

# NextGen 529<sup>®</sup>

Client Direct Series

## What is NextGen 529<sup>®</sup>?

NextGen 529<sup>®</sup> is a Section 529 plan offered to clients regardless of state residency, sponsored by the state of Maine and administered by the Finance Authority of Maine. This plan offers families a flexible, tax-advantaged way to save and invest for education expenses.

## Why should you consider a 529 plan?

Investing and saving for 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 a loved one with the gift of education. Investing through a tax-advantaged 529 plan account can be a great way to help you meet your goal.

## What are the benefits of NextGen 529<sup>®</sup>?

### 1 Invest and save effectively for education expenses

Assets in a 529 plan account can be used for qualified education expenses including:

- Tuition and fees
- Tuition expenses for K-12 public, private or parochial schools (up to \$10K annually)<sup>1</sup>
- Room and board<sup>2</sup>
- Books, supplies, computer equipment and technology<sup>2</sup>
- Graduate school studies
- Continuing-education courses<sup>3</sup>
- Student loan repayment<sup>4</sup>
- Apprenticeship programs<sup>5</sup>

## Now even more flexibility with 529 plan to Roth IRA rollovers!

SECURE 2.0 allows for **tax-free**, trustee-to-trustee transfers from a 529 plan account to a Roth IRA maintained for the 529 account's designated beneficiary. Transfers are subject to an aggregate limit of **\$35,000** with respect to the designated beneficiary.<sup>6</sup>

## 2 A tax-advantaged solution

529 plans are generally treated more favorably for federal financial aid purposes than other savings vehicles<sup>7</sup> and they provide significant tax advantages, such as:

- Grow and withdraw assets, free from federal and some state taxes, where applicable<sup>8</sup>
- Many states offer investors tax benefits for contributions<sup>9</sup>
- Make annual contributions of up to \$18K per beneficiary, free from gift tax (\$36K for married couples)<sup>10</sup>
- Choose one-time accelerated gifting of five years, per beneficiary (\$90K/\$180K)<sup>10</sup>
- The contribution limit for NextGen 529 accounts is \$545,000 per beneficiary. Annual gifting limits may apply.

Certain states may offer state tax or other state benefits such as financial aid, scholarship funds and protection from creditors for investing in their Section 529 plans. **Before investing, you should consider whether you or your beneficiary's home state offers a 529 plan that provides its taxpayers with favorable state tax or other benefits that may only be available through investment in the home state's 529 plan.** Your tax professional or financial advisor can help you consider the tax implications of participating in your home state plan versus an out-of-state plan. Be sure you understand all of the tax aspects for your individual situation before choosing a plan.

## 3 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, including Stable Principal Portfolios.

You retain control of the account assets and can change the beneficiary to another member of your family at any time without adverse income tax consequences.<sup>11, 12</sup>

You may change investment allocations on future contributions at any time and reallocate existing investments twice during the calendar year, or upon the change of the designated beneficiary.

You can take back the money at any time by withdrawing funds from the account. However, if the funds are not used to pay for qualified higher education expenses, any earnings will be subject to federal income tax and may be subject to an additional 10% penalty on the earnings. The 10% penalty may not apply if the beneficiary receives a scholarship, attends a United States Military Academy, dies or becomes disabled.

## Want to learn more?

Visit [merrilledge.com/college-savings](https://merrilledge.com/college-savings) for tools and more information.

Call 877.4.NEXTGEN (877.463.9843)

**1** Considered a qualified expense for U.S. tax purposes. For state tax treatment, check your individual state guidelines. Not all states consider this a qualified expense. **2** Expenses for room and board and computer equipment and technology are subject to certain eligibility requirements. **3** Covers cost of continuing education courses at any federally accredited institution. **4** Amounts paid as principal or interest on a qualified education loan. Amount that may be treated as qualified expense shall not exceed \$10,000 as a lifetime cap per beneficiary. **5** Covers expenses for books, supplies, and equipment required for a program registered with the U.S. Department of Labor. **6** The 529 account must have been maintained for at least 15 years, and the distribution cannot exceed the aggregate amount contributed to the program (and earnings) before the five-year period ending on the date of the distribution. Although the amount that may be transferred may not exceed either the Roth IRA dollar limit or the amount of compensation the designated beneficiary earned that year, the income limits applicable to Roth IRA contributions are not applicable. This provision applies starting in 2024. **7** This is based on current interpretation of federal financial aid rules. Financial aid rules may change, and the rules in effect at the time the beneficiary applies may be different. For more complete information, please go to the Department of Education's website at [www.ed.gov](http://www.ed.gov). **8** Withdrawals from a 529 plan are tax-free when used for qualified higher education expenses. **9** Not all states offer tax benefits, review plan features with your financial and tax advisors before investing. **10** Inclusive of all gifts to the beneficiary, not just contributions to a 529 plan. An accelerated gifting tax provision, unique to 529 plan contributions, allows you to apply up to 5 years of gifts in a single year (\$90,000/\$180,000 maximum limits). Considered a completed gift, assets are thereby removed from your taxable estate. Consult your tax advisor for any limitations. **11** The participant/account owner can change the designated beneficiary to a member of the family of the designated beneficiary (as defined in the Internal Revenue Code) without adverse income tax consequences. **12** Not applicable for accounts opened under UGMA/UTMA registration. Investing involves risk, including possible loss of principal. Asset allocation models and diversification do not promise any level of performance or guarantee against loss of principal. Investment in the funds is subject to the risks of the underlying funds.

Please note that any discussion of U.S. tax matters contained in this communication cannot be used by you for the purpose of avoiding tax penalties; this communication was written to support the promotion or marketing of the matters addressed herein; and you should seek advice based on your particular circumstances from an independent tax advisor.

**NextGen 529 is a Section 529 plan administered by the Finance Authority of Maine (FAME). You may obtain the NextGen 529 Program Description by visiting [NextGenforME.com](https://NextGenforME.com) or calling the program manager at 1-833-336-4529. The Program Description should be read carefully before investing.**

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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.

Vestwell State Savings, LLC ("Vestwell") 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.

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