Giving a child the freedom to dream with CollegeAccess 529
Give the gift of education

You want the best for your loved ones – especially your children, grandchildren and other young people with bright futures.

And while you’re aware that kids need a quality education to realize their dreams, you also know it requires a lot of hard work and money – but that done right, college can be one of the smartest investments anyone can make.

In the following pages, you’ll learn how to cope with the high costs of a college education by using CollegeAccess 529, a tax-advantaged, professionally managed investment that helps fund a child’s education.

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The rising cost of college

It’s almost impossible to underestimate how important a college degree is to a young person’s future. Unfortunately, getting a degree is more expensive than ever, and paying the bills can seem overwhelming. That’s why any plans for getting a higher education should start with an honest discussion about costs.

College costs far outstrip inflation and incomes

Since 1976, college costs have escalated at two to three times the rate of inflation – faster than income increases for most families. In the 2016-2017 academic year alone, tuition for private colleges increased by 3.6% while tuition for public universities jumped 2.4%.\(^1\) The ten-year historical rate of increase is approximately 5.0%, which is substantially higher than the general rate of inflation.

Debt likely to burden students in the future

With costs on the rise, many parents are in a bind. But students themselves are suffering from enormous debt burdens. Total student-loan debt topped $1.3 trillion dollars in 2017, as more and more kids are attending college on borrowed funds. In fact, the Class of 2016 graduated with an average of $37,172 in student loan debt.\(^2\)

For these graduates, getting a degree could be the easy part; even if they land their dream jobs, they could be paying off student loans for years to come.

College costs are on the upswing

Think college is too expensive today? Take a look at what it could cost in 18 years.

Note: These figures do not include other costs that a student will incur, such as room and board, books, supplies, equipment and transportation.

Source: The College Board, assumes a 5% annual increase. Statistics taken from Average Published Undergraduate Charges by Sector, 2016-17.
The growing value of a higher education

A higher education can provide more than just higher earnings. Studies show that undergraduates are typically outperforming non-graduates when it comes to full time employment, overall job satisfaction, and personal earnings. And that’s just for starters: Graduate school can lead to even bigger benefits.

**College graduates earn more**
Over a lifetime, people with college degrees earn nearly $1 million more than those without a higher education. Clearly, a college degree is more than just a piece of paper; it’s a way to open doors for more lucrative careers and personal fulfillment.

**Debt likely to burden students in the future**
The unemployment rate for people with at least a bachelor’s degree has consistently been about half the unemployment rate for high-school graduates.

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**Learning equals earning**
Take a look at the median earnings of full-time year-round workers age 25 and older, by education level: The higher the degree, the higher the salary.

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Median Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did not graduate high school</td>
<td>$25,315</td>
</tr>
<tr>
<td>High-school diploma</td>
<td>$35,615</td>
</tr>
<tr>
<td>Associate’s degree</td>
<td>$38,943</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>$65,482</td>
</tr>
<tr>
<td>Advanced degree</td>
<td>$92,525</td>
</tr>
</tbody>
</table>

How 529 plans can help you save

Despite their deceptively simple names, 529 plans are among the most powerful tools available to parents or grandparents who need to fund a child’s education. But that’s just the beginning: 529s can actually be used by almost anyone to pay for a host of education-related expenses.

What are 529 plans?
Like 401(k) accounts, which millions of Americans use for their retirement savings, 529 plans are tax-advantaged savings accounts named after a section of the Internal Revenue Code. Unlike 401(k)s, 529s are an after-tax contribution that are intended for qualified education expenses only.

Accumulate savings faster with tax-deferred growth potential
The money you earn in a 529 plan is not subject to federal or state income taxes as long as it remains in the plan. This can help your account grow faster since all of your earnings can be reinvested, increasing returns with tax-free compounding.

Withdraw earnings without being taxed
No taxes are due to the federal government, or to most states, when money is withdrawn from a 529 account and applied to qualified expenses. And the list of what and where an expense counts as qualified is bigger than you might think.

To find out if the school of your choice qualifies, visit www.fafsa.ed.gov

The Power of Tax-Deferred Growth Potential
529 plans provide compounding growth potential in a tax-deferred account, which may provide substantially more growth potential over time than a taxable account.
Assuming a $65,000 initial investment.

The returns are hypothetical and do not represent the performance of any investment. This illustration assumes that no withdrawals are made that would not qualify as educational expenses. It is intended to compare a taxable investment account and a 529 tax-deferred account under the following assumptions: A) one lump-sum contribution of $65,000 of after-tax amounts is invested and all earnings, gained an annual average rate of 6.5%, compounded annually, are continually reinvested; and B) the taxable account is subject to an annual income tax on earnings at an aggregate rate of 30% (which may be both federal and state). No assumptions are made as to the disposition of the accounts following the 10th year.

Section 529 Qualified Tuition Programs 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 own particular circumstances.
Financial aid, gifting and estate-tax benefits

529s can do more than help you save for college. They also provide the potential for favorable financial aid treatment, offer a range of gifting and estate-tax benefits to help you with estate planning, and give you the account control and flexibility you need.

Enjoy favorable financial aid treatment
According to the federal financial aid formula, parents are expected to use 5.6% of their assets – as opposed to 20% of their child’s assets – toward their child’s college expenses. But unlike other college-savings vehicles, 529 plans are considered assets of the account owner (e.g., the parent), not the beneficiary (e.g., the child). So unlike other accounts that can be counted as a student’s assets – thereby reducing the student’s eligibility for need-based financial aid – 529 plans generally receive more favorable financial aid treatment.

Put time on your side with accelerated gifting
You can generally contribute up to $15,000 ($30,000 for married couples) per beneficiary per year without triggering federal gift taxes. What’s more, special 529 rules let you use five years of annual exclusions at once for a tax-free gift of up to $75,000 – and joint taxpayers may fund up to $150,000 at one time.* Your federal lifetime gift tax credit may also be available for funding your 529 account.

Capture a range of estate-tax advantages
Funding a 529 account is considered a gift to the beneficiary for estate-tax purposes – all contributions and earnings grow outside your taxable estate. Plus, unlike other gifting programs, a 529 plan enables you to retain control over the account and its assets.

Make multiple gifts to multiple beneficiaries
With 529s, anyone can open an account and contribute at any time. You may own and fund as many 529 accounts for as many beneficiaries as you like, subject to funding limits. Other people may also contribute to your 529 accounts and remove assets from their own estates.

Retain control over the beneficiary’s account
Unlike other savings plans for children, such as UGMAs and UTMA, the 529 account owner always retains control – even after a beneficiary reaches majority age. You decide how to invest your contributions, when to make withdrawals and to whom they will be paid – you, the student, or directly to the school.

Why 529s?
- Tax-deferred growth potential and tax-free withdrawals*
- Gifting and estate tax benefits
- Control and flexibility for the account owner

* If the donor dies before the first day of the fifth calendar year, a portion of the contribution must be added back to the donor’s estate for tax purposes.
The benefits of CollegeAccess 529 savings plan

When you’re committed to a child or grandchild’s future, you’re not just helping them pay for school: You’re guiding them every step of the way. CollegeAccess 529 can help you make the most of your journey together. It offers all the benefits of 529 plans that you just learned about, plus it comes with additional great features.

Investment choice and flexibility
Everyone is different, especially when it comes to investing; we all have distinct goals, risk-tolerance levels and time horizons. That’s why CollegeAccess 529 lets you choose from three types of investment options, which you’ll learn more about on the following pages.

Access to premier fund families
CollegeAccess 529 lets you choose among some of the largest and most respected investment-management firms within one integrated plan. With a robust investment menu featuring 24 investment portfolios from nine leading money managers, you can put some of the best investment professionals to work for you.

| 9 age-based investment portfolios |
Age-based investment portfolios automatically adjust for the child’s age, lowering your investment’s risk level as he or she gets closer to college.

| 3 static investment portfolios |
Static investment portfolios help you tailor your account to your own risk-tolerance level.

| 12 individual investment portfolios |
Individual investment portfolios allow you to invest in individual funds and construct a unique investment mix.

CollegeAccess 529: invest in your children...
Three investment strategies for your unique needs

CollegeAccess 529 gives you the opportunity to create your own customized plan using three investment options – age-based, static and individual-investment portfolios. Use them separately or blend them together to complement each other.

1. **Age-based investment portfolios**
   If you select this option, you’ll start with a portfolio allocated according to a child’s age. As the child gets older, the account will be automatically reallocated with a progressively heavier weighting toward bond and money-market funds, positioning the account for income and capital preservation at the time you need to pay for college costs.

   **Age-Based 1 (Ages 0-8):**
   - US Large-Cap Equity: 63%
   - US Small-Cap Equity: 5%
   - International Equity: 3%
   - Global Equity: 3%
   - Multi Asset: 3%
   - Commodity Related: 29%
   - Fixed Income: 29%

   **Age-Based 2 (Ages 9-10):**
   - US Large-Cap Equity: 76%
   - US Small-Cap Equity: 3%
   - International Equity: 2%
   - Global Equity: 2%
   - Multi Asset: 2%
   - Commodity Related: 20%
   - Fixed Income: 20%

   **Age-Based 3 (Age 11):**
   - US Large-Cap Equity: 85%
   - US Small-Cap Equity: 13%
   - International Equity: 2%
   - Global Equity: 12%
   - Multi Asset: 12%
   - Commodity Related: 12%
   - Fixed Income: 19%

2. **Static investment portfolios**
   Select from three fund-of-fund portfolios that allow you and your financial advisor to tailor your account to suit your personal risk tolerance. Each of these portfolios is centered on a particular asset-allocation strategy – that is, ranging from more aggressive to increasingly conservative – and does not change with the age of the beneficiary.

   **Age-Based 4 (Age 12):**
   - Diversified Equity: 53%
   - Diversified Bond: 19%
   - Ultrashort Bond: 19%

   **Age-Based 5 (Age 13):**
   - Diversified Equity: 53%
   - Diversified Bond: 19%
   - Ultrashort Bond: 19%

   **Age-Based 6 (Age 14):**
   - Diversified Equity: 53%
   - Diversified Bond: 19%
   - Ultrashort Bond: 19%
3. Individual investment portfolios

If you and your financial advisor prefer to construct your own customized mix of strategies, or supplement other options, you may select among the funds to the right. Please consult your financial advisor for a more detailed description of any specific offering.

<table>
<thead>
<tr>
<th>US Large-Cap Equity</th>
<th>Multi Asset</th>
<th>Fixed Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>AllianzGI Focused Growth</td>
<td>AllianzGI Global Allocation</td>
<td>Metropolitan West Total Return Bond</td>
</tr>
<tr>
<td>AllianzGI NFJ Dividend Value</td>
<td>PIMCO All Asset</td>
<td>PIMCO Income</td>
</tr>
<tr>
<td>PIMCO StocksPLUS Absolute Return</td>
<td>PIMCO YM</td>
<td>PIMCO Real Return</td>
</tr>
</tbody>
</table>

| US Small-Cap Equity | | |
|---------------------| | |
| AllianzGI NFJ Small-Cap Value | | PIMCO Short Asset Investment |

| International Equity | |
|----------------------| |
| AllianzGI Best Styles International Equity | |
| Dodge & Cox International Stock | |

With 529s, you can reallocate existing assets in your account twice per calendar year, or whenever you change the account’s designated beneficiary.
CollegeAccess 529 at a glance

Once you’ve decided that you want to help pay for a child’s education expenses, you’ll want to think about which approach might be right for you. Here’s a helpful side-by-side comparison of the key features of three savings options.

<table>
<thead>
<tr>
<th>Comparison of benefits</th>
<th>CollegeAccess 529 Plan</th>
<th>Coverdell education savings account</th>
<th>UTMA/UGMA account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution limit</td>
<td>Up to $350,000</td>
<td>$2,000 per student per year</td>
<td>None</td>
</tr>
<tr>
<td>No limits on contribution age</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account owner always remains in control</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Changes to beneficiary permitted</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Withdrawals for qualified expenses are free from federal taxes</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Tax-free gifting of $15,000 (single filers) or up to $75,000 (single filers) with accelerated 5-year election</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State-tax deduction</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If married and filing jointly, you can gift up to $30,000 – and up to $150,000 if you choose the 5-year accelerated gifting election.
For more information, visit www.collegeaccess529.com or call 1 866 529 7462.

Endnotes:

1. Collegeboard based on the average 2016-2017 tuition increase.
4. Withdrawals that are not for qualified educational expenses may be taxed as ordinary income and may be subject to a federal 10% additional tax.
5. Some state plans do have their own age and/or time limits.
6. Per year per beneficiary. Note that if the Donor dies before the first day of the fifth calendar year, a portion of the contribution must be added back to the Donor’s estate for tax purposes.
7. Varies depending on the state.
New tax law changes for 2018

On December 22, 2017, the Federal Tax Cuts and Jobs Act of 2017 was signed into law. This Act includes new provisions that allow 529 Plan account owners to withdraw assets to pay for K-12 tuition (public, private or religious) up to $10,000 per year per beneficiary. Withdrawals from your account for this purpose will have no federal tax impact. In addition, 529 account owners can roll over 529 Plan assets into ABLE Plan accounts, subject to the annual contribution limit. It has not yet been determined whether such withdrawals may have State tax consequences. We encourage account owners to consult a qualified tax advisor about their personal situation. If you have any questions about the CollegeAccess 529 Plan, please contact us at 1-866-529-7462 Monday through Friday from 8:30 a.m. to 6 p.m., Eastern Time.

Investors should consider the investment objectives, risks, and charges and expenses of the CollegeAccess 529 plan before investing. This and other important information is in the Plan Disclosure Statement, which should be read carefully before investing, and which can be obtained by contacting your financial advisor and/or the Program Manager. The CollegeAccess 529 Plan is issued by the South Dakota Higher Education Savings Trust. The Program Manager and Underwriter for the CollegeAccess 529 Plan is Allianz Global Investors Distributors LLC.

Please note that 529 plans may have certain fees and expenses including but not limited to annual maintenance fees, sales charges, deferred sales charges, administration and management fees, and underlying fund expenses. Please consider these fees as well as the investment risks when investing in a 529 plan.

Before investing, you should consider whether your state of residency, or your intended beneficiary’s state of residency, offers a state tax deduction or any other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state’s 529 savings program.

Allianz Global Investors US LLC and PIMCO, investment management firms that manage underlying mutual funds in the program, are affiliated with the Program Manager. CollegeAccess 529 Plan accounts are not insured by any state, federal government or any federal agency. Furthermore, neither the principal nor any investment return is guaranteed by any state, federal government or any federal agency.

Only South Dakota residents and Account Owners who designate a South Dakota resident as Beneficiary can invest directly in the CollegeAccess 529 Plan. Certain Portfolios are not available to those who invest directly. Residents of states other than South Dakota can invest in the CollegeAccess 529 Plan only through a financial advisor. Additional fees apply for investments made through a financial advisor. Please see the Plan Disclosure Statement for details. State taxes may apply for residents of states other than South Dakota.

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