.

Tax considerations

Tax considerations can be complex. Please talk to your tax and financial professionals about your specific questions or issues.

Federal income tax

Contributions There is no federal income tax deduction for contributions to 529 Plan.

Earnings Earnings in a 529 Plan Account can grow free from federal income tax.

Withdrawals The earnings portion of a withdrawal may be subject to taxation, and possibly penalties, depending upon whether the withdrawal is Qualified or Non-Qualified. The return of principal portion of any withdrawal, whether Qualified or Non-Qualified, is not taxable.

The earnings on Qualified Withdrawals used to pay Qualified Education Expenses are free from federal income tax and are not subject to a 10% federal tax penalty.

Withdrawals following Beneficiary's death, disability or receipt of a scholarship (to the extent of the scholarship award) will be subject to federal income tax. However, the earnings will not be subject to the 10% federal tax penalty.

The Account Owner or the Beneficiary is responsible for retaining the appropriate documentation for the tax treatment of Qualified Withdrawals.

Any earnings on Non-Qualified Withdrawals are subject to a 10% federal tax penalty in addition to federal income tax. The Account Owner or Beneficiary is responsible for determining whether a withdrawal is Non-Qualified, making the appropriate filings with the IRS and paying the 10% federal tax penalty on earnings.

An Account Owner may be able to take an investment loss as a deduction on their income tax return but only when all amounts from that Account have been withdrawn and the total withdrawals are less than the total contributions made to the Account. The Account Owner may be able to claim the loss as a miscellaneous itemized deduction, subject to the 2%-of-adjusted-gross-income limit.

Rollovers 529 Plan accepts Rollovers from other Qualified Tuition Programs. Such a rollover must be completed within 60 days of the initial withdrawal to retain tax-free treatment. You are permitted to roll over funds without federal income tax consequences from one 529 plan to another 529 plan for the same Beneficiary once every 12 months. A rollover that meets IRS requirements is free from federal income tax and is not subject to a 10% federal tax penalty.

Transfers

Coverdell Education Savings Accounts 529 Plan accepts transfers from a Coverdell Education Savings Account. The transfer is considered a nontaxable withdrawal.

Qualified U.S. Savings Bonds 529 Plan accepts transfers of Qualified U.S. Savings Bonds to 529 Plan. You may need to meet income limits to avoid federal income tax on any U.S. Savings Bonds you redeem.

UGMA or UTMA contributions To transfer assets from UGMA/UTMA accounts, custodians may be required to sell the assets in the account. The sale would be a taxable event. Please consult your financial professional before making such a transfer.

Federal gift, estate and generation-skipping transfer taxes

Federal gift tax A contribution to an Account is considered a completed gift for federal gift and estate tax purposes. If an individual's contributions to an Account or Accounts for a Beneficiary, together with all other gifts by the individual to the Beneficiary, do not exceed \$18,000 per year (\$36,000 per married couple), there will be no federal gift tax consequences.

If an individual's contribution to an Account for a Beneficiary in a single year is greater than \$18,000 (\$36,000 per married couple), the individual may treat the contribution, up to \$90,000 (\$180,000 per married couple), under a special gift tax election, as having been made ratably over a five-year period.

Contributions made to a 529 plan in excess of the annual gift tax exclusion will not cause gift taxes to be payable unless the contributions (together with all other gifts) that exceed the annual gift tax exclusion are greater than the Contributor's lifetime gift tax exemption of \$13,610,000 for 2024.

Generally, a permissible change of the Beneficiary will not result in federal gift tax consequences for the Account Owner. Such a change will, however, be treated as a gift from the previous Beneficiary to the new Beneficiary if the new Beneficiary is one or more generations younger than the Beneficiary being replaced.

Federal estate tax Except in the case of the special gift tax election, if the Contributor dies while there is still money in the Account, the value of the Account is not included in the Contributor's estate. If the Contributor made the special gift tax election, and the Contributor dies before the five-year period beginning with the calendar year of the gift has elapsed, the portion of the contribution allocable to the years remaining in the five-year period (excluding any earnings on such contribution) is included in the Contributor's estate for estate tax purposes.

Upon the death of a Beneficiary, the value of the Beneficiary's interest in the Account is included in the gross estate of the Beneficiary for federal estate tax purposes.

Federal generation-skipping transfer tax The generation-skipping transfer tax may apply to contributions made to an Account if the Beneficiary is deemed to be a member of a generation that is more than one generation younger than the generation of the Contributor. If the Account Owner changes the Beneficiary to a new Beneficiary who is more than one generation younger than the previous Beneficiary, the generation-skipping transfer tax may be triggered.

Coordination with other education tax incentives

Withdrawals from an Account may affect other education tax incentives available to you. The coordination between these incentives is complex. Please consult your tax advisor.

Other state income taxes

States take different approaches to offering state-based benefits, such as state tax deductions, to residents investing in 529 plans. For example, some states offer residents <u>no</u> tax or other benefits for investing in a 529 plan, including an in-state plan. A few states offer tax benefits to residents investing in <u>any</u> state's 529 plan (for example, Kansas). A number of other states offer tax or other benefits to residents investing only in the in-state plan. If you are investing in a 529 Plan not sponsored by your state of residence, ask your FAF AP or tax advisor why you are not doing so.

States also take different approaches to the income tax treatment of distributions. For example, some states include Qualified Education Expenses attributable to tuition for the enrollment or attendance of a Beneficiary at an elementary or secondary public, private or religious school (kindergarten through 12th grade) in taxable income while others do not, up to certain limits. Please consult your tax advisor for state-specific details.

Any state tax or other benefit offered with respect to a particular 529 plan should be one of many appropriately weighted factors to be considered in making an investment decision. Please consult your financial, tax or other advisor to learn more about how state tax and other benefits (including limitations) apply to your circumstances. You may also wish to contact the 529 plan of your home state or any other state to learn more about the features, benefits and limitations of that 529 plan.

Tax reporting

An IRS Form 1099-Q will be issued in the event of a withdrawal from or Rollover from a 529 Plan Account. It is the responsibility of the recipient of the 1099-Q to determine whether a withdrawal is Qualified or Non-Qualified and whether taxes and a penalty apply.

Other Plans That May Be Available to You

Coverdell Education Savings Accounts Depending on your income level, Coverdell Education Savings Accounts may permit tax-free growth and exclusion from gross income for earnings withdrawn to pay education expenses. The annual limit on contributions to a Coverdell Education Savings Account is \$2,000 per contributor per Beneficiary. Contributions may be made to both an Account and a Coverdell Education Savings Account in the same calendar year. If total withdrawals from a Coverdell Education Savings Account and an Account exceed the Beneficiary's Qualified Education Expenses for any calendar year, the expenses must be allocated between the two withdrawals.

Education tax credits Depending on your income level, you may be able to claim an American Opportunity Tax Credit or a Lifetime Learning Credit for qualified tuition and related expenses. The same expenses cannot be used as support for a Qualified Withdrawal from an Account and as the basis for either of these two credits.

Exclusion of interest on Qualified U.S. Savings Bonds Depending on your income level, redemption proceeds from Qualified U.S. Savings Bonds that are either used for qualified tuition and related expenses or contributed to an Account may be excluded from income. The amount of expenses that may be used to calculate the exclusion must be reduced by the Qualified Education Expenses paid with a Qualified Withdrawal from an Account.