

# 3 Steps to Savings

## 1 Read

this entire Enrollment Kit, including the Plan Disclosure Statement, carefully before investing.

## 2 Decide

which investment approach is best for you.

## 3 Enroll

- Online at [www.hi529.com](http://www.hi529.com).
- By mail with the enclosed Enrollment Form.



# Enjoy Today

While Helping Create a Better Tomorrow



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## HI529: Because College is on the Horizon

As a parent, one of the greatest gifts you can give a child is a bright future. Today, more than ever, that means providing for a quality education. Yet, college costs have been rising, which can make saving for a child's education seem daunting. Relax. Help is here.

Introducing HI529—Hawaii's College Savings Program (HI529): a smart, affordable way to save for a child's future. 529 programs were created specifically for families looking for a viable savings vehicle with a range of options designed to suit their needs. What's so wonderful about HI529 is that your savings grow free from federal taxes. And any withdrawals used for qualified educational expenses are also free from federal taxes.\* That means, your money has the potential to stretch further than it could with other savings methods that do not offer these same tax advantages.

### Why HI529?

#### Tax Benefits:

- Your earnings grow tax-deferred (both federal and Hawaii State taxes).
- Qualified withdrawals are tax-free (both federal and Hawaii State taxes).\*

#### Budget-Smart Investing Benefits:

- You can open an account with as little as \$15.
- You can select from a range of investment options, professionally managed by The Vanguard Group, Inc.
- Recurring contributions can be set up for \$15, so even small monthly contributions can add up over time.\*\*
- Anyone — including friends, grandparents and other family members — can open an account.
- You can contribute as much as \$15,000 each year (or \$30,000 for married couples filing jointly) without incurring federal gift-tax consequences. You can also treat a single \$75,000 contribution (\$150,000 for married couples filing jointly) as if it were made over a five (5) year period.\*\*\*

#### Flexible Overall Benefits:

- As account owner, you maintain control of the assets.
- Withdrawals can be applied to any eligible college, university, or institution of higher education — not just those in Hawaii.
- HI529 withdrawals can be applied to qualified higher education expenses, including tuition, fees, certain room and board expenses — even some books and supplies — for undergraduate and/or graduate education.\*
- [www.hi529.com](http://www.hi529.com) allows you to manage your account and complete certain transactions virtually 24/7.

[www.hi529.com](http://www.hi529.com)

Please see the attached Plan Disclosure Statement and Participation Agreement for important legal information.

### Experienced Investment Management

Renowned for its dedication to outstanding investment performance, superior service, and low costs, The Vanguard Group, Inc. (Vanguard) provides investors in HI529 a number of flexible investment options to suit both your timeframe and risk preference. Vanguard focuses on attaining superior long-term performance for investors rather than short-term results. By using sophisticated portfolio management tools, Vanguard keeps costs low while striving to ensure that its index funds — such as those held within the HI529 portfolios — track market benchmarks.

\* Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

\*\* A plan of regular investment cannot assure a profit or protect against a loss in a declining market.

\*\*\* In the event the donor does not survive the five (5) year period, a pro-rated amount will revert back to the donor's taxable estate.



## Options Tailored to Your Needs

HI529 provides different types of investments to suit your personal investment preferences. You'll find options designed to fit both your time horizon and your personal comfort level with the varying degrees of investment risk. The investment lineup offers a comprehensive menu of seven investment options — one Age-Based Option, five Fixed Asset Allocation Options, and a Money Market Portfolio.

## Age-Based Option

You can simplify saving for college by selecting an investment option that automatically changes over time as the beneficiary gets older. When you invest in the Age-Based Option\*, your assets will be managed and invested according to the age of your account's beneficiary. For younger beneficiaries, your assets will be placed initially in a portfolio that invests in mutual funds with higher concentrations of stocks. As the beneficiary ages, the assets automatically shift to more conservative mutual funds that invest in bonds and short-term reserves in an effort to reduce your exposure to dramatic market fluctuations before you begin making withdrawals.

For more information, please see "The Age-Based Option" on page 12 of the Plan Disclosure Statement.

## Customized Savings

The HI529 program offers you five Fixed Asset Allocation Portfolio options and a Money Market Portfolio\* that let you build and manage your own college savings program. Unlike the Age-Based Option, your allocation to these portfolios remains fixed until you decide to make a change. As the beneficiary nears college age, you can move your assets to more conservative investments to help preserve capital and minimize the effects of market fluctuations. **Remember:** Federal law allows you to make one exchange per calendar year as a non-taxable event.

For more information, please see "The Individual Portfolios" on page 13 of the Plan Disclosure Statement.

\*You could lose money by investing in the Income and Money Market Portfolio's investments in the Vanguard Federal Money Market Fund. Although the money market fund in which your investment option invests (the "underlying fund") seeks to preserve its value at \$1.00 per share, the underlying fund cannot guarantee it will do so. An investment in this investment option is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The underlying fund's sponsor has no legal obligation to provide financial support to the underlying fund, and you should not expect that the sponsor will provide financial support to the underlying fund at any time.

## Answers to Your Questions

### What is HI529?

HI529 is a smart, affordable savings plan created to help individuals and families save for college in a tax-advantaged way. When you enroll in HI529, you'll enjoy important, ongoing benefits such as tax-deferred growth, generous contribution limits, attractive investment options and professional investment management. What's more, withdrawals used for qualified educational expenses are also free from federal taxes.\*

HI529 is offered by the State of Hawaii's Department of Budget and Finance, with program management, recordkeeping, and administrative services provided by Ascensus Broker Dealer Service, LLC. Investment management services are provided by The Vanguard Group, Inc.

### How does HI529 work?

Enrollment in HI529 lets you invest in one or more of seven different investment options. You can select up to five investment options per account. Each investment option is composed of mutual funds managed by The Vanguard Group, Inc., and offers an age-based portfolio and fixed asset allocation portfolios. Your choice will depend upon your personal investing preferences and risk tolerance. The biggest advantage is that all contributions made to your account grow tax deferred, and distributions used for qualified higher education expenses are both Hawaii State and federal tax free.\*

### How do I open an account?

Opening an account is convenient and easy. Simply complete a HI529 Enrollment Form securely online ([www.hi529.com](http://www.hi529.com)) or by mail. Please be sure to provide all of the required information; Enrollment Forms with missing or incomplete information will delay processing. HI529 has the sole discretion to determine whether an Enrollment Form is complete and accepted, and whether the account has been opened. Once these criteria have been determined, your completed Enrollment Form will be considered a contract between the Account Owner and the State of Hawaii establishing the obligations of each.

\* Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.



### What are the fees associated with HI529?

There are absolutely no commissions, loads or sales charges associated with HI529. The total annual asset-based management fee is 0.75%. An annual account fee is also assessed; \$10 for Account Owners who are Hawaii residents, and \$20 for non-residents.

### Does HI529 offer any tax benefits?

Definitely. First of all, your HI529 savings grow tax deferred. And secondly, earnings used to pay for qualified expenses are both Hawaii State, and federal tax free.\*

### When can I enroll a newborn?

You may enroll a newborn at any time, but you will need to submit the beneficiary's Social Security number on the Enrollment Form. Alternatively, many HI529 enrollees anticipating the birth or adoption of a child open an account naming themselves as beneficiaries with the intent of transferring the account at a later date.

### Does my child have to attend college in Hawaii?

No. You can use the assets in your account toward the costs of nearly any public or private, two-year or four-year college nationwide, as long as the student is enrolled in a U.S.-accredited college, university or trade school that is eligible to participate in U.S. Department of Education student financial aid programs. In fact, many U.S. colleges and universities now have campuses or locations outside of the country, where money from your HI529 account can be used. Your account can also be used for graduate, medical, and law schools meeting the above criteria.



## More Ways to Save for College

### Earn additional savings with Upromise® rewards service



Upromise helps you save for college by giving you back a percentage of your eligible purchases from hundreds of participating companies. Here's how it works: Join Upromise for free and then do what you normally do—buy groceries, shop online, book travel, dine at restaurants, and more. A percentage of your eligible spending will be deposited in your Upromise® account. Signing up is fast, easy, and secure. You can also easily link your Upromise rewards service account with your HI529 account and have your college savings automatically transferred (subject to a \$25 minimum). Visit [upromise.com/hawaii](http://upromise.com/hawaii) for more information.

### Give the gift of college savings with Ugift®



Ugift is an easy, free-to-use service that lets family and friends make the meaningful gift of money toward your student's education. Gift contributions can be made online or by check, and contributions are coded directly to your HI529 Plan account. This may be one of the most meaningful gifts your child ever receives.

To learn more or to sign up for Ugift, go to [www.hi529.com](http://www.hi529.com) and click on Features & Benefits.

### What is the Upromise® rewards service?

The Upromise rewards service is a separate, optional service offered by Upromise, Inc. Enrollment is free and creates an additional opportunity to help grow your college savings with eligible purchases you most likely make every day. Upromise rewards service members receive a percentage of their qualified spending made at hundreds of participating retailers and businesses back as college savings. Even better, when members link their Upromise account to their 529, that money is automatically transferred into their HI529 account(s) (a \$25 minimum amount applies) quarterly.\* For more information visit [www.upromise.com/hawaii](http://www.upromise.com/hawaii).

### If I enroll in HI529, can I still apply for financial aid?

Absolutely! Participation in HI529 does not limit a student's receipt of merit-based financial aid, including academic or athletic scholarships. Like most investments, however, it may have an impact on your ability to receive needs-based financial aid.

Remember too, most needs-based financial aid awarded is actually in the form of loans that need to be repaid, not grants. While many parents and grandparents are often concerned about this issue, a 529 plan may actually help reduce the amount of debt your child will have to take on in the form of loans. Be sure to clarify any questions you have on this matter with a tax advisor.

### What if my child does not go to college immediately after high school?

That's fine. Whether your child delays attending college or decides not to go at all (in which case you can transfer the account to another qualifying beneficiary who is a "Member of the Family" of the former beneficiary), you'll find there are no restrictions on when you can use your account to pay for college expenses.

Please see page 27 of the Plan Disclosure Statement for a definition of "Member of the Family."

### What if I already have a 529 plan? Can I transfer my account to HI529?

Yes, of course. A properly executed rollover from another qualified tuition program is readily accepted into HI529.

### Do my contributions to HI529 qualify as a gift under federal law?

The Internal Revenue Code provides that payments to an account are completed gifts for federal gift tax purposes. Under certain conditions, you can contribute up to \$75,000 immediately (\$150,000 for married couples) and average the total out over five (5) years to remain within the \$15,000 annual gift-tax exclusion.\*\* Please consult your tax advisor for more detailed information.

\* Upromise is an optional service offered by Upromise, Inc., is separate from the Hawaii College Savings Program, and is not affiliated with the State of Hawaii. Terms and conditions apply to the Upromise service. Participating companies, contribution levels, and terms and conditions are subject to change at any time without notice. Transfers from Upromise to a Hawaii College Savings Program account are subject to a \$25 minimum. Upromise is a registered service mark of Upromise, Inc.

\*\* In the event you do not survive the five (5) year period, a pro-rated amount will revert back to your taxable estate.



[www.hi529.com](http://www.hi529.com)

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**For more information about HI529-Hawaii's College Savings Program ("HI529"), call 1-866-529-3343 or visit [www.hi529.com](http://www.hi529.com) to obtain a Plan Disclosure Statement. Investment objectives, risks, charges, expenses, and other important information are included in the Plan Disclosure Statement; read and consider it carefully before investing. Ascensus Broker Dealer Services, LLC. ("ABD"), is the Distributor of HI529.**

**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 State of Hawaii's College Savings Program Trust Fund (the "Trust") is a trust created by the State of Hawaii. HI529 is administered by the Director of Finance of the Department of Budget and Finance on behalf of the State of Hawaii. ABD, the Program Manager, and its affiliates have overall responsibility for the day-to-day operations, including recordkeeping and administrative servicing agent. The Vanguard Group, Inc. serves as Investment Manager for the Plan. When you invest in HI529, you are purchasing Portfolio units issued by the Trust. Portfolio units are municipal securities and the value of the units will vary with market conditions. HI529's portfolios are municipal securities that will vary with market conditions.

Investment returns are not guaranteed, and you could lose money by investing in HI529. Account owners assume all investment risks as well as responsibility for any federal and state tax consequences.

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**Not FDIC-Insured. No Bank, State or Federal Guarantee. May Lose Value.**