# A WAY TO SAVE FOR EDUCATION THAT'S LESS TAXING

YOUR GUIDE TO THE BRIGHTER FUTURE ADVISOR PLAN

BRIGHTER FUTURE
529 ADVISOR PLAN

## AN INNOVATIVE TOOL TO HELP YOU SAVE FOR EDUCATION

SAVING FOR COLLEGE HAS NEVER BEEN MORE IMPORTANT—AND SEEMINGLY MORE CHALLENGING. COLLEGE GRADUATES EARN 48% MORE THAN THOSE WITH ONLY A HIGH SCHOOL DIPLOMA.[1] YET OVER THE PAST TEN YEARS, THE AVERAGE TOTAL COST OF COLLEGE CONTINUED TO RISE FASTER THAN THE CONSUMER PRICE INDEX.[2]

AS DAUNTING AS THAT MIGHT SEEM, DON'T BE DISCOURAGED. YOUR FINANCIAL PROFESSIONAL CAN HELP BUILD A SAVINGS STRATEGY THAT WORKS FOR YOU. AND THE GOOD NEWS IS THAT YOUR FINANCIAL PROFESSIONAL IS EQUIPPED WITH AN INNOVATIVE TOOL TO ASSIST IN THAT EFFORT: THE BRIGHTER FUTURE ADVISOR PLAN, WHICH OFFERS A FLEXIBLE, LOW-COST AND TAX-ADVANTAGED WAY TO SAVE FOR EDUCATION.

1. Source: Economic Policy Institute, 2019.
2. Source: College Board, Trends in College Pricing 2020, "Trends in College Pricing."

## WHY USE A 529 PLAN?

There are many education savings strategies available today, but 529 plans offer many advantages.

### Tax Deferral

529 plans offer federal (and in some cases, state) tax advantages that help make it possible to grow your education savings faster than in a taxable account.[3] You pay no taxes on earnings while your money remains in a 529 account, and withdrawals are exempt from federal taxes when used for qualified education expenses.[4]

As the chart below illustrates, the combination of tax-deferred growth and tax-free withdrawals can add up to significantly increased savings over a taxable account.

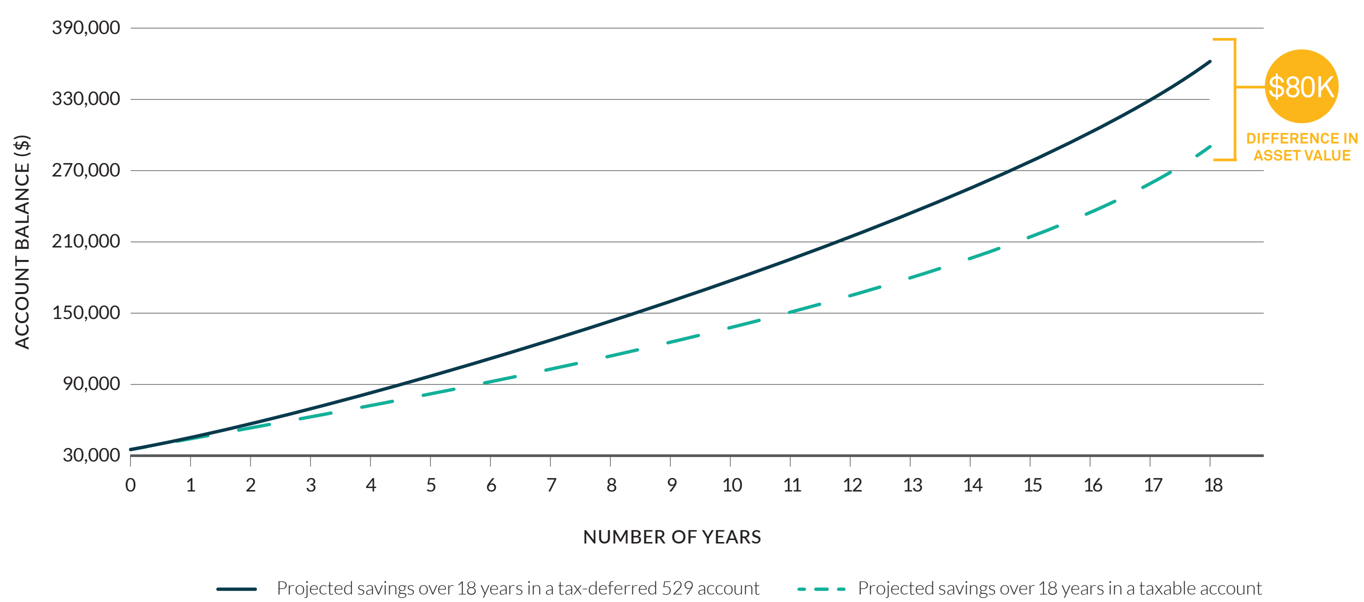
### Estate and Gift-Tax Advantages

Account owners who make a contribution to a Brighter Future Advisor Plan may receive an immediate benefit in reducing the value of their gross estate. For example, you may contribute up to $18,000 each year ($36,000 for married couples, or $180,000 if taking advantage of five-year accelerated gifting[5]) to a Brighter Future Advisor Plan account for a beneficiary (the student for whom you're saving) without incurring the gift-tax, and those assets would be excluded from your estate for estate tax purposes.

### Control and Flexibility

You maintain control of the assets at all times, choosing where and how to spend the money. You can use the account to pay for qualified expenses at any eligible public or private college, university, undergraduate or graduate program, qualified K-12 tuition (up to $10,000 per year per student), eligible vocational school or trade school, any apprenticeship that is registered and certified with the Secretary of Labor, or principal or interest on any qualified education loan as defined in section 221 (d) of the Internal Revenue Code.[4] Or, should your child not use all the money in the account, or you need the money for something else, you can decide to change the beneficiary or to withdraw some or all of the balance at any time.[4]

FIGURE 1: TAX ADVANTAGES OF A 529 PLAN




Assumptions: This hypothetical example assumes a one-time lump-sum investment of $31,200 and a monthly contribution of $700, no withdrawals during the period, a 6% annual rate of return and a federal tax rate on earnings of 35%. This does not represent the performance of any particular investment including the Brighter Future Advisor Plan. Actual investment returns may be higher or lower than those shown.

3. Contributions to the Brighter Future Advisor Plan in a tax year are deductible from Arkansas state income tax, up to $5,000 for individuals (up to $10,000 for married couples making a proper election), subject to recapture in subsequent years in which nonqualified withdrawals or a rollover to another state's 529 plan is made. The tax deduction for contributions to the Brighter Future Advisor Plan may be carried forward to succeeding tax years. If the aggregate amount of contributions during a tax year exceeds the deductible limitation, the unused aggregate amount may be carried forward to the next succeeding four (4) tax years. Arkansas taxpayers may take a $15,000 per married couples making a proper election ($7,500 per individual) tax deduction for amounts rolled into the Brighter Future Advisor Plan from another state's tuition savings account in the year the rollover was made. State tax benefits for contributions to a 529 plan vary by state.
4. Earnings on nonqualified 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.
5. In the event the donor does not survive the five-year period, a pro rata amount will be added back to the donor's taxable estate.

## FLEXIBILITY IN INVESTMENT OFFERINGS

The Brighter Future Advisor Plan features portfolios that invest in iShares® Exchange Traded Funds (ETFs), which are designed around three key benefits that make sense in a college savings plan: index-like diversification for managing risk, transparency and low management fees to help increase after-expense returns.

With the Brighter Future Advisor Plan, you and your financial professional can construct a portfolio that suits your investment goals: choose from among individual portfolios, two types of managed portfolios, and an FDIC-insured savings portfolio.

### OPTION 1: iShares Year-of-Enrollment Portfolios

Simply select the iShares Year-of-Enrollment Portfolio that most closely corresponds to the year that the beneficiary will begin college. As you near that date, the portfolio gradually and automatically shifts its investments from a more aggressive mix of iShares ETFs to a more conservative one, which will help to protect your principal as you get closer to the time you'll need the money to pay for college expenses (see Figure 2).

### OPTION 2: iShares Asset Allocation Portfolios

These static portfolios are engineered to match a specific risk profile — aggressive, moderate, conservative or all fixed income — that helps meet your needs (see Figure 3). You and your financial professional can decide when — or even if — to switch your assets to a different asset allocation.

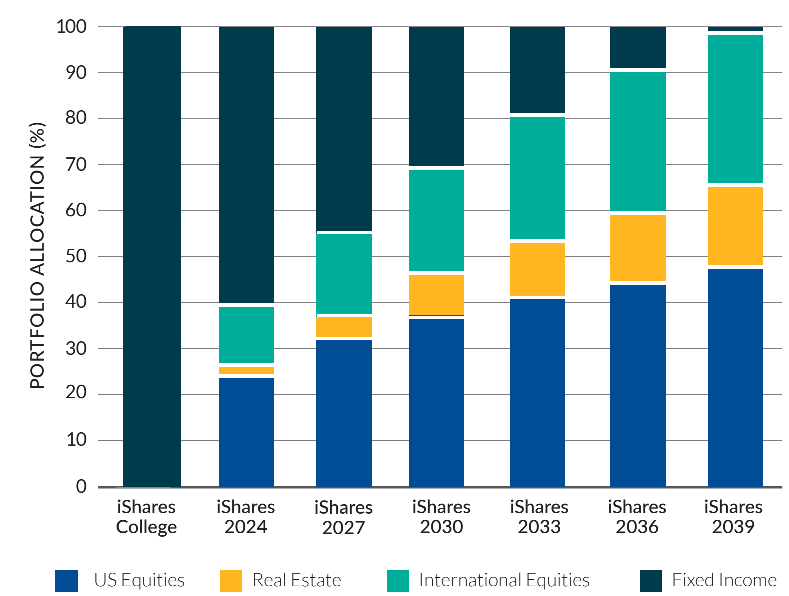
### OPTION 3: iShares Custom Portfolios

If you'd rather work with your financial professional to build your own customized allocation using up to 17 individual-fund portfolios (see Figure 4), the Brighter Future Advisor Plan can help make it happen.

### OPTION 4: Savings Portfolio

Another option for you and your financial professional, the Savings Portfolio is an FDIC-insured portfolio and an alternative for those who are interested in income consistent with the preservation of principal.[6]

FIGURE 2: iSHARES YEAR-OF-ENROLLMENT PORTFOLIO



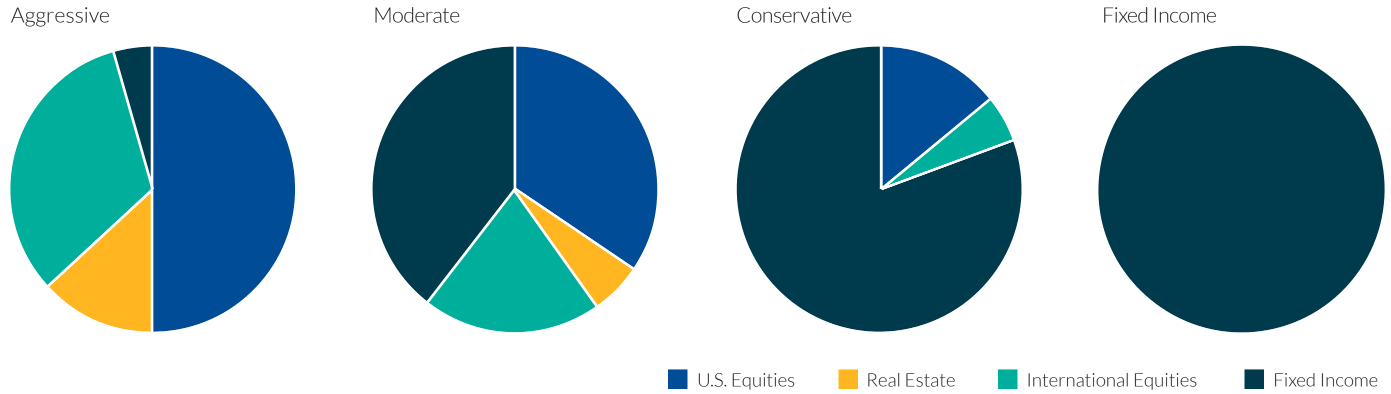

The allocation of each Year-of-Enrollment Portfolio's assets is managed using a quantitative model that has been developed based on a number of factors. There is no assurance that the recommended asset allocation will either maximize returns or minimize risk or be the appropriate allocation in all circumstances for every investor with a particular time horizon.

## YOUR FINANCIAL PROFESSIONAL IS THERE TO HELP

Saving for your child's education doesn't take a college degree, but it can sometimes seem difficult nonetheless. The good news is your financial professional is there to help. Financial professionals play an indispensable role at every stage of the investment process for saving for education, from setting goals to selecting an appropriate plan, to choosing the right mix of funds, to monitoring performance and making any necessary adjustments. That gives you the time to focus on the important things — making sure your child is ready.

6. The Savings Portfolio invests all of its assets in the Sallie Mae High-Yield Savings Account ("HYSA"). The HYSA is held in an omnibus savings account insured by the Federal Deposit Insurance Corporation ("FDIC"), which is held in trust by the Arkansas Section 529 Plan Review Committee ("Committee") at Sallie Mae Bank. Contributions to and earnings on the investments in the Savings Portfolio are insured by the FDIC on a pass-through basis to each account owner up to $250,000, the maximum amount set by federal law. The amount of FDIC insurance provided to an account owner is based on the total of (a) the value of an account owner's investment in the Savings Portfolio; and (b) the value of all other accounts held by the account owner at Sallie Mae Bank, as determined by Sallie Mae Bank and FDIC regulations.

## FIGURE 3: iSHARES ASSET ALLOCATION PORTFOLIO




Portfolios with higher allocations to bonds and short-term investments tend to be less volatile than those with higher stock allocations. Less volatile portfolios generally may not decline in value as much when markets decline, but also may not appreciate in value as much when markets go up.

## FIGURE 4: iSHARES CUSTOM PORTFOLIOS

**U.S. Equities**
- iShares Russell 1000 Portfolio
- iShares Russell 2000 Portfolio
- iShares Core S&P Total U.S. Stock Market Portfolio
- iShares Core High Dividend Portfolio

**International Equities**
- iShares Core MSCI EAFE Portfolio
- iShares Core MSCI Emerging Markets Portfolio
- iShares Edge MSCI Min Vol EAFE Portfolio
- iShares Edge MSCI Min Vol Emerging Markets Portfolio
- iShares Core MSCI Total International Stock Portfolio

**Real Estate**
- iShares Core U.S. REIT Portfolio

**Fixed Income**
- iShares Core U.S. Aggregate Bond Portfolio
- iShares TIPS Bond Portfolio
- iShares 20+ Year Treasury Bond Portfolio
- iShares Short Treasury Bond Portfolio
- iShares 1-5 Year Investment Grade Corporate Bond Portfolio
- iShares iBoxx $ Investment Grade Corporate Bond Portfolio
- iShares iBoxx $ High Yield Corporate Bond Portfolio

Portfolios that concentrate investments in a single sector will be more susceptible to factors affecting that sector and more volatile than funds that invest in many different sectors. REIT investments are subject to changes in economic conditions, credit risk and interest rate fluctuations. International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/ developing markets, in concentrations of single countries or smaller capital markets.

Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

An investment in Treasury or TIPS funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

There is no guarantee that dividends will be paid. The Min Vol Funds may experience more than minimum volatility as there is no guarantee that the underlying indexes' strategy of seeking to lower volatility will be successful.

## WANT TO KNOW MORE?

Call 1-888-529-9552   Visit **BrighterFutureAdvisor529.com**

**For more information about the Brighter Future Advisor Plan, contact your financial professional, call 1-888-529-9552 or visit wwwbrighterfutureadvisor529.com to obtain a Program Description and Participation Agreement which includes investment objectives, risks, charges, expenses, and other important information; read and consider it carefully before investing or sending money. Ascensus Broker Dealer Services, LLC, Distributor.**

**The Brighter Future Advisor Plan is offered to residents of all states. However, you should note that (i) depending on the laws of the state where you or your beneficiary live or pay state income taxes, favorable state tax treatment or other benefits offered by the applicable state for investing in qualified tuition programs may be available only for investments in such state's qualified tuition program, (ii) any state-based benefit offered with respect to a particular qualified tuition program should be one of many appropriately weighted factors to consider in making an investment decision and (iii) you should consult with your financial, tax or other advisers to learn more about how state tax and state-based benefits (such as financial aid, scholarship funds and protection from creditors that are only available for investments in such state's qualified tuition program) would apply to your specific circumstances and you may wish to contact your home state and your beneficiary's home state, or any other qualified tuition program, to learn more about the features, benefits and limitations of the applicable state's qualified tuition program.**

The Brighter Future Advisor Plan is a college savings program sponsored by the State of Arkansas and is administered by the Arkansas 529 Plan Review Committee (Committee). Ascensus Broker Dealer Services, LLC, the Program Manager, and its affiliates have overall responsibility for the day-to-day operations, including investment advisory, recordkeeping, and administrative services, and marketing. BlackRock Fund Advisors serves as Investment Manager of the Brighter Future Advisor Plan except for the Savings Portfolio, which is managed by Sallie Mae Bank. The Brighter Future Advisor Plan's Portfolios invest in either (i) exchange-traded funds; or (ii) a Federal Deposit Insurance Corporation (FDIC)-insured omnibus savings account held in trust by the Committee at Sallie Mae Bank. Units of the Portfolios are municipal securities, are not exchange-traded funds, and the value of units will vary with market conditions.

Investment returns will vary depending on the performance of the Portfolios you choose. Except to the extent of FDIC insurance available for the Savings Portfolio, you could lose all or a portion of your money by investing in the Brighter Future Advisor Plan, depending on market conditions. Account Owners assume all investment risks as well as responsibility for any federal and state tax consequences.

BlackRock Fund Advisors is a subsidiary of BlackRock, Inc. and is not affiliated with Ascensus Broker Dealer Services, LLC.

Investing involves risk, including possible loss of principal.

**Not FDIC Insured (except for the Savings Portfolio). No Bank, State or Federal Guarantee. May Lose Value.**



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