Estate planning with 529 plans

Invest for college while pursuing gifting, legacy and tax management goals

INVESTMENTS ARE NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

New York's 529 Advisor Guided® College Savings Program

J.P.Morgan Asset Management

As 529 plans grow in popularity, more families are using them to fund college while also managing wealth, minimizing taxes and making multi-generational gifts.

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The strategies and hypothetical examples offered in this brochure are for informational purposes only and returns are not guaranteed. The information provided doesn't take into account your particular investment objectives, financial situation or needs. Please discuss your individual circumstances with your financial advisor and tax consultant before making any decisions.

Estate planning benefits of a 529 plan

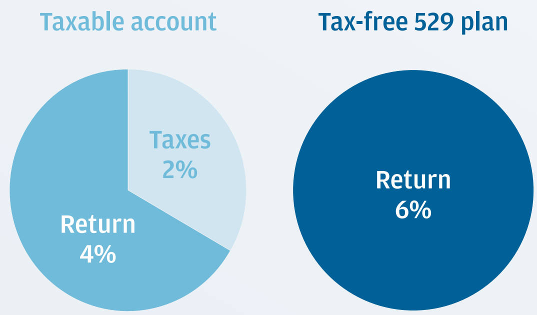
In addition to their primary purpose of helping families save for college, 529 plans offer special estate and gift tax benefits not available in other investment accounts.

Tax-advantaged investing

Unlike taxable trusts and other commonly used estate planning vehicles, a 529 plan allows you to keep more of whatever you earn for a loved one's education. Investment earnings are tax deferred while in your account, and withdrawals are entirely tax free when used to pay any qualified expense at any accredited college in the United States or overseas.[1]

LOWER TAXES MAY LEAD TO LARGER COLLEGE FUNDS — AND FAMILY LEGACIES

After-tax return on 6% investment gain



Growth of $500,000	Taxable account	Tax-free 529 plan
Over 6 years	$645,973	$709,260
Over 12 years	$837,708	$1,006,098
Over 18 years	$1,086,359	$1,427,170

The tax-free 529 plan accumulates over **$340,000 more** for college.

Source: J.P. Morgan Asset Management. Based on 6% annual returns and 35% federal tax rate. This hypothetical illustration is not indicative of any specific investment and does not reflect the impact of fees or expenses, which would lower performance. The chart is shown for illustrative purposes only. Figures used in this example are based on past performance, which is no guarantee of future results.

[1] Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements.

Accelerated tax-free gifting

In most cases, individuals can give up to $15,000 per beneficiary each year ($30,000 for married couples filing jointly) without incurring gift taxes or using up their lifetime exemption from gift taxes. Only a 529 plan allows five years' worth of tax-free gifts in one year—up to $75,000 per beneficiary from individuals or $150,000 from married couples filing jointly.[1]

Given the high cost of college and relatively short time to invest for it, accelerated gifting enables you to immediately put more money to work on a tax-advantaged basis. And unlike inheritances, 529 plans allow you to see the difference your gifts can make in a child's life.

How accelerated gifting works: Make five years' worth of tax-free gifts in a single year

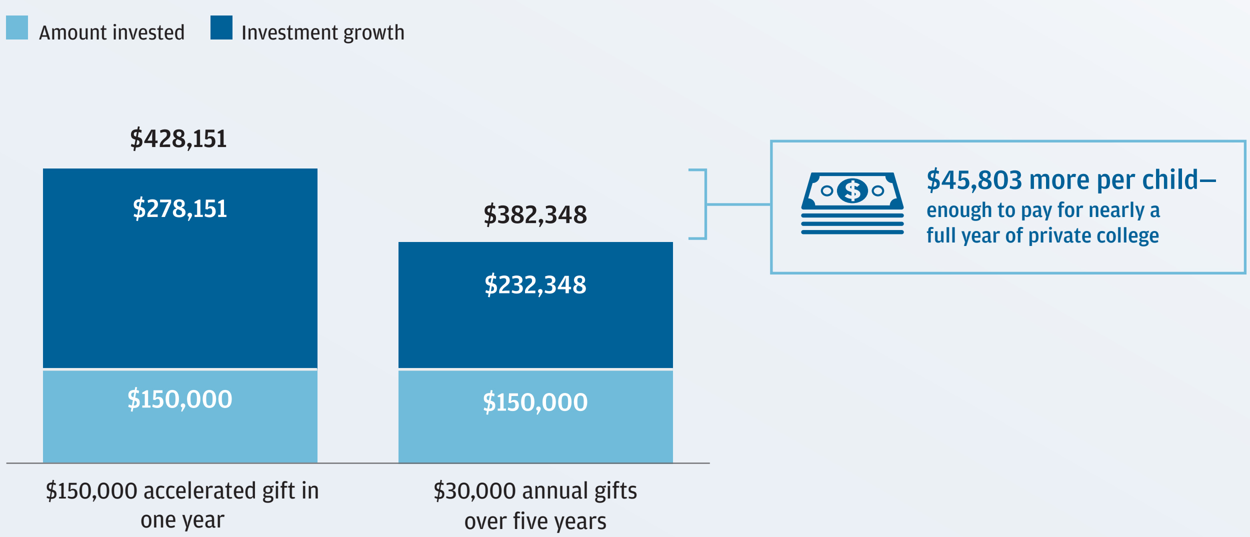
Annual gift — $15,000 per beneficiary ($30,000 from couples)

Accelerated gift — + + + + — $75,000 per beneficiary ($150,000 from couples)

ACCELERATED GIFTING COULD MEAN $45,000 MORE PER CHILD

By investing more money up front, a one-time accelerated gift could potentially create a larger college fund than annually funding the exact same gift over five years.

Investment growth over 18 years



Source: J.P. Morgan Asset Management. Based on 6% annual returns. Tuition, fees and room and board for private college based on The College Board, 2017 *Trends in College Pricing*. This hypothetical illustration is not indicative of any specific investment and does not reflect the impact of fees or expenses, which would lower performance. The chart is shown for illustrative purposes only. Figures used in this example are based on past performance, which is no guarantee of future results.

[1] No additional gifts can be made to the same beneficiary over a five-year period. If the donor does not survive the five years, a prorated portion of the gift is returned to the taxable estate. Be sure to discuss any gift tax implications with your tax advisor.

Additional estate planning benefits

All contributions and investment earnings are removed from your taxable estate

The IRS treats contributions to a 529 plan as completed gifts, which means all current account assets and future investment earnings are excluded from your taxable estate. With federal estate tax rates currently as high as 40%, investing assets in a 529 plan may help you ease the tax burden on your heirs and leave larger inheritances.

Full control for the life of the account

Although 529 plans are removed from your estate, you retain full control over naming or changing beneficiaries, choosing investments and making withdrawals. You can even revoke a gift if you want or need the money back.[1]

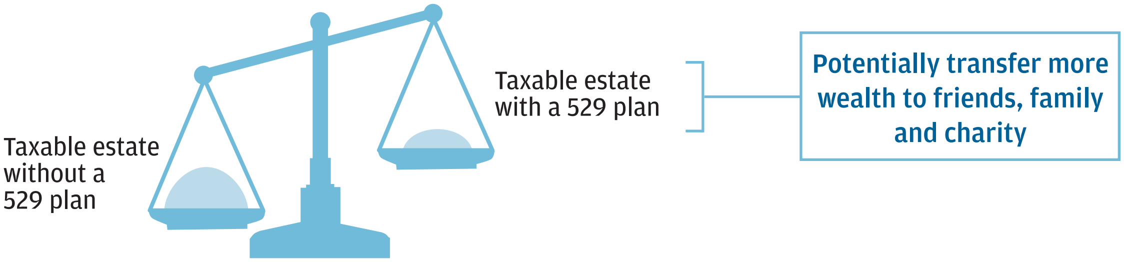
High contribution limits

Most 529 plans allow you to contribute $400,000 or more per beneficiary to help meet rapidly rising college costs while maximizing the potential estate tax benefits. The state of New York, for example, allows a maximum contribution of $520,000.[2]

No income limits or state residency requirements

529 plans are generally open to all families, including those who earn too much to qualify for other education accounts. No matter what your income or where you live, you can invest for any beneficiary of any age planning to attend an accredited college in any state.

Increase your college fund, reduce your taxable estate with a 529 plan



[1] If you are revoking a gift and returning assets to your estate, you may be subject to income taxes and a 10% penalty on any investment earnings.
[2] Source: collegesavings.org, 2017.

This hypothetical illustration is not indicative of any specific investment and does not reflect the impact of fees or expenses, which would lower performance. These costs would lower investment returns.

CASE STUDY: THE SMITH FAMILY

Grandparents giving the gift of college education

To help their five grandchildren attend private college, Fred and Diane Smith take advantage of a 529 plan benefit allowing five years' of tax-free gifts in a single year—or $150,000 per beneficiary.[1] Over time, their initial $750,000 investment doubles in value to nearly $1.5 million, all of which is removed from their taxable estate.

RESULTS

- **The grandparents** create a lasting family legacy of education while also significantly reducing their taxable estate without losing control over assets.
- **The grandchildren** receive enough from the 529 accounts to pay nearly all expected costs for four years of private college.
- **The parents** are left with lower out-of-pocket college costs, student loan debt and potential estate taxes.

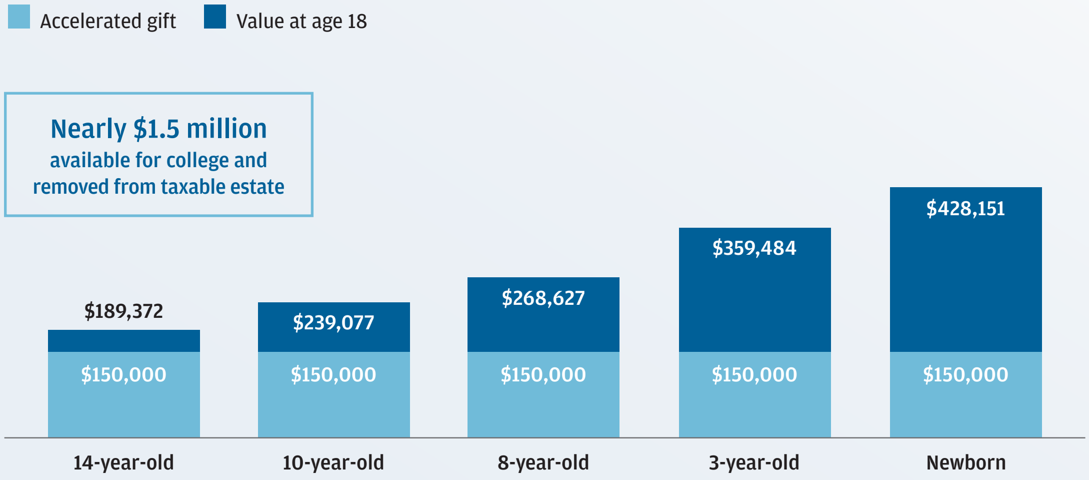
KEY 529 PLAN BENEFIT:

Ability to make accelerated tax-free gifts of up to $150,000 per beneficiary in a single year

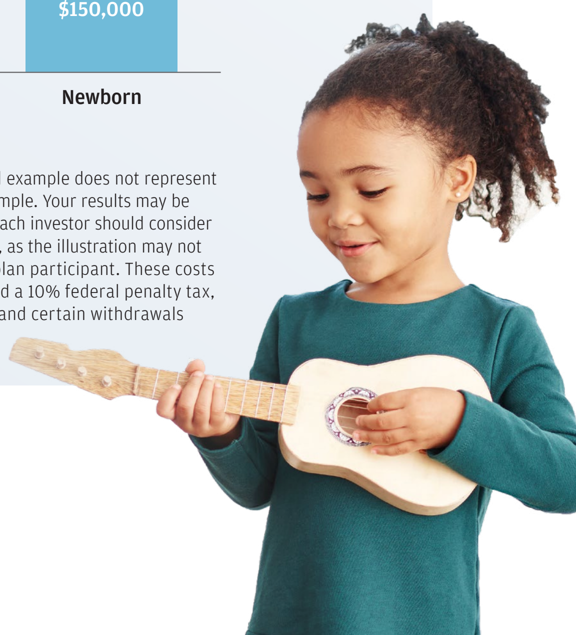
Gifting money from retirement accounts

If you're 70½ or older, you may be forced to take required minimum distributions from tax-deferred IRAs, 401(k)s and other retirement accounts. If you don't need the money, consider gifting the proceeds to a 529 plan so they can grow on a tax-deferred basis for future generations.

ACCELERATED GIFTS GROW TAX FREE FOR COLLEGE OUTSIDE THE TAXABLE ESTATE



Source: J.P. Morgan Asset Management. Illustration assumes an annual investment return of 6%. This hypothetical example does not represent the performance of any particular investment. Different assumptions will result in outcomes different from this example. Your results may be more or less than the figures shown. Investment losses could affect the relative tax-deferred investing advantage. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors. These figures do not reflect any management fees or expenses that would be paid by a 529 plan participant. These costs would lower investment returns. Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements and certain withdrawals are subject to federal, state, and local taxes.



[1] Contributors can give up to $75,000 per beneficiary ($150,000 for married couples filing jointly) in a single year without incurring federal gift taxes. No additional gifts can be made to the same beneficiary over a five-year period. If the donor does not survive the five years, a prorated portion of the gift is returned to the taxable estate.

CASE STUDY: THE DUNN FAMILY

Investing trust assets in a 529 plan

KEY 529 PLAN BENEFIT:
Tax-deferred investment growth, tax-free withdrawals

The Dunn family has already set up irrevocable trusts for five grandchildren, with $1.3 million ($260,000 each) now earmarked for college. Although trusts offer many estate planning benefits, they are generally subject to annual income taxes. By investing their existing trust assets in a 529 plan, the Dunns can continue to save for future generations while also lowering their current tax bill.

HOW TRUSTS AND 529 PLANS ARE TAXED

- **Trusts:** With a trust, federal income taxes are generally due each year on any investment earnings. Revocable trusts are generally taxed at the grantor's tax rate. Irrevocable trusts are taxed at the same rates as individuals and married couples, but it takes far less income for them to reach the highest bracket of 39.6%.
- **529 plans:** Investment earnings in a 529 plan are not subject to annual taxes and can be withdrawn tax free to pay qualified higher education expenses.[1] That means money the Dunns' trusts had been paying to the IRS each year can instead stay in their 529 accounts and continue growing toward their loved ones' futures.

Irrevocable trusts are taxed more aggressively

Income needed to reach tax brackets in 2018

Tax bracket	Irrevocable trusts*	Married filing jointly*	Individuals*
10%	$0 – $2,550	$0 – $19,050	$0 – $9,525
12%	N/A	$19,051 – $77,400	$9,526 – $38,700
22%	N/A	$77,401 – $165,000	$38,701 – $82,500
24%	$2,551 – $9,150	$165,001 – $315,000	$82,501 – $157,500
32%	N/A	$315,001 – $400,000	$157,501 – $200,000
35%	$9,151 – $12,500	$400,001 – $600,000	$200,001 – $500,000
37%	Over $12,500	Over $600,000	Over $500,000

Source: 2017 Tax Rate Schedule, IRS Form 1041-ES.

* An additional 3.8% tax on net investment income applies to trusts with income exceeding $12,500, individuals with income exceeding $200,000 and married couples filing jointly with income exceeding $250,000.

[1] Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements.

RESULTS

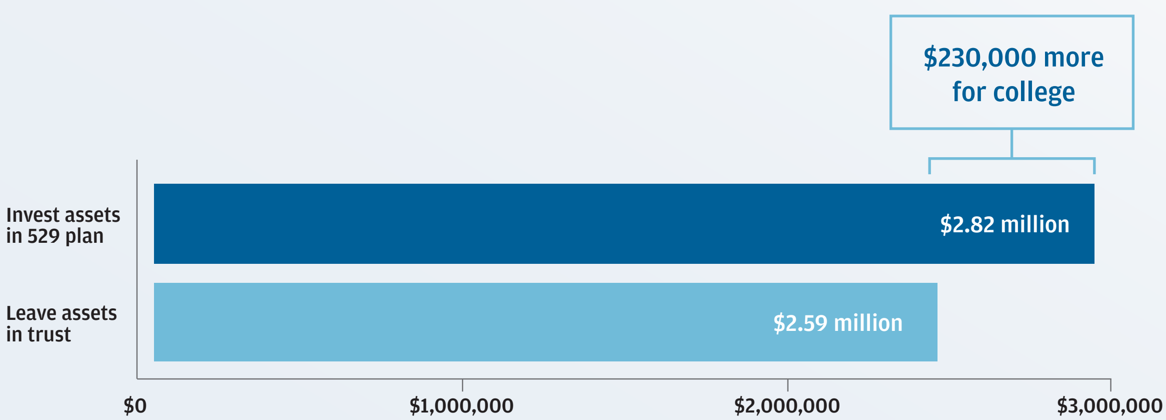
- **Larger college funds:** By dividing trust assets into a 529 plan for each of their five grandchildren, the Dunns avoid annual income taxes and amass $230,000 more for college.
- **Large contributions with no gift taxes:** Because assets in an irrevocable trust are already considered completed gifts, no additional gift taxes apply when investing up to a 529 plan's contribution limit (generally $400,000 or more per beneficiary).
- **Full control:** The Dunns name the trust as owner of the 529 accounts to ensure that their wishes are carried out for funding college.

Special considerations when investing trust assets in a 529 plan

- A 529 account can be funded only with cash. Any trust assets not held in cash must first be sold before being invested, which could result in capital gains taxes and transaction fees.
- Separate 529 accounts must be opened for each beneficiary named on a trust.
- Trust-owned 529 accounts do not generally qualify for any state tax deductions or credits available to individual participants.
- Trust-related matters can be complex; be sure to consult with your financial, tax and legal advisors to determine the right strategy for your situation.

ACCUMULATING MORE FOR COLLEGE THROUGH TAX-ADVANTAGED INVESTING

Growth of $1.3 million investment after 10 years



Source: J.P. Morgan Asset Management. The total trust account value is divided amongst five grandchildren so that each grandchild has $260,000 for a total of $1.3 million. Assumes that the assets of each trust are transferred into a 529 plan after 4 years of the initial trust investment. Chart assumes an annual investment return of 6%. The trust account value assumes 70% long-term capital gains (taxed at tiered capital gains tax rates, which max out at 23.8%) and 30% ordinary income (taxed at tiered income tax rates, which max out at 40.7%). Both are subject to the 3.8% net investment income tax under the Affordable Care Act. The 529 example includes the ordinary income tax and long-term capital gains tax applied at the applicable tiered rates, as described above, on the previous trust amount. Investment losses could affect the relative tax-deferred investing advantage. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors. This hypothetical illustration is not indicative of any specific investment and does not reflect the impact of fees or expenses, which would lower performance.

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Pursue your college and estate planning goals with New York's 529 Advisor-Guided Plan

The only 529 plan offering J.P. Morgan's full suite of insights and investments

☑ New York state tax deduction

Account owners living or working in New York can deduct up to $5,000 in Plan contributions from state income taxes each year, or $10,000 if married filing jointly.[1]

☑ Extensive investment choices

- **One age-based option**, automatically shifting to six different portfolios between newborn and college age
- **Seven asset allocation portfolios**, each pursuing different risk/return objectives
- **Fifteen individual single-asset portfolios** for creating your own customized investment mix

☑ Expert portfolio management

More than 80 professionals from J.P. Morgan's Multi-Asset Solutions team are responsible for building portfolios, selecting investments and making adjustments as market conditions change over time.

☑ Broad diversification

The Advisor-Guided Plan offers investments not typically found in 529 plans to pursue higher returns and lower risks.

☑ High contribution limit

At $520,000 per beneficiary, the Plan's contribution limit is among the highest of any 529 plan in the country.

[1] Deductions may be subject to recapture in certain circumstances, such as rollovers to another state's plan or non-qualified withdrawals.

Learn more about the Advisor-Guided Plan

CONSULT YOUR FINANCIAL ADVISOR

Work together to develop your college plan, open an account, choose portfolios and maximize the benefits of 529 investing.

VISIT WWW.NY529ADVISOR.COM

Log on to access your account along with additional Plan information and investing tools.

CALL 1-800-774-2108

Speak with one of our service representatives between 8am and 7pm ET, M-F.

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Before you invest, consider whether your or the 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 that state's qualified tuition program.

The Comptroller of the State of New York and the New York State Higher Education Services Corporation are the Program Administrators and are responsible for implementing and administering the Advisor-Guided Plan. **Neither the State of New York nor its agencies insures accounts or guarantees the principal deposited therein or any investment returns on any amount or investment portfolio.**

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New York's 529 College Savings Program includes two separate 529 plans. The Advisor-Guided Plan is sold exclusively through financial advisors who have entered into Advisor-Guided Plan selling agreements with JPMorgan Distribution Services, Inc. You may also participate in the Direct Plan, which is sold directly by the Program and offers lower fees. However, the investment options available under the Advisor-Guided Plan are not available under the Direct Plan. The fees and expenses of the Advisor-Guided Plan include compensation to the financial advisor. Be sure to understand the options available before making an investment decision.

For more information about New York's 529 Advisor-Guided College Savings Program, you may contact your financial advisor or obtain an Advisor-Guided Plan Disclosure Booklet and Tuition Savings Agreement at www.ny529advisor.com or by calling 1-800-774-2108. This document includes investment objectives, risks, charges, expenses, and other information. You should read and consider it carefully before investing.

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