Tax-advantaged investing for education

NextGen 529® Client Direct Series

NextGen 529® (a Section 529 plan offered by Merrill Edge®) provides a tax-advantaged way to invest for education expenses[1] for a beneficiary of your choice, including yourself.

Why should you consider a Section 529 plan?

Investing for your child's or grandchild's education requires careful planning and a commitment to an investment strategy. You may be overwhelmed by the potential costs, but a little planning today can go a long way toward providing your child with the gift of education. Investing through a tax-advantaged Section 529 plan account can be a great way to help you meet your goal.

What are the benefits of a Section 529 plan?

Invest effectively for education

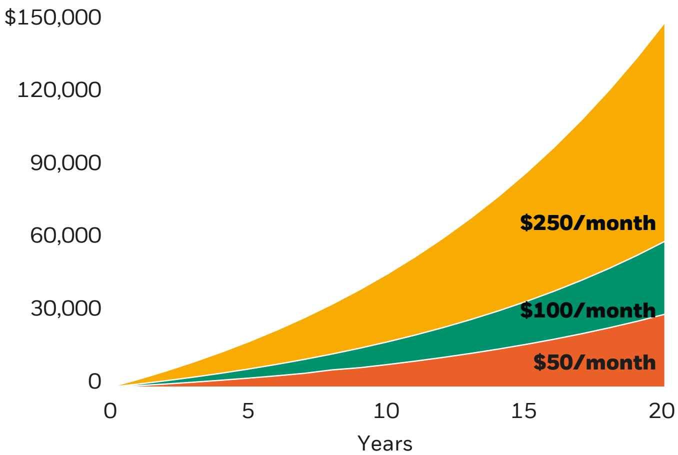
- Withdrawals, including any earnings, are federal (and usually state) income tax free, as long as the withdrawals are used for eligible expenses[1] at an accredited school, including public or private universities, graduate schools, community colleges and accredited vocational and technical schools.[2]

  Eligible expenses include, but are not limited to:
  - Tuition and fees
  - Room and board[3]
  - Books and required supplies
  - Expenses related to beneficiaries with special needs
  - Expenses for the purchase of a computer or peripheral equipment, computer software, or Internet access and related services
  - Up to $10,000 per calendar year per beneficiary to help pay for tuition at an elementary or secondary public, private or religious school. State tax treatment may vary.

- You can make annual contributions of up to $16,000 ($32,000 for a married couple filing jointly) without incurring a federal gift tax or a generation-skipping transfer tax.[4]

- The contribution limit for NextGen 529 accounts is $520,000 per beneficiary. Annual gifting limits apply.[4]

Tax-free growth can add up
Hypothetical value of investments over time



Does not assume an initial deposit. This graph illustrates how monthly contributions would have grown, assuming investments earned a hypothetical 8% rate of return compounded annually. The graph is illustrative only. It does not reflect an actual investment in NextGen 529 or taxes, if any, payable upon withdrawal. It does not take into account costs or fees that may be associated with a particular investment. Investments of contributions are subject to market, interest rate and other investment risks. Returns on contributions to NextGen 529 are not guaranteed and may be less than or greater than the amount illustrated.

Did you know?

Qualified expenses of a 529 account now include:

- Expenses for fees, books, supplies, and equipment required for the participation of a designated beneficiary in a registered and certified apprenticeship program.
- Payment of student loans up to a lifetime maximum of $10,000 for a designated beneficiary or a sibling of the designated beneficiary.

- Contributions are considered completed gifts and, therefore, are not part of your taxable estate.
- You can take advantage of dollar cost averaging by investing regularly through the Automated Funding Service and/or automatic individual payroll deduction, if your employer supports it.[5]
- Certain states may offer tax or other state benefits such as financial aid, scholarship funds, and protection from creditors for investing in their Section 529 plan. Some states may reduce or eliminate those benefits for investments in Section 529 plans administered by a state other than your home state or your beneficiary's home state. It is important to carefully consider any benefits available in your home state (or the home state of your designated beneficiary), along with a plan's investment manager, investment options, plan performance and underlying fees and expenses prior to investing. Certain states also may require the recapture of all or part of previously claimed tax benefits if the proceeds are not used for qualified higher-education expenses or if the assets are transferred to another state's Section 529 plan.

Stay in control of your account

- As a self-directed investor, you can choose from many investment options that let you benefit from professional investment management. Stable Principal Portfolios are also available.
- If the beneficiary decides not to pursue education or doesn't use all or part of the assets, you can designate an eligible family member as the new beneficiary.[6,7]
- Withdraw the funds from your account at any time.[7] However, if the funds aren't used to pay for qualified education expenses, any earnings will be subject to ordinary income tax and an additional 10% federal tax as well as state and/or local income tax. The additional 10% federal tax does not apply in certain cases, including withdrawals that do not exceed the amount of scholarships, including the value of attendance at a U.S. military academy.
- Change how you invest new contributions at any time; reallocate your existing balances twice during each calendar year or if there's a change in the designated beneficiary.

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Tax law changes and your education savings strategy

As of January 1, 2018, you can take a federal tax-free distribution from a 529 of up to $10,000 per calendar year per beneficiary to help pay for tuition at a public, private or religious elementary, middle or high school.

However, not all states conform to federal tax law. As a result, these 529 withdrawals may still be taxable at the state and/or local level. Refer to SavingForCollege.com for more information.

If you're thinking about using 529 assets to cover K-12 tuition, consider that:

- Your time horizon may not be long enough to warrant investing these assets through a 529 plan.
- Withdrawing assets earmarked for college could limit your ability to meet your original savings goals.
- An education payment made directly to a school for K-12 tuition is not considered a gift for purposes of the annual gift-tax exclusion.

And as of January 1, 2020, the legislation expands the expenses treated as qualified higher education expenses under section 529 to include the following:

- Expenses for fees, books, supplies, and equipment required for the participation of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under the National Apprenticeship Act, and
- Amounts paid as principal or interest on any qualified education loans of either the designated beneficiary or sibling of the designated beneficiary, up to a lifetime maximum of $10,000 per individual. Distributions with respect to the loans of a sibling of the designated beneficiary will count toward the lifetime limit of the sibling, not the designated beneficiary. Such repayments may impact student loan interest deductibility.

These changes apply to distributions made after December 31, 2018. State tax treatment may vary.

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Need help choosing between options?

Visit merrilledge.com/college-savings for tools and more information.

Call 877.4.NEXTGEN (877.463.9843)

Program Administrator

NextGen 529 is a Section 529 plan administered by the Finance Authority of Maine (FAME). You may obtain the NextGen 529 Program Description by requesting a copy from your financial professional, visiting NextGenforME.com or calling the program manager at 1-833-336-4529. The Program Description should be read carefully before investing.

The Program Description contains more complete information, including investment objectives, charges, expenses and risks of investing in NextGen 529, which you should carefully consider before investing. If you are not a Maine resident, you also should consider whether your or your designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's 529 plan. NextGen 529 accounts are not bank deposits and are not insured by the Federal Deposit Insurance Corporation (FDIC). Returns on investments in NextGen 529 accounts are not guaranteed or insured by the State of Maine, FAME or any NextGen 529 service providers. NextGen 529 participants assume all investment risk of an investment in NextGen 529, including the potential loss of principal and liability for tax penalties that are assessable in connection with certain types of withdrawals of amounts invested in NextGen 529.

Sumday Administration, LLC is the program manager, The Bank of New York Mellon is the program custodian, BlackRock Advisors, LLC is the program investment manager, and BlackRock Investments, LLC is the program distributor and underwriter.

1 To be eligible for favorable tax treatment afforded to the earnings portion of a withdrawal from a section 529 account, such withdrawal must be used for "qualified higher education expenses," as defined in the Internal Revenue Code. The earnings portion of a withdrawal that is not used for such expenses is subject to federal income tax and may be subject to a 10% additional federal tax, as well as applicable state and local income taxes. The additional tax is waived under certain circumstances. The beneficiary must be attending an eligible educational institution at least half time for room and board to be considered a qualified higher education expense, subject to limitations. Institutions must be eligible to participate in federal student financial aid programs. Some foreign institutions are eligible. You can also take a federal income tax-free distribution from a 529 account of up to $10,000 per calendar year per beneficiary from all 529 accounts to help pay for tuition at an elementary or secondary public, private or religious school. For distributions taken after December 31, 2018, qualified higher education expenses now include expenses for fees, books, supplies, and equipment required for the participation of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under the National Apprenticeship Act and amounts paid as principal or interest on any qualified education loans of the designated beneficiary or sibling of the designated beneficiary, up to a lifetime maximum of $10,000 per individual. Distributions with respect to the loans of a sibling of the designated beneficiary will count toward the lifetime limit of the sibling, not the designated beneficiary. Such repayments may impact student loan interest deductibility. State tax treatment may vary for distributions to pay for tuition in connection with enrollment or attendance at an elementary or secondary public, private or religious school, apprenticeship expenses, and payment of qualified education loans. **2** Institutions must be eligible to participate in federal student financial aid programs. Some foreign institutions are also eligible. **3** The beneficiary must be attending an accredited institution at least half time for room and board to be considered an eligible expense. **4** Contributions during 2022 between $16,000 and $80,000 ($32,000 and $160,000 for married couples electing to split gifts) made in one year can be prorated over a five-year period without subjecting you to gift tax or reducing your federal unified estate and gift tax credit. If you contribute less than the $80,000 ($160,000 for married couples electing to split gifts) maximum, additional contributions can be made without you being subject to federal gift tax, up to a prorated level of $16,000 ($32,000 for married couples electing to split gifts) per year. Gift taxation may result if a contribution exceeds the available annual gift tax exclusion amount remaining for a given beneficiary in the year of contribution. For contributions between $16,000 and $80,000 ($32,000 and $160,000 for married couples electing to split gifts) made in one year, if the account owner dies before the end of the five-year period, a prorated portion of the contribution may be included in their estate for estate tax purposes. **5** Dollar cost averaging and other periodic investments do not assure a profit and do not protect against loss in declining markets. Such a plan involves continuous investment in securities, regardless of fluctuating price levels of such securities. Investors should consider their financial ability to continue their purchases through periods of high or low price levels. **6** You are generally permitted to change the beneficiary to another member of the family (as defined under the Internal Revenue Code) without triggering income tax and 10% additional tax. **7** Not applicable for accounts opened under an UGMA/UTMA registration.

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