



**Hawaii's College Savings Program**

**Plan Disclosure Statement  
and Participation Agreement**

**January 31, 2020**

Sponsored by the State of Hawaii





HI529 is a 529 Plan authorized by the Act. HI529 is established and maintained by the State of Hawaii acting through the Director of the Department of Budget and Finance, which has the responsibility for administering the Plan. Investment oversight is provided by the Director, as trustee for the Trust. The Trust was established by the State in order to hold the assets of the Plan. ACSR serves as the Program Manager and recordkeeping and administrative servicing agent of the Plan. “Ascensus” is used in this this Plan Disclosure Statement and Participation Agreement to refer to ACSR and its affiliates. Vanguard serves as the Investment Manager of the Plan. This Plan Disclosure Statement and Participation Agreement contain information you should know before participating in the Plan, including information about fees, expenses, and risks. Please read it carefully before you invest and keep it for future reference.

**For residents of states other than Hawaii: Your state or the Beneficiary’s state of residence (if different) may sponsor a 529 Plan that offers state income tax and other benefits not available to you through HI529. Please keep in mind that state-based benefits should be one of the many appropriately weighted factors to be considered when making an investment decision.**

**This Plan Disclosure Statement was developed to describe the Plan and is not intended to constitute, nor does it constitute, legal or tax advice. No person has been authorized to make any representation or to provide any information with respect to the Plan, the Trust, or the Portfolios other than contained in this Plan Disclosure Statement, including any supplement or update thereto. To the extent an investor has or receives from any person any writings or statements that are inconsistent with this Plan Disclosure Statement, the terms and provisions of the Plan Disclosure Statement shall govern. This Plan Disclosure Statement is not and is not meant to be an offer of securities. To the extent that the Plan Disclosure Statement may be deemed to be offering materials relating to a security, it does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or**

**solicitation is not authorized or in which the making of such an offer or solicitation would be unlawful. Any reproduction or distribution of these materials, in whole or in part, or the divulgence of any of their contents without the prior written consent of the Program Manager is prohibited.**

**Accounts in the Plan are not insured by Hawaii, the Trust, the Department, the Director, the Investment Manager, or the Program Manager. Neither the principal deposited nor the investment return in your Account is guaranteed. You could lose money by investing in the Plan.**

**In making a decision to invest in a Portfolio offered through the Plan, investors must rely on their own examination of the Plan, the Portfolios, and the terms and conditions of the Plan and the Portfolios, including the merits and risks involved in an investment in the Portfolios. The Plan is not intended to be used nor should it be used for purposes of avoiding the payment of federal or state tax penalties. You should consult your legal or tax advisor regarding your specific situation.**

No Units of any Portfolios have been registered under the U.S. Securities Act of 1933, as amended (the “1933 Act”), or any other relevant securities laws, and it is anticipated that Units of the Portfolios will be exempt from the registration provisions of the 1933 Act. Neither the Trust nor the Portfolios will be registered as an investment company under the Investment Company Act of 1940, as amended (the “1940 Act”), and investors in the Plan will not be entitled to the benefits of the 1940 Act. Except as set forth in the Plan Disclosure Statement, no Units of a Portfolio may be transferred or resold without registration under the 1933 Act, and any other relevant securities laws or pursuant to an exemption from such registration. However, the funds in your Account may be withdrawn as described in the Plan Disclosure Statement.

Capitalized terms used in this Plan Disclosure Statement are defined throughout the document and/or in the Glossary of Defined Terms starting on page 49.

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## GETTING STARTED

Getting started with HI529 is easy. Just follow these three (3) simple steps:

1. Read this Plan Disclosure Statement and save it for future reference. It contains important information you should review **before opening an Account**, including information about the benefits and risks of investing in the Plan.
2. Gather your information:
  - a. Your social security number and date of birth;
  - b. Your permanent U.S. street address;
  - c. Your Beneficiary's social security number and date of birth;
  - d. Your email address; and
  - e. Your checking or savings account number and your bank's routing number (if you want to contribute electronically with a bank transfer).
3. Go online to **www.hi529.com**. The easy-to-follow directions will guide you through the enrollment process. In as little as 10 minutes, you can be fully and securely signed up and saving for your Beneficiary's education. Or, if you prefer, you can complete and mail us an Enrollment Form.

## KEY FEATURES

This section highlights certain key features of HI529. Please read the Plan Disclosure Statement in its entirety before you invest. See the **Glossary of Defined Terms** starting on page 49 for the definition of capitalized terms used throughout this Plan Disclosure Statement.

### The Plan

Hawaii College Savings Program, or HI529, is a 529 Plan sponsored by the State of Hawaii and is designed to help you save for your Beneficiary's education in a tax-advantaged way. It offers valuable advantages, including tax-deferred growth, favorable contribution opportunities, attractive Investment Options, and professional investment management.

### Account Owner and Beneficiary Eligibility

The Plan is open to all U.S. citizens and resident aliens with a social security number or taxpayer identification number. An Account Owner must be at least 18 years old and have a permanent U.S. street address that is not a P.O. Box. The Beneficiary may be any age, from newborn to adult. There are no restrictions on state of residence or income.

### Investment Options

HI529 offers two (2) categories of Investment Options:

(1) **Age-Based Option.** Eight (8) age-based Portfolios that are designed to correspond with the Beneficiary's age. If you enroll in an age-based Portfolio, your money will automatically be moved to progressively more conservative age-based Portfolios as your Beneficiary approaches college age;

(2) **Individual Portfolios.** Eight (8) Individual Portfolio options managed by Vanguard. If you choose an Individual Portfolio, your money will remain in that Investment Option until you instruct the Plan to move it.

The Investment Options have been designed exclusively for you to save for Qualified Higher Education Expenses. They have not been designed to assist you in saving for K-12 Tuition Expenses. Specifically, the Age-Based Option time horizon and withdrawal periods may not match those needed to meet your K-12 Tuition Expenses savings goals, which may be significantly shorter.

For more detailed descriptions of the two investment approaches, see **Investment Choices** beginning on page 28.

### Fees

HI529 charges Investment Option fees as follows:

Total Annual Asset-Based Fee per Portfolio range from 0.59% - 0.66%.

Annual Account maintenance fee of \$20 for Non-Resident Accounts. This fee does not apply to Hawaii Resident Accounts.

HI529 does not charge an enrollment fee.

Additional fees will also apply if you request certain non-standard services.

For a more detailed description of the Fees associated with HI529, see **Fees** starting on page 21.

### Risk Factors

An investment in the Plan may be subject to the following risks: (i) the risk of losing money; (ii) investment risks of the Investment Options which include market risk, interest rate risk, foreign investment risk, credit risk, and geographic concentration risk; (iii) the risk of changes to the Plan, including changes in fees; (iv) the risk of federal or state tax law changes; and (v) the risk that contributions to the Plan may adversely affect the eligibility of the Beneficiary or the Account Owner for financial aid or other benefits.

For a detailed description of the general risks associated with HI529, see **Plan Risks** starting on page 25. For a list of risks associated with the Investment Options and Underlying Funds, see **Explanation of the Risk Factors of the Portfolios and the Underlying Funds** on page 40.

### Tax Advantages

HI529 offers federal tax and state tax benefits. Withdrawals used to pay for Qualified Higher Education Expenses are not subject to federal or Hawaii state income tax. Withdrawals used to pay for K-12 Tuition Expenses are also free of federal income tax. However, these withdrawals are considered a Hawaii Non-Qualified Withdrawal and earnings will be subject to Hawaii State income tax.

### Contributions

The minimum contribution amount is \$15.

You can make contributions by the following methods: (i) check; (ii) recurring contribution (minimum of \$15 per month or \$45 per quarter); (iii) payroll direct deposit; (iv) EFT; (v) Ugift®; (vi) rolling over assets from another 529 Plan; (vii) moving assets from an UGMA/UTMA account, Coverdell ESA, or Upromise Service account; (viii) redeeming U.S. Savings Bonds; and (ix) recontributing a refund from an Eligible Educational Institution.

Your initial account opening contribution cannot be made through Ugift® or from a Upromise Service account.

### Withdrawals

You may request a withdrawal online, by telephone or by mailing to us a Withdrawal Request Form.

### Investment Exchanges

You may exchange or reallocate your contributions and earnings among available Investment Options up to two (2) times per

calendar year for the same Beneficiary and upon a change of the Beneficiary. You may direct future contributions to a different Investment Option(s) at any time. See ***Investment Exchanges***, page 18 and ***Additional Contributions***, page 18.

## FREQUENTLY ASKED QUESTIONS

**How does HI529 work?** Upon opening and funding an Account, you can save money for a Beneficiary's future education costs. Contributions may be made over time and invested at your discretion. When you use the money in your Account for Qualified Higher Education Expenses or K-12 Tuition Expenses, you can withdraw those funds federal tax-free. Funds withdrawn for other purposes may be subject to federal and state taxes. See *Using Your Account* on page 15.

HI529 is a tax-advantaged education savings plan that offers tax-deferred growth, favorable contribution limits, attractive investment options and professional investment management.

**How are HI529 funds invested?** You can choose from two (2) categories of Investment Options (Age-Based Option and Individual Portfolios) based on your preferences, how active you want to be, and the level of risk you are comfortable with. For more detail, see *Investment Choices* beginning on page 28.

**How do I open an Account?** Complete an Enrollment Form and submit it either online or by mail. Once your information is determined to be complete and accurate, your enrollment will be processed.

**How many Accounts can I open?** You can open an Account for as many Beneficiaries as you wish. Each Account may have only one Account Owner and one Beneficiary, and you must complete a new Enrollment Form for each Beneficiary.

**Can I change the Beneficiary of my Account?** Yes. You can transfer your Account to a Member of the Family of the Beneficiary without incurring taxes or penalties. Members of the Family include: child or stepchild, sibling, stepsibling or half-sibling, parent or stepparent, grandparent, grandchild, niece or nephew, aunt or uncle, first cousin, and spouse of any individual listed (except first cousin).

**When can I enroll a newborn?** Beneficiaries may be enrolled at any time, as long as they have a Social Security number. If you want to start saving before a child's birth or adoption, you can open an Account naming yourself as the Beneficiary and then change the Beneficiary to the child once he or she is born or adopted.

**I heard Account earnings are federal income tax free if used to pay Qualified Higher Education Expenses. What are Qualified Higher Education Expenses?** The IRS determines which education costs can be considered Qualified Higher Education Expenses. Examples of Qualified Higher Education Expenses include tuition, books, supplies, fees, and equipment required for enrollment or attendance at an Eligible Educational Institution, room and board (with limitations), and expenses for the purchase of computer or peripheral equipment, computer software, or internet access and related services, if the

equipment, software, or services are to be used primarily by the Beneficiary during any of the years enrolled at an Eligible Educational Institution. Account earnings used to pay tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious schools (referred to as K-12 Tuition Expenses) are also federal tax free but may be subject to state income tax depending upon on the state in which you pay taxes. See the *Using Your Account* beginning on page 15 for more detail.

Answers to additional questions you may have are also available online at [hi529.com](http://hi529.com)

**Is there a State tax deduction for HI529 account contributions?** No. At this time, the State of Hawaii does not offer an income tax deduction for contributions to HI529.

**Does my beneficiary have to attend college in Hawaii?** No. The assets in your Account may be used towards the costs of any college, university, vocational school, graduate school, professional school, or other postsecondary educational institution that the U.S. Department of Education defines as an "Eligible Educational Institution", which includes virtually all accredited public, nonprofit, and private postsecondary institutions. You can ask an educational institution if they are an "Eligible Educational Institution", or visit [www.fafsa.ed.gov](http://www.fafsa.ed.gov) to see if your school qualifies.

Certain educational institutions located outside the United States also participate in the U.S. Department of Education's Federal Student Aid programs, which means that money from your HI529 Account may be used to pay for Qualified Expenses at those institutions.

**Do my contributions to HI529 qualify as gifts under federal law?** Yes. The Internal Revenue Code provides that contributions to an Account are completed gifts for federal gift tax purposes and thus eligible to be contributed tax-free if under the annual exclusion from gift and generation-skipping transfer taxes. For details on how the exclusion works and the exclusion limits, see *Federal Gift/Estate Tax* on page 43.

**What if I already have a 529 plan? Can I rollover my account to HI529?** Yes. We will accept rollovers of accounts from other 529 Plans.

Please contact our Client Service Representatives at **866.529.3343** for help with rollovers. Some states may not permit direct rollovers from 529 Plans. In addition, there may be state income tax consequences (and in some cases state-imposed penalties) resulting from a rollover out of another state's Qualified Tuition Program.

**Where can I find additional forms and the current Plan Disclosure Statement?** To obtain forms relating to HI529 or the most up to date Plan Disclosure Statement and Supplements, visit the HI529 website at [www.hi529.com](http://www.hi529.com) or call **866.529.3343**.

**Can I change my Investment Options?** Yes. You may change your Investment Options for existing assets in your Account(s) up to two (2) times per calendar year per Beneficiary. Future contributions may be invested in different Investment Options at any time.

**If I enroll in HI529, can I still apply for financial aid?** Yes. Participation in HI529 will not limit your Beneficiary's receipt of merit-based financial aid, including academic or athletic scholarships. Participation in HI529 may, like most assets, affect your ability to receive need-based financial aid.

**What happens if the Beneficiary receives a college scholarship or grant?** The assets in your Account are still yours, and you can:

- Use the assets to pay any remaining tuition or other Qualified Expenses, such as certain room and board expenses, computers and books;
- Change the Beneficiary to a Member of the Family of the current Beneficiary;
- Keep any unused funds in your Account to pay for future Qualified Expenses, including graduate school; or
- Withdraw any unused funds up to the amount of the scholarship or grant without being subject to the Federal Penalty Tax. Income taxes on earnings, however, will apply.

**What if I need to withdraw the funds for a purpose other than education expenses?** You may request a withdrawal at any time. If the funds are not used for Qualified Expenses, the taxable party will be subject to federal and applicable state income taxes on the earnings portion of the withdrawal, plus the Federal Penalty Tax on any federal Non-Qualified Withdrawal. (For details, see **Important Tax Information** starting on page 43.)

#### **How do I contact the Plan?**

Phone: **866.529.3343**, Monday through Friday, 8:00 a.m. to 5:00 p.m. Hawaii Standard Time

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

Email: [clientservice@hi529.com](mailto:clientservice@hi529.com)

Regular Mail:

Hawaii's College Savings Program - HI529  
P.O. Box 219779  
Kansas City, MO 64121-9779

Priority Delivery:

Hawaii's College Savings Program - HI529  
920 Main Street, Suite 900  
Kansas City, MO 64105



# YOUR ACCOUNT

## OPENING YOUR ACCOUNT

### AT A GLANCE

#### In this section, you will learn more about:

Who can open an Account

Designating a Successor Account Owner

Who can be a Beneficiary

**Account Basics.** To open an Account, you must complete an Enrollment Form either online or in writing. To be an Account Owner, you must (i) be a U.S. citizen or a resident alien of at least 18 years of age or an entity that is organized in the U.S., (ii) have a Social Security number or tax identification number, and (iii) have a valid permanent U.S. street address. By signing the Enrollment Form, you irrevocably consent and agree that your Account is subject to the terms and conditions of the Enrollment Form and this Plan Disclosure Statement. To fund your Account, see **Contributing to Your Account** on page 11.

Account Owners can be U.S. citizens or resident aliens at least 18 years of age, or an entity that is organized in the U.S., and have a valid permanent U.S. street address.

**Beneficiary.** You can set up an Account for your child, grandchild, spouse, yourself, another relative, or even someone not related to you. Each Account can have only one Beneficiary at any time. However, you may have multiple Accounts for different Beneficiaries. Also, different Account Owners may have separate Accounts for the same Beneficiary within the Plan, but contributions to an Account will no longer be accepted if the total assets held in all Accounts for that Beneficiary equal or exceed the **Maximum Contribution Limit** (discussed on page 11). Your Beneficiary may be of any age; however, the Beneficiary must be an individual and not a trust or other entity.

**Investments.** When establishing your Account, you will choose how you want your contributions invested. You can allocate each contribution among any of the Investment Options; however, the minimum percentage per selected Portfolio is 5% of the contribution amount. Your initial investment choices will serve as the standing investment instruction for all future contributions (Standing Allocation), unless you indicate otherwise. You may view or change your Standing Allocation at any time by logging onto our website at [www.hi529.com](http://www.hi529.com), or by calling **866.529.3343**.

**Trusts, Corporations, and Other Entities as Account Owners.** An Account Owner that is a trust, partnership, corporation, association, estate, or another acceptable type of entity must

submit documentation to HI529 to verify the existence of the entity and identify the individuals who are eligible to act on the entity's behalf. This information is required in order to open your account.

Did you know that you can open an Account for your child, grandchild, spouse, yourself, another relative, or even someone not related to you?

**Successor Account Owner.** As an Account Owner, you may designate a Successor Account Owner (to the extent permitted under applicable law) to succeed to all of your rights, title, and interest in an Account (including the right to change the Beneficiary) upon your death or legal incapacity. This designation can be made on the initial Enrollment Form, which is available online at [www.hi529.com](http://www.hi529.com). If you do not initially designate a Successor Account Owner but later decide to do so, or if you wish to revoke or change a designation, you may either make the change online or submit the appropriate form to the Plan. The designation will become effective for the Successor Account Owner once the request has been received in good order and processed. All requests to transfer ownership to a Successor Account Owner after your death or legal incapacity must be submitted by authorized persons in writing. In the event of your death, the Successor Account Owner will be required to give the Program Manager a certified copy of a death certificate sufficiently identifying you by name and Social Security number or other proof recognized under applicable law and acceptable to the Program Manager before taking any action regarding the Account following your death. In the event of your incapacity, the Successor Account Owner will be required to give the Program Manager court certified declaration of your incapacity or other proof recognized under applicable law and acceptable to the Program Manager before taking any action regarding the Account following your incapacity. To complete the transfer, your Successor Account Owner must also complete a new Enrollment Form. Contact the Plan at **1-866-529-3343** for information needed to complete the change of ownership. Please note that a change in Account Owner may have adverse tax consequences. If the Beneficiary is at least eighteen (18) years old, the Beneficiary may be named as the Successor Account Owner.

In the event a Successor Account Owner is not named on the Enrollment Form, or the named Successor Account Owner does not accept the Account, the surviving spouse of the Account Owner will become the Account Owner for the Account. An Account Owner that is not a natural person will not be deemed

to have a surviving spouse. In the event there is no surviving spouse and the Beneficiary is not a minor, the Beneficiary will become the Account Owner for the Account. If the Beneficiary is a minor, the Beneficiary's custodial parent will become the Account Owner for the Account. If the Beneficiary has more than one custodial parent, the custodial parent whose birthday is earlier in the calendar year will become the Account Owner for the Account. **In the event there is a dispute relating to who is duly authorized to act with respect to the Account, the Program Manager may, in its sole discretion, refuse to accept any Contribution to an Account or make any withdrawal from an Account until such dispute is resolved to its reasonable satisfaction.**

***Customer Identification Verification.*** Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an Account. For more on customer identification verification requirements, see ***General Information*** on page 46.

# CONTRIBUTING TO YOUR ACCOUNT

## AT A GLANCE

### In this section, you will learn more about:

Minimum Contribution Limits  
Maximum Contribution Limit  
Various ways to fund your Account  
Other funding considerations

## General

**Minimum Contributions.** The minimum contribution amount is \$15. You can make contributions by the following methods: (i) check; (ii) recurring contribution (minimum of \$15 per month or \$45 per quarter); (iii) payroll direct deposit; (iv) EFT; (v) Ugift®; (vi) rolling over assets from another 529 Plan; (vii) moving assets from an UGMA/UTMA account, Coverdell ESA, or Upromise Service account; (viii) redeeming U.S. Savings Bonds; and (ix) recontributing a refund from an Eligible Educational Institution. Your initial account opening contribution cannot be made through Ugift® or from a Upromise Service account.

**Contribution Date.** We will credit any funds contributed to your Account on the same business day if the contribution is received in good order and prior to the close of the New York Stock Exchange (NYSE), normally 4:00 p.m. Eastern time. If received after the NYSE's close, contributions will be credited on the next succeeding business day that the NYSE is open.

For tax purposes, contributions sent by U.S. mail will be generally treated as having been made in a given year if checks are received by December 31 of the applicable year, and are subsequently paid. EFT contributions will generally be treated as received in the year you initiate them, provided the funds are successfully deducted from your checking or savings account. Recurring Contributions will generally be considered received in the year the debit has been deducted from your checking or savings account at another financial institution. (See **Contribution Methods—Recurring Contributions** on page 12.)

**Control Over Your Account.** Although any individual or entity may make contributions to your Account, you as Account Owner retain control of all contributions and earnings credited to your Account, up to the date they are directed for withdrawal. A Beneficiary who is not the Account Owner has no control over any of the Account assets. Except as required by law, only you may direct transfers, rollovers, investment changes, withdrawals, and changes of the Beneficiary. You may also grant another person the ability to take certain actions with respect to your Account by completing appropriate form(s).

**Opening an Account with the Assistance of a Registered Investment Advisor.** You may choose to open your Account with the assistance of a registered investment advisor (RIA), who would generally charge a fee for this service. You must consent and agree to authorize your RIA to access your Account and perform certain transactions on your behalf as set forth in the applicable form(s).

## Contribution Methods

**Contributions by Check.** Checks should be made payable to HI529. Alternatively, you can use third-party personal checks that are payable to the Account Owner or the Beneficiary, no more than ten-thousand dollars (\$10,000), and properly endorsed by you or the Beneficiary to HI529.

**Payroll Direct Deposit.** If your employer offers this service, you may be eligible to make automatic, periodic contributions to your Account via payroll direct deposit. You may sign up for payroll direct deposit by submitting your payroll direct deposit instructions to the Plan either online at [www.hi529.com](http://www.hi529.com) or by completing a Payroll Deduction Form and mailing it to HI529. After you submit your payroll direct deposit instructions to the Plan, you will receive a Payroll Deduction Confirmation Form, which you must sign and submit to your employer's payroll department. You may use payroll direct deposit for both initial and/or additional contributions to your Account.

You can contribute in one or more of the following ways:

- Check
- Payroll Direct Deposit
- Recurring Contributions
- Electronic Funds Transfer
- Rollover from another 529 Plan
- Refunded Distribution
- Transfer from an UGMA/UTMA or education savings account
- Moving Assets from a Coverdell ESA
- U.S. Savings Bonds
- Upromise Service

**Bank Account.** You may contribute to your Account from a checking or savings account at your bank if your bank is a member of the Automated Clearing House (ACH), subject to certain processing restrictions. Contributions from your bank account may be made as recurring contributions or a one-time EFT. For details, see the Recurring Contributions and EFT sections below. You must provide certain information about your bank account in order to establish recurring contributions and EFT contributions. Contributions from a money market mutual fund or cash management account are not permitted. If a contribution fails to go through because the bank account on

which it is drawn lacks sufficient funds or banking instructions are incorrect or incomplete, we reserve the right to suspend processing of future contributions by ACH. Only Account owners can make contributions by EFT and/or recurring contribution.

**Recurring Contributions.** There is no charge for setting up Recurring Contributions. You can initiate a Recurring Contribution either when you enroll or later. At enrollment, simply complete the Recurring Contribution section of the Enrollment Form. After the Account is already open, you can establish, make changes to, or terminate a Recurring Contribution for an existing Account at any time online at [www.hi529.com](http://www.hi529.com) or by submitting the appropriate form.

Recurring Contribution debits from your bank account will occur on the day you indicate, provided the day is a regular business day. If the day you indicate falls on a weekend or a holiday, the Recurring Contribution debit will occur on the next business day. You will receive a trade date of one Business Day prior to the day on which the bank debit occurs. For example, if the 15th of every month was selected as the debit date and the 15th falls on a business day, then the trade date for the transaction will be the 14th. If you indicate a debit date that is within the first four (4) days of the month, there is a chance that your investment will be credited on the last business day of the previous month. Quarterly Recurring Contribution debits will be made on the day you indicate (or the next business day, if applicable) every three months, not on a calendar quarter basis. If you do not designate a date, your bank account will be debited on the 20th of the applicable month. If the 20th is not a business day, the debit will be made on the next business day. Please note that recurring contributions with a debit date of January 1st, 2nd, 3rd, or 4th will be credited in the same year as the debit date.

Your recurring contribution authorization will remain in effect until we have received notification of its termination from you and we have had a reasonable amount of time to act on it. To be effective, a change to, or termination of, a recurring contribution must be received by us at least three (3) business days before the next recurring contribution debit is scheduled to be deducted from your bank account.

**Electronic Funds Transfer (EFT).** You may contribute to your Account through EFT as one-time debits from your bank account. You may authorize us to withdraw funds by EFT from a checking or savings account for both initial and additional contributions to your Account, provided you have submitted requested information about the bank account from which the money will be withdrawn. EFT transactions can be completed through the following means:

- (i) by providing EFT instructions on the Enrollment Form;
- (ii) by submitting EFT instructions online after enrollment at [www.hi529.com](http://www.hi529.com); or (iii) by contacting a Client Service Representative at **866.529.3343**. The Plan may place a limit

on the total dollar amount per day you may contribute to an Account by EFT. Contributions in excess of such a limit will not be processed. If you plan to contribute a large dollar amount to your Account by EFT, you may want to contact the Plan to inquire about the current limit prior to making your contribution.

EFT purchase requests that are received in good order by the Plan before 10:00 p.m. Eastern Time will be given a trade date of the next business day after the date of receipt and will be effected at that day's closing price for Units of the applicable Portfolio. In such cases, the EFT debit from your bank account will occur on the second business day after the request is received. EFT purchase requests that are received in good order by the Plan after 10:00 p.m. Eastern Time will be given a trade date of the second business day after the date the request is received and will be effected at that day's closing price for Units of the applicable Portfolio. In such cases, the EFT debit will occur on the third business day after the request is received. Contributions by EFT, will be treated as having been made in a particular year if the EFT requested is submitted by 11:59 p.m. Eastern Time on or before December 31 of that year, provided the funds are subsequently withdrawn from an Account Owner's checking or savings account at another financial institution.

Consider establishing a **Payroll Direct Deposit** and/or **Recurring Contribution** to make contributing easy and hassle free.

**Rollover Contributions.** You can rollover assets from another Qualified Tuition Program to HI529. The Beneficiary must remain the same or be a Member of the Family of your current Beneficiary. A tax-free rollover for the same Beneficiary is restricted to once per 12-month period.

To rollover assets from another Qualified Tuition Program into an Account in HI529, you must complete an Incoming Rollover Form as well as an Enrollment Form. For the Incoming Rollover Form, either you or the previous Qualified Tuition Program must provide an accurate statement issued by the distributing program that reflects in full both the principal and earnings attributable to the rollover amounts. Until this documentation is received, the entire amount of the rollover contribution will be treated as earnings, which is subject to taxation in the case of Non-Qualified Withdrawals and Other Withdrawals.

Incoming rollovers can be direct or indirect. In a direct rollover, the money transfers directly from one Qualified Tuition Program to HI529. Some states may not permit direct rollovers from their Qualified Tuition Program(s). In those cases, you can do an indirect rollover, withdrawing money from an account in the other state's Qualified Tuition Program and then contributing that money to your HI529 Account. To avoid federal and state income tax consequences and the Federal Penalty Tax, you

must contribute an indirect rollover within sixty (60) days of the withdrawal. You should be aware that there may be state income tax consequences (and in some cases state-imposed penalties) resulting from rolling out of a state's Qualified Tuition Program.

**Refunded Distributions.** Where a withdrawal is made to pay Qualified Higher Education Expenses, and the withdrawal or a portion of the withdrawal is refunded by the Eligible Educational Institution to the Beneficiary, those funds will be eligible for recontribution to your Account if:

- The Beneficiary of your Account is the same beneficiary receiving the refund; and
- The recontribution is made within sixty (60) days of the date of the refund.

The recontributed amount will not be subject to federal or Hawaii state income tax or the Federal Penalty Tax. For tax purposes, please maintain proper documentation evidencing the refund from the Eligible Educational Institution.

Per a notice issued in 2018, the Treasury Department and the IRS intend to issue proposed regulations providing that recontributed amounts, as described above, will be treated as principal and will not count towards the Maximum Contribution Limit. The notice states that until the proposed regulations are issued, taxpayers and 529 Plans may rely on the rules as described in the notice. However, there is no assurance that the proposed regulations will become the final regulations or that the Treasury Department or IRS will not issue other guidance interpreting Section 529.

No guidance has been issued on the treatment of refunds of funds originally withdrawn from a 529 Plan to pay for K-12 Tuition Expenses. Consult with your tax advisor if you receive a refund of funds originally withdrawn from a 529 Plan to pay for K-12 Tuition Expenses.

**Moving Assets from an UGMA/UTMA Account.** If you are the Custodian of a Uniform Gifts to Minors Act/Uniform Transfers to Minors Act (UGMA/UTMA) account, you may be able to open an Account in your custodial capacity, depending on the laws of the state where you opened the UGMA/UTMA account. These types of accounts involve additional restrictions that do not apply to other Accounts in HI529, and you are solely responsible for complying with these restrictions.

In general, your UGMA/UTMA custodial account is subject to the following additional requirements and restrictions:

1. you must indicate that the Account is an UGMA/UTMA Account by checking the appropriate box on the Enrollment Form;
2. you must establish an Account in your custodial capacity separate from any Accounts you may hold in your individual capacity;

3. you will be permitted to make withdrawals in accordance with the rules applicable to withdrawals under applicable UGMA/UTMA law;
4. you will not be able to change the Beneficiary of the Account (directly or by means of a Rollover Distribution), except as may be permitted by applicable UGMA/UTMA law;
5. you will not be able to change the Account Owner to anyone other than a successor Custodian during the term of the custodial account under applicable UGMA/UTMA law;
6. you must notify us when the custodianship terminates and your Beneficiary is legally entitled to take control of the Account. At that time, the Beneficiary will become the Account Owner and will become subject to the provisions of the Plan applicable to non-UGMA/UTMA Account Owners;
7. any tax consequences of a withdrawal from an Account will be imposed on the Beneficiary and not on the Custodian; and
8. we may require you to provide documentation evidencing compliance with the applicable UGMA/UTMA law.

In addition, certain tax consequences described under **Important Tax Information** starting on page 43 may not be applicable in the case of Accounts opened by a Custodian under UGMA/UTMA. Moreover, because only cash contributions may be used to open an Account in HI529, the liquidation of non-cash assets held by an UGMA/UTMA account will be required and will generally be a taxable event. Please contact a tax advisor to determine how to transfer assets held in an existing UGMA/UTMA account to HI529 and what the implications of that transfer may be for your specific situation.

**Moving Assets from a Coverdell ESA.** You may fund your Account by moving assets from a Coverdell ESA. You must complete an Incoming Rollover Form and an Enrollment Form and provide an accurate account statement issued by the financial institution that acted as custodian of the account that reflects in full both the principal and earnings attributable to the rollover amount. Until we receive this documentation, we will treat the entire amount of the rollover contribution as earnings, which is subject to taxation if you take a Non-Qualified Withdrawal. Transferring assets from a Coverdell ESA to fund an Account for the same Beneficiary is not a taxable transaction. Consult your tax advisor for more information.

**Redeeming U.S. Savings Bonds.** You may fund your Account with proceeds from the redemption of certain U.S. Savings Bonds. You must complete an Incoming Rollover Form and an Enrollment Form and provide an accurate account statement or Form 1099-INT issued by the financial institution that redeemed the bond, showing interest from the redemption of the bond. Until we receive this documentation, we will treat the entire amount of the contribution as earnings, which is subject to taxation if you take a Non-Qualified Withdrawal.



In certain cases, you may redeem U.S. Savings Bonds under the education tax exclusion. Please visit [www.savingsbonds.gov](http://www.savingsbonds.gov) to determine if you are eligible for this exclusion.

**Ugift.**<sup>1</sup> You may invite family and friends to contribute to your Account through Ugift to provide a gift to the Beneficiary. You provide a unique contribution code to selected family and friends, and gift givers can either contribute online through a one-time or recurring EFT or by mailing in a gift contribution coupon with a check made payable to Ugift—HI529. The minimum Ugift contribution is twenty-five dollars (\$25).

Gift contributions received in good order will be held for approximately five (5) business days before being transferred into your Account. Gift contributions through Ugift are subject to the Maximum Contribution Limit. Gift contributions will be invested according to the Standing Allocation on file for the Account at the time the gift contribution is transferred. There may be potential tax consequences of gift contributions invested in your Account. You and the gift giver should consult a tax advisor for more information.

**Upromise Service.**<sup>2</sup> You have the option to enroll in the Upromise Service. By participating in this program, you can earn contributions to your Upromise account, which will be automatically transferred to your Account on a periodic basis.

## Other Funding Considerations

**Ineligible Funding Sources.** We cannot accept contributions made by cash, money order, travelers check, checks drawn on banks located outside the U.S., checks not in U.S. dollars, checks dated more than 180 days prior to the date of receipt, checks post-dated more than seven (7) days in advance, checks with unclear instructions, starter or counter checks, credit card or bank courtesy checks, third-party personal checks made

payable to the Account Owner or Beneficiary over \$10,000, instant loan checks, or any other check we deem unacceptable. We also cannot accept stocks, securities, or other non-cash assets as contributions to your Account.

**Maximum Contribution Limit.** Once your Account balance reaches the Maximum Contribution Limit (currently \$305,000), no additional contributions will be accepted. The aggregate market value of all Accounts for the same Beneficiary under the Plan is counted toward the Maximum Contribution Limit regardless of the Account Owner. Should the value of your Account fall below the Maximum Contribution Limit, additional contributions will then be accepted. If the Maximum Contribution Limit is increased, additional contributions up to the new Maximum Contribution Limit will be accepted.

**Failed Contributions.** If you make a contribution by check, EFT, or Recurring Contribution that is returned unpaid by the bank upon which it is drawn, you will be responsible for any losses or expenses incurred by the Investment Options, or the Plan and we may charge your Account a Fee. We reserve the right to reject or cancel any contribution due to nonpayment.

**Confirmation of Contribution and Transaction.** You will receive a confirmation for each contribution and transaction to your Account(s), except for Recurring Contributions, payroll direct deposits, and automatic transfers from a Upromise Service account to your Account. These automated transactions will be confirmed on a quarterly basis. Each confirmation statement will indicate the number of Units you own in each Investment Option. If an error has been made in the amount of the contribution or the Investment Option in which a particular contribution is invested, you must promptly notify us. (See **Correction of Errors; Safeguarding Your Account** on page 19).

1 Ugift is an optional service, is separate from HI529, and is not affiliated with the State or the State Administrators. For more information, please see our website at [www.hi529.com](http://www.hi529.com) or call us at **866.529.3343**.

2 Funds in a Upromise Service account will not be transferred until earnings reach a minimum amount. Go to [upromise.com](http://upromise.com) for more information on transfer minimums. The Upromise Service is offered by Upromise, Inc., and is separate from HI529. The Upromise Service is administered in accordance with the terms and conditions set forth in the Upromise Member Agreement (as amended from time to time), which is subject to change at any time without notice, and is available by going to [upromise.com](http://upromise.com). For more information about the Upromise Service, visit [upromise.com](http://upromise.com).

# USING YOUR ACCOUNT

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## AT A GLANCE

### In this section, you will learn more about:

Qualified Withdrawals  
Non-Qualified Withdrawals  
Other Withdrawals  
How to request a Withdrawal

**General.** You can take a withdrawal from your Account or close your Account at any time by notifying us. Withdrawals may be subject to federal and/or state tax withholding depending on whether they are **Qualified Withdrawals, Non-Qualified Withdrawals** or **Other Withdrawals**.

**Qualified Withdrawals.** In a Qualified Withdrawal, the proceeds are used for the Qualified Higher Education Expenses or K-12 Tuition Expenses (each discussed below) of your Beneficiary. Withdrawals for Qualified Higher Education Expenses are exempt from federal and state income taxes and the Federal Penalty Tax. Withdrawals for K-12 Tuition Expenses are also exempt from federal income taxes and the Federal Penalty Tax. However, these withdrawals are considered a Hawaii Non-Qualified Withdrawal and earnings will be subject to Hawaii State income tax. As the Account Owner, you are responsible for satisfying the IRS requirements for proof of Qualified Withdrawals, which includes retaining any paperwork and receipts necessary to verify the type of withdrawal you received.

**Qualified Higher Education Expenses.** Qualified Higher Education Expenses currently include tuition, fees, and the cost of books, supplies, and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution (including expenses for special needs services in the case of a special needs Beneficiary which are incurred in connection with such enrollment or attendance), and expenses for the purchase of computer or peripheral equipment (as defined in section 168(i)(2)(B) of the Code), computer software (as defined in section 197(e)(3)(B) of the Code), or internet access and related services, if such equipment, software, or services are to be used primarily by the Beneficiary during any of the years the Beneficiary is enrolled at an Eligible Educational Institution.

Also included as a Qualified Higher Education Expense is an amount for the room and board that the Beneficiary may incur while attending an institution at least half-time. Half-time is defined as half the full-time academic workload for the course of study being pursued as determined under the standards of the Eligible Educational Institution where he or she is enrolled. A Beneficiary need not be enrolled at least half-time to use

a qualified withdrawal to pay for expenses relating to tuition, fees, books, supplies, equipment, special needs services and computer and related equipment, software and services.

**K-12 Tuition Expenses.** K-12 Tuition Expenses include expenses for tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school, not to exceed \$10,000 in distributions per tax year per Beneficiary in the aggregate across all 529 Plans making distributions for the same Beneficiary in such year. Per a notice issued in 2018, the Treasury Department and the IRS intend to issue proposed regulations defining the term "elementary or secondary" to mean kindergarten through grade 12 as determined under state law, consistent with the definition applicable for Coverdell education savings accounts in Section 530(b)(3)(B) of the Code. The notice states that until the proposed regulations are issued, taxpayers and 529 Plans may rely on the rules as described in the notice. However, there is no assurance that the proposed regulations will become the final regulations or that the Treasury Department or IRS will not issue other guidance interpreting Section 529. *For federal tax purposes, it is the Account Owner's responsibility to ensure that withdrawals for K-12 Tuition Expenses do not exceed the aggregate annual limit for a Beneficiary.*

**Other Withdrawals.** In certain cases, withdrawals not made to pay Qualified Expenses are exempt from the Federal Penalty Tax. Tax considerations are complex and depend on individual situations. You should consult a tax advisor regarding the application of federal and state tax laws if you take any of these withdrawals:

- **Death of Beneficiary.** In the event your Beneficiary dies, and you select a new Beneficiary of the Account who is a Member of the Family of the former Beneficiary, you will not owe federal income tax or the Federal Penalty Tax. If you authorize a payment to a beneficiary of, or the estate of, the Beneficiary, or request the return of all or a portion of your Account balance, earnings will generally be subject to federal and any applicable state income tax, but not the Federal Penalty Tax. Special rules apply to UGMA/UTMA custodial accounts.
- **Disability of Beneficiary.** If your Beneficiary becomes Disabled, you may change the Beneficiary of your Account or request the return of all or a portion of your Account balance. A withdrawal due to the Disability of the Beneficiary is not subject to the Federal Penalty Tax, but earnings will be subject to federal and any applicable state income tax at your tax rate. If you select a new Beneficiary who is a Member of the Family of the former Beneficiary,

you will not owe federal income tax or the Federal Penalty Tax. Special rules apply to UGMA/UTMA custodial accounts.

- **Receipt of Scholarship or other Educational Assistance.** If the Beneficiary receives a scholarship or other Educational Assistance which decreases the amount of Qualified Expenses, a portion of the earnings attributable to any withdrawal from your Account will be included in the income of the Beneficiary but will not be subject to the Federal Penalty Tax.
- **Attendance at a U.S. Military Academy.** Withdrawals on account of the Beneficiary's attendance at a United States military academy, such as the United States Naval Academy, made in an amount equal to the costs of the Beneficiary's attendance at the institution are without the additional Federal Penalty Tax. The Beneficiary must include in income the portion of the earnings attributable to the Withdrawal.
- **Rollover Distribution.** To qualify, you must reinvest the amount distributed from your Account into a Qualified Tuition Plan not sponsored by Hawaii or an ABLÉ Account (discussed below) within sixty (60) days of the withdrawal date. Rollover Distributions may be subject to certain state taxes, but are generally exempt from federal income taxes and the Federal Penalty Tax.
- **Refunded Distribution.** Refunds received from an Eligible Educational Institution that are recontributed to an Account and qualify as a "Refunded Distribution" will not be subject to federal or Hawaii state income tax or the Federal Penalty Tax.

**Non-Qualified Withdrawals.** A withdrawal that does not meet the requirements for a Qualified Withdrawal or an Other Withdrawal will be considered a Federal Non-Qualified Withdrawal by the IRS. The earnings portion of a Federal Non-Qualified Withdrawal is subject to federal and state income taxes (and may be subject to other taxes) and is taxable to the person receiving the withdrawal. In addition, a Federal Non-Qualified Withdrawal is subject to a Federal Penalty Tax. The person receiving the withdrawal is subject to IRS requirements, including filing applicable forms with the IRS. You will receive reports on the split between earnings and contributions of all withdrawals.

**Rollovers From HI529 to an ABLÉ Program.** Effective for periods after December 22, 2017 and prior to January 1, 2026, distributions made from your Account to an ABLÉ Account will not be subject to federal income tax or the Federal Tax Penalty on earnings if (i) within 60 days of the distribution, the distributed funds are transferred to an ABLÉ Account for the same Beneficiary on your Account or for a different Beneficiary that is a Member of the Family of the Beneficiary on your Account, and (ii) the sum of the distribution and all other contributions

to the ABLÉ Account for the taxable year do not exceed the annual contribution limits for ABLÉ Accounts. To the extent that any such contribution or transfer would cause the ABLÉ Account to exceed the annual contribution limits for that taxable year, it would be subject to federal income tax and the Federal Tax Penalty on earnings. Rollovers to an ABLÉ Account may be subject to certain state's income tax. Contact the ABLÉ Program before contributing to the ABLÉ Account to ensure that your rollover contribution will not cause the ABLÉ Account to exceed the annual gift tax exclusion for the current taxable year. You should consult your tax advisor regarding your individual situation, including whether to rollover to an ABLÉ account.

**Procedures for Withdrawals.** You may direct withdrawals from an Account. Withdrawals may be requested online or by phone. Alternatively, you can mail us a completed Withdrawal Request Form. Once a completed Withdrawal Request Form and any additional documentation required (as noted on the Form) is received, the withdrawal will be processed. Forms can be requested by calling us at **866.529.3343** or downloaded from our website at [www.hi529.com](http://www.hi529.com).

Withdrawals can be requested online at [www.hi529.com](http://www.hi529.com) or by calling us at 877.598.7878.

Withdrawal requests received in good order before the close of the NYSE (generally 4 p.m. Eastern time) on any day the NYSE is open for business are processed that day based on the Unit Values of the Investment Options underlying your Account for that day. Requests received after the close of the NYSE are processed the next business day using the Unit Values on that day.

Please allow up to ten (10) business days for the proceeds to reach the payee. We generally process withdrawals within three (3) business days of accepting the request. During periods of market volatility and at year-end, withdrawal requests may take up to five (5) business days to process. For security purposes, there will be a hold of ten (10) business days on withdrawal requests when there is a change to your address and a hold of fifteen (15) calendar days on withdrawal requests following a change to your banking information. Withdrawals of contributions made by check, Recurring Contribution, or EFT will not be available for withdrawal for five (5) business days.

Please note that we may establish a minimum withdrawal amount.

**Methods of Payment.** Withdrawals may be payable by:

- Check to the Account Owner, Beneficiary, or the educational institution;
- ACH to the Account Owner; or
- Expedited electronic payment to the Eligible Educational Institution (where available)



**Systematic Withdrawal Program (SWP).** You may choose to establish periodic, pre-scheduled withdrawals for Qualified Expenses from your Account. You can have up to two (2) SWPs on your Account. If the balance in your Account is less than the SWP amount that you have specified, the SWP instructions will be stopped.

# MAINTAINING YOUR ACCOUNT

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## AT A GLANCE

### In this section, you will learn more about:

Account Statements  
Options for Unused Money  
Changing a Beneficiary  
Investment Exchanges  
Safeguarding your Account

**Account Statements.** You will receive quarterly Account statements to reflect financial transactions only if you have made financial transactions within the quarter. These transactions include: (1) contributions made to the Account; (2) withdrawals made from the Account; (3) investment exchanges; (4) contribution percentages among the selected Investment Options in the Account; and (5) the total value of the Account at the end of that time period. You will receive an annual Account statement even if you have made no financial transactions within the year. You will receive transaction confirmations for any activity in the Account, except for Contributions made by Recurring Contribution or payroll direct deposit, automatic transfers from a Upromise rewards service account to your Account (if applicable), or for Account assets that are automatically moved to a more conservative Age-Based Portfolio as a Beneficiary ages; instead, these transactions will appear on your quarterly statement.

**Account Maintenance:** Did you know that most transactions and changes to your Account can be handled online by going to [www.hi529.com](http://www.hi529.com) and logging into your Account?

You can choose to receive periodic Account statements, transaction confirmations, and other personal correspondence via electronic delivery or in paper format. You may request duplicate copies of Account statements to be provided to another party. We reserve the right to charge a Fee for duplicate copies of historical statements.

Your Account statement is not a tax document and should not be submitted with your tax forms. However, you could use your Account statement(s) to determine how much you paid or contributed during the previous tax year.

**Options for Unused Money.** If your Beneficiary does not use all of the money in your Account for Qualified Expenses, you may name a new Beneficiary or take a withdrawal of your Account assets. Any Non-Qualified Withdrawal or Other Withdrawal from your Account will be subject to applicable income taxes and may be subject to the Federal Penalty Tax. (See **Using Your Account** starting on page 15.)

**Changing a Beneficiary.** You can change your Beneficiary at any time. To avoid undesirable tax consequences, the new Beneficiary must be a Member of the Family of the original Beneficiary. Any change of the Beneficiary to a person who is not a Member of the Family of the current Beneficiary is treated as a withdrawal subject to applicable federal and state income taxes, but will not be subject to the Federal Penalty Tax if the change in Beneficiary is made following the death of the original Beneficiary. An Account Owner who is an UGMA/UTMA Custodian will not be able to change the Beneficiary of the Account, except as may be permitted under applicable UGMA/UTMA law. (See **Moving Assets from an UGMA/UTMA Account** on page 13.)

To initiate a change of Beneficiary, you can complete the transaction online or by completing and submitting the appropriate forms. The change will be effective once we have received and processed all the required information.

We reserve the right to suspend the processing of a Beneficiary change if we suspect that the change is intended to avoid the Plan's exchange and reallocation limits and/or the tax laws. Also, a Beneficiary change or transfer of assets may be denied or limited if it causes one or more Accounts to exceed the Maximum Contribution Limit for a Beneficiary. There is no fee for changing a Beneficiary.

When you change a Beneficiary, we will invest your assets in accordance with the Standing Allocation for the new Beneficiary's Account, unless you indicate otherwise. You can also transfer existing assets in your Account to a new Investment Option when you change the Beneficiary for your Account. When changing Beneficiaries, in choosing new Investment Options you should consider relevant factors such as your investment objectives, risk tolerance, time horizon, age of the Beneficiary and other factors you determine to be important.

**Investment Exchanges.** You can change the investment strategy for each Beneficiary – i.e. make an exchange – up to two (2) times per calendar year. This is a federal rule that applies to all Qualified Tuition Programs. You can initiate these transactions online, over the telephone by contacting a Client Service Representative at **866.529.3343**, or by downloading the appropriate form from our website at [www.hi529.com](http://www.hi529.com).

Because you may make only two exchanges per year in an Account, it is important that you select an Investment Option that will meet your comfort level for risk in a variety of market conditions.

**Additional Contributions.** We will invest all additional contributions according to your Standing Allocation, unless you provide different instructions. You may view or change your Standing Allocation at any time by logging onto our

website at [www.hi529.com](http://www.hi529.com), by submitting the Exchange/Future Contribution (Allocation) Form by mail, or by calling **866.529.3343**. Future contributions may be invested in different investment options at any time and are not subject to the twice per calendar year investment exchange limit placed on existing assets in your Account.

**Changing or Removing a Custodian.** For an Account funded with assets originally held in an UGMA/UTMA account, the Custodian may be released or replaced upon written notice to the Plan. (See **Moving Assets from an UGMA/UTMA Account** on page 13.)

**Change of Account Owner.** Except as discussed below, you may transfer control of your Account assets to a new Account Owner. However, your right of control may not be sold, transferred, used as collateral, or pledged or exchanged for money or anything of value.

Your right of control may be transferred under an appropriate court order as part of divorce proceedings or other legal proceedings. The new Account Owner must agree to be bound by the terms and conditions of the Plan Disclosure Statement and Enrollment Form. Transferring an Account to a new Account Owner may have significant tax consequences. Before doing so, you may want to check with your tax advisor regarding your particular situation.

To transfer your Account to another Account Owner, submit an Account Information Change Form by mail. For assistance, contact us at **866.529.3343**. We may require supporting documentation, as necessary.

**Recovery of Incorrect Amounts.** If an incorrect amount is paid to or on behalf of you or your Beneficiary, we may recover this amount from you or your Beneficiary, or any remaining balances may be adjusted to correct the error. The processing of adjustments resulting from clerical errors or other causes that are nominal in amount may be waived at the discretion of the Program Manager.

**Safeguarding Your Account.** To safeguard your Account, it is important that you keep your Account information confidential, including your user name and password. The Plan has implemented reasonable processes, procedures and internal controls to confirm that transaction requests are genuine, but these measures do not guarantee that fraudulent or unauthorized instructions received by the Plan will be detected. Neither the Plan nor any of its Plan Administrators will be responsible for losses resulting from fraudulent or unauthorized instructions received by the Plan, provided we reasonably believed the instructions were genuine. For more information about how we protect your information and important information about how you can protect your information, see the “Security” link on [www.hi529.com](http://www.hi529.com).

**Affirmative Duty to Promptly Notify us of Errors.** If you receive a confirmation that you believe contains an error or does not accurately reflect your authorized instructions—e.g., the amount invested differs from the amount contributed or the contribution was not invested in the particular Investment Options you selected—you must promptly notify us of the error. We will work to resolve any errors as promptly as possible. If you do not notify us promptly, you will be considered to have approved the information in the confirmation and to have released the Plan and the Plan Administrators from all responsibility for matters covered by the confirmation. You should regularly review your Account statements and transaction confirmations. Moreover, any liability due to such an error resulting from participation in HI529 for which the Plan or any Plan Administrators are determined to be responsible shall be limited to an amount equal to gains due to market movement that would have resulted from the transaction during the period in which you should have acted.

**You are expected to regularly and promptly review all transaction confirmations, Account statements, and any email or paper correspondence sent by the Plan. Contact us immediately at 866.529.3343 if you believe someone has obtained unauthorized access to your Account or if there is a discrepancy between a transaction you requested and your confirmation statement.**

Access your Account online 24-hours a day at [www.hi529.com](http://www.hi529.com)

**Internet Access.** You have the option to perform Account-related transactions and activity electronically via the internet. You can securely access and manage Account information—including quarterly statements, transaction confirmations, and tax forms—virtually 24 hours a day at [www.hi529.com](http://www.hi529.com) once you have created an online user name and password. Please note that if you elect to receive documents electronically, the only way to get paper copies of these documents will be to print them from a computer. You should not elect to conduct transactions electronically if you do not have regular and continuous internet access.

**You should not share your user ID or password with anyone else.** We will honor instructions from any person who provides correct identifying information, and we are not responsible for fraudulent transactions we believe to be genuine according to these procedures. Accordingly, you bear the risk of loss if unauthorized persons obtain your user ID and password and conduct any transaction on your Account. You can reduce this risk by checking your Account information regularly. You should avoid using passwords that can be guessed and should consider changing your password frequently. For security purposes, our Client Service Representatives will not ask you for your password. It is your responsibility to review your Account information and to notify us promptly of any unusual activity. You

can withdraw your consent to receive documents electronically at any time by contacting Client Service at **866.529.3343** or making the change online.

Because we cannot guarantee the privacy or reliability of email, we cannot honor requests for transfers or changes received by email, nor will we send Account information through email. All electronic requests for transfers or changes should be made through our secure website. Our website uses generally accepted and available encryption software and protocols. This is designed to prevent unauthorized people from intercepting information sent by or received from us. Our website may require that you use certain readily available versions of web browsers. As new security software or other technology becomes available, we may enhance our systems.

The Plan Disclosure Statement (including any Supplements) and information concerning the Investment Options are available on our website. We expect to update information concerning the Investment Option and Underlying Funds and the Plan Disclosure Statement at least annually. Much of this information is likely to be updated and supplemented throughout the year.

If you have elected electronic delivery, we may, from time to time, notify you by email that documents, including Account statements and transaction confirmations, have been delivered. However, email notification is not a substitute for regularly checking your Account at **www.hi529.com**. We may archive these documents and cease providing access to them on our website. You should, therefore, consider retaining any Account information that you may wish to save before it is removed. After these documents are archived, you will be able to obtain a copy for a fee by contacting us at **866.529.3343**.

**Unclaimed Accounts.** Under certain circumstances, if there has been no activity in your Account, or if we have not been able to contact you for a period of time, your Account may be considered abandoned under your state's unclaimed property laws. If your property is considered abandoned, it could, without proper claim by the Account Owner within a certain period of years, revert to your state.

**Account Restrictions.** We reserve the right to: (1) freeze an Account and/or suspend Account services if (i) we receive notice of a dispute regarding Account assets or Account ownership, including notice of the death of an Account Owner (until appropriate documentation is received and we reasonably believe that it is lawful to transfer Account ownership to the Successor Account Owner) and (ii) we reasonably believe a fraudulent transaction may occur or has occurred; (2) redeem an Account, without the Account Owner's permission, in cases of threatening conduct or suspicious, fraudulent or illegal activity; (3) refuse to establish or terminate an Account if we determine that it is in the best interest of HI529 or required by law; (4) close your Account if we determine that you provided false or misleading information to the Plan Administrators in establishing or maintaining an Account, or that you are restricted by law from participating in HI529; and (5) reject a contribution for any reason, including contributions to the Plan that the Investment Manager, the Program Manager, or the State Administrators believe are not in the best interests of the Plan, an Investment Option, or the Account Owners. The risk of market loss, tax implications, penalties, and any other expenses as a result of the above will be solely the Account Owner's responsibility.

# FEES

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## AT A GLANCE

### In this section, you will find:

Descriptions of fees and expenses associated with HI529  
Illustrations of Investment Costs

**Fees and expenses for HI529 depend on your investment choices. The schedule of fees is described below. Fees and expenses for HI529 may change from time to time. Any changes to Fees will be described in updated Plan Disclosure Statements or Supplements.**

**Total Annual Asset-Based Fee.** Each Investment Option has a Total Annual Asset-Based Fee that is deducted from the assets in the Investment Option. The Fee reduces the return you receive from your Plan investments. As an Account Owner, you indirectly bear a pro rata share of the annual costs and expenses associated with each Portfolio in which you are invested. The Total Annual Asset-Based Fee consists of the following fees:

- **Underlying Fund Fee.** Includes investment advisory fees, administrative, and other expenses of the Underlying Fund which are paid to Vanguard. An Underlying Fund's expense ratio measures the total annual operating expenses of the Underlying Fund as a percentage of its average daily net

assets. The Underlying Fund Fee is subject to fluctuation from time to time based on changes in the total annual operating expenses of the Underlying Fund(s) in the Investment Option, which can cause fluctuation in the Total Annual Asset-Based Fee of the Investment Option.

- **Plan Management Fee.** Ascensus and Vanguard have agreed to a specific formula for the allocation of the Plan Management Fee to cover the costs of servicing the Plan.

**Annual Account Maintenance Fee.** Each Non-Resident Account is subject to an Annual Account Maintenance Fee of \$20. The Annual Account Maintenance Fee is assessed each year during the month following the twelfth month anniversary date of the Account opening. If you make a complete withdrawal from your Account prior to the anniversary date in a given year, a prorated Annual Account Maintenance Fee may be charged against the amount of the withdrawal. No Annual Account Maintenance Fee applies if the Account Owner is a resident of Hawaii and has a Hawaii permanent or mailing address on file with the Plan at the time the Annual Account Maintenance Fee is assessed.

**Fee Structure Tables.** The following table describes the total Fees charged. The annualized Underlying Fund Fee plus the Plan Management Fee equal the Total Annual Asset-Based Fee.

**FEE STRUCTURE TABLE**

<b>ANNUAL ASSET-BASED FEE AS OF MAY 10, 2019</b>				<b>Additional Investor Expenses</b>
<b>Portfolio</b>	<b>Underlying Fund Expenses<sup>1</sup></b>	<b>Plan Management Fee<sup>2</sup></b>	<b>Total Annual Asset-Based Fee<sup>3</sup></b>	<b>Annual Account Maintenance Fee<sup>4</sup></b>
Vanguard 87.5% Stock/12.5% Bond Portfolio <sup>5</sup>	0.05%	0.55%	0.60%	\$20
Vanguard Growth Portfolio	0.05%	0.55%	0.60%	\$20
Vanguard 62.5% Stock/37.5% Bond Portfolio <sup>5</sup>	0.04%	0.55%	0.59%	\$20
Vanguard Moderate Growth Portfolio	0.04%	0.55%	0.59%	\$20
Vanguard 37.5% Stock/62.5% Bond Portfolio <sup>5</sup>	0.04%	0.55%	0.59%	\$20
Vanguard Conservative Growth Portfolio	0.04%	0.55%	0.59%	\$20
Vanguard 12.5% Stock/87.5% Bond Portfolio <sup>5</sup>	0.04%	0.55%	0.59%	\$20
Vanguard Income Portfolio	0.06%	0.55%	0.61%	\$20
Vanguard Total Stock Market Index Portfolio	0.03%	0.55%	0.58%	\$20
Vanguard Money Market Portfolio <sup>5</sup>	0.11%	0.55%	0.66%	\$20
Vanguard Total International Stock Index Portfolio	0.08%	0.55%	0.63%	\$20
Vanguard Total Bond Market Index Portfolio	0.04%	0.55%	0.59%	\$20

1 Expenses for multiple-fund Portfolios represent a weighted average of the expenses of the Portfolio's Underlying Funds. Expense ratios have been derived from each Underlying Fund's most recent prospectus as of April 26, 2019. The fees and expenses of the Underlying Funds may change.

2 The Program Manager and Vanguard have agreed to a specific formula for the allocation of the Plan Management Fee.

3 The Total Annual Asset-Based Fee is the fee charged to Account Owners for their ownership of Portfolio Units, and includes the Underlying Fund Expenses and the Plan Management Fee.

4 The Annual Account Maintenance Fee is waived for Hawaii Resident Accounts.

5 This Portfolio is only available within the Age-Based Option and not as a stand-alone Portfolio.

**Service-Based and Other Fees.** We reserve the right to charge reasonable additional fees if you request incremental, non-standard services. In particular, if you request delivery of withdrawal proceeds by priority delivery service, outgoing wire or expedited electronic payment to schools, the Plan will deduct the applicable fee directly from your Account, and will include this fee amount on your annual IRS Form 1099-Q as part of the gross distribution paid to you during the year. In its discretion and without further notice, the Plan may deduct directly from your Account the other fees and expenses incurred by you and identified in this chart or similar fees or charges.

Additional fees include:

Transaction	Fee Amount*
Returned Check	\$25
Rejected Recurring Contribution Payment	\$25
Rejected EFT	\$25
Priority Delivery	\$15 Weekday/\$25 Saturday/\$50 Foreign
Outgoing Wires	\$15 Domestic/\$25 International
Reissue of Disbursement Checks	\$15
Request for Historical Statement	\$10 per yearly statement/ \$30 maximum per household
Expedited Electronic Payment to Schools (where available)	\$10
Rollover	\$20

\*Subject to change.

Please consult your tax advisor regarding calculating and reporting any tax liability associated with the payment of any of these fees out of your Account in a year.

We reserve the right to not reimburse fees charged by financial institutions for contributions made either via Recurring

Contribution or EFT that are cancelled due to insufficient funds in the bank account from which the money is withdrawn.

**Float Income.** Ascensus, or one of its affiliates, will receive indirect compensation for the custodial services that it provides to the Plan. This compensation, known as “float” income, is paid to Ascensus and is derived from accounts that Ascensus maintains in order to provide services for the Plan. Float income typically arises from interest earned on: 1) contributions received after market close and held overnight prior to investment in the Plan, or 2) distributions from the Plan that are held in a disbursement account until the account owner receives such distribution. For example, if you receive a distribution check but do not cash it for several days, some interest is earned while those funds remain in the disbursement account. In many cases, the interest earned could be only pennies (or less).

These accounts generally earn interest at a rate between the money market rate and that of U.S. Treasury Notes. The interest paid on each of these transactions is small, and it will represent a relatively minor portion of the overall compensation paid to Ascensus. By opening an account in the Plan, you understand that float income may be retained by Ascensus or one of its affiliates.

### Illustration of Investment Costs

The following examples are intended to help you compare the cost of investing in the Portfolios over different time periods. The costs are the same for each Portfolio. These examples illustrate the hypothetical expenses that you would incur over various periods if you invest \$10,000 in a Portfolio. These examples assume that a Portfolio provides a return of 5% a year, and that the Portfolio’s expense ratio remains the same. Note: The first example includes the \$20 Annual Account Maintenance Fee in the calculation and the second example excludes the \$20 Annual Account Maintenance Fee for Hawaii Resident Accounts. The results apply whether or not the investment is redeemed at the end of the period, but they do not take into account any Non-Qualified Withdrawals (defined in **Part VII. Other Account Information – Withdrawals**) or withdrawals otherwise subject to state or federal income taxes, or any penalties. This hypothetical is not intended to predict or project investment performance. Past performance is no guarantee of future results. Your own results may vary.



**APPROXIMATE COST OF A \$10,000 INVESTMENT IN EACH INVESTMENT OPTION  
INCLUDING THE \$20 ANNUAL ACCOUNT MAINTENANCE FEE**

<b>PORTFOLIO</b>	<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
Vanguard 87.5% Stock/12.5% Bond Portfolio	\$81	\$252	\$434	\$944
Vanguard Growth Portfolio	\$81	\$252	\$434	\$944
Vanguard 62.5% Stock/37.5% Bond Portfolio	\$80	\$249	\$428	\$932
Vanguard Moderate Growth Portfolio	\$80	\$249	\$428	\$932
Vanguard 37.5% Stock/62.5% Bond Portfolio	\$80	\$249	\$428	\$932
Vanguard Conservative Growth Portfolio	\$80	\$249	\$428	\$932
Vanguard 12.5% Stock/87.5% Bond Portfolio	\$80	\$249	\$428	\$932
Vanguard Income Portfolio	\$82	\$255	\$439	\$956
Vanguard Total Stock Market Index Portfolio	\$79	\$245	\$423	\$920
Vanguard Money Market Portfolio	\$87	\$271	\$466	\$1,016
Vanguard Total International Stock Index Portfolio	\$84	\$261	\$450	\$980
Vanguard Total Bond Market Index Portfolio	\$80	\$249	\$428	\$932

**APPROXIMATE COST OF A \$10,000 INVESTMENT IN EACH INVESTMENT OPTION  
EXCLUDING THE \$20 ANNUAL ACCOUNT MAINTENANCE FEE FOR HAWAII RESIDENT ACCOUNTS**

<b>PORTFOLIO</b>	<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
Vanguard 87.5% Stock/12.5% Bond Portfolio	\$61	\$192	\$334	\$750
Vanguard Growth Portfolio	\$61	\$192	\$334	\$750
Vanguard 62.5% Stock/37.5% Bond Portfolio	\$60	\$189	\$329	\$738
Vanguard Moderate Growth Portfolio	\$60	\$189	\$329	\$737
Vanguard 37.5% Stock/62.5% Bond Portfolio	\$60	\$189	\$329	\$737
Vanguard Conservative Growth Portfolio	\$60	\$189	\$329	\$737
Vanguard 12.5% Stock/87.5% Bond Portfolio	\$60	\$189	\$329	\$737
Vanguard Income Portfolio	\$62	\$195	\$340	\$762
Vanguard Total Stock Market Index Portfolio	\$59	\$186	\$324	\$726
Vanguard Money Market Portfolio	\$67	\$211	\$367	\$822
Vanguard Total International Stock Index Portfolio	\$64	\$201	\$351	\$786
Vanguard Total Bond Market Index Portfolio	\$60	\$189	\$329	\$737



# PLAN RISKS

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## AT A GLANCE

### In this section, you will learn more about:

The risks involved with an investment in HI529  
General Investment Option risks

You should carefully consider the information in this section, as well as the other information in the Plan Disclosure Statement before making any decisions about opening an Account or making any additional contributions. You should consult an attorney or a qualified financial or tax advisor with any legal, business, or tax questions you may have. We are not providing investment recommendations or advice. The contents of the Plan Disclosure Statement should not be construed as legal, financial, or tax advice.

The Plan is an investment vehicle. As such, Accounts in the Plan are subject to investment risks. In addition, certain Investment Options carry more and/or different risks than others. You should weigh these risks with the understanding that they could arise at any time during the life of your Account. A discussion of the investment risks related to each Investment Option can be found in **Investment Choices – Investment Option Descriptions** beginning on page 28.

**Principal and Returns Not Guaranteed. Neither your contributions to an Account nor any investment return earned on your contributions is guaranteed. You could lose money (including your contributions) or not make any money by investing in HI529.**

An investment in HI529 is not a bank deposit. Investments in HI529 are not insured or guaranteed by the FDIC or any other government agency. Investments are not insured by Plan Administrators. Relative to investing for retirement, the holding period for investors saving for education is short (i.e., 5-20 years versus 30-60 years). Also, the need for liquidity at specific times (to pay for Qualified Expenses) is generally very important. You should strongly consider the level of risk you wish to assume and your investment time horizon prior to selecting a Portfolio.

**Market Uncertainties.** As with all publicly traded investments, the overall market value of your Account is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as regulatory or legislative changes, worldwide political uncertainties, and general economic conditions, including inflation and unemployment rates. All of these factors are beyond our control and may cause the value of your Account to decrease (realized or unrealized losses) regardless of our performance or any systematic investing, including

Recurring Contributions and payroll direct deposits. There is no assurance that any Investment Option will achieve its goals.

For additional information on the risks that may affect an Investment Option's performance, please read **Investment Option Descriptions** starting on page 28.

**Limited Investment Direction; Liquidity.** Investments in a Qualified Tuition Program like HI529 are less liquid than many other types of investments (e.g., investments in mutual fund shares) because the ability to withdraw money from your Account without a penalty or adverse tax consequences are significantly more limited. Also, once you select an Investment Option for a particular contribution, Section 529 of the Code (Section 529) provides that you can move money to another Investment Option no more than two (2) times per calendar year for the same Beneficiary. Any additional transfers within that calendar year are treated as Non-Qualified Withdrawals, and they will be subject to federal and any applicable state income taxes and the Federal Penalty Tax.

**Securities Laws.** Units held by the Accounts in the Plan are considered municipal fund securities. The Units will not be registered as securities with the Securities and Exchange Commission (SEC) or any state securities regulator. In addition, the Investment Options will not be registered as investment companies under the Investment Company Act of 1940. Neither the SEC nor any state securities commission has approved or disapproved the Units or passed upon the adequacy of the Plan Disclosure Statement. We may choose to reject Enrollment Forms from residents of certain other states if those states require substantial additional regulatory filings.

**Potential Changes to the Plan.** We may change the Investment Options available in the Plan without prior notice to you. These changes could include, without limitation:

- a change in the Plan's Fees;
- addition or removal of an Investment Option;
- merger or change in the Underlying Funds within the Investment Options;
- the closure of an Investment Option to new investors; or
- a change in the Program Manager or an Investment Manager.

If changes are made to the Investment Options, your contributions may be reinvested in an Investment Option that is different from your original Investment Option. Depending on the nature of a particular change, your Account may be required to participate, or be prohibited from participating in such changes.

The policies, objectives, and guidelines of the Investment Options may also change from time to time with Board approval.

If the Plan is terminated, a distribution of Account funds may be considered a Non-Qualified Withdrawal for which federal income tax and penalties, including the Federal Penalty Tax, will be assessed. If the Plan is terminated, you will receive written notice in advance and the funds in your Account will be distributed to you. Any amounts distributed are subject to any charges due; any charge, payment, or penalty required by law to be withheld; and allowances for any terminating or winding up expenses.

**Prior to termination of the Plan, you may choose to rollover your Account assets into another 529 plan to avoid income taxes and penalties.**

In the event of a change in Underlying Funds, during the transition from one Underlying Fund to another, we may sell all the securities in the corresponding Investment Option before purchasing new securities. Therefore, the Investment Option may temporarily not be invested in one of its asset classes. During a transition period, an Investment Option may temporarily hold a basket of securities if the Underlying Fund from which it is transitioning chooses to complete the transition by exchanging one security for another. The transaction costs associated with this type of liquidation, as well as any market impact on the value of the securities being liquidated will be borne by the Investment Option and Accounts invested in the Investment Option. In this case, the Program Manager will seek to liquidate the securities received from the Underlying Fund and invest the proceeds in the replacement Underlying Fund as promptly as practicable in order to minimize transaction costs. An Underlying Fund from which an Investment Option redeems may also impose redemption fees. In this case, the Investment Option will bear the cost of the redemption fees.

There is no guarantee that the Investment Manager will continue to provide the Underlying Funds for HI529 or manage the Investment Option's assets, as applicable, or that the Program Manager will be able to negotiate their continued services in the future. Neither you, your Beneficiary, nor any contributor to your Account, may direct the Underlying Funds of an Investment Option.

**Suitability.** We make no representation regarding the suitability or appropriateness of the Investment Options as an investment for your situation. Other types of investments may be more appropriate depending upon your financial status, tax situation, risk tolerance, age, investment goals, saving needs, time horizons of you or your Beneficiary, and other factors you determine to be important.

You should consult a tax or investment advisor to seek advice concerning the appropriateness of this investment.

**Meeting Educational Expenses Not Guaranteed.** Even if you fund your Account(s) to the Maximum Contribution Limit, there is no assurance that the money in your Account will be sufficient to cover all the education expenses your Beneficiary may incur, or

that the rate of return on your investment will match or exceed the rate at which education expenses rise each year.

**IRS Regulations Not Final.** As of the date of this Plan Disclosure Statement, the IRS has not issued final tax regulations regarding Qualified Tuition Programs. Final tax regulations could affect the tax considerations under Section 529 or require changes to HI529.

**Effect of Future Law Changes.** It is possible that future changes in federal or state laws or court or interpretive rulings could adversely affect the terms and conditions of the Plan or the value of your Account, even retroactively.

In addition, it is the Director's intention to take advantage of Section 529 and therefore, HI529 is subject to tax law changes or court or interpretive rulings that might alter the tax considerations described in **Federal Tax Issues** starting on page 43.

**Tax Considerations Generally; Income Tax on Earnings.** The federal and state tax consequences associated with participating in the Plan can be complex. Therefore, you should consult a tax advisor regarding the application of tax laws to your particular circumstances. For example, federal and state income taxes will be imposed on the earnings portion of certain withdrawals not used to pay Qualified Higher Education Expenses or K-12 Tuition Expenses. Additionally, the Federal Penalty Tax applies to any Non-Qualified Withdrawal.

**Death of Account Owner.** If an Account Owner dies, control and ownership of the Account will be transferred to the Successor Account Owner. If no Successor Account Owner has been named or if the Successor Account Owner predeceases the Account Owner, control and ownership of the Account will become subject to applicable estate and guardianship laws. If the Account Owner dies, the Successor Account Owner must notify the Plan and submit a completed Enrollment Form, a certified copy of the death certificate and such other information requested by the Plan. The Account will become effective for the Successor Account Owner once the appropriate documentation has been received and is processed.

**Relationship to Financial Aid.** Participation in HI529 for Hawaii residents does not limit your Beneficiary's receipt of school merit-based financial aid, including academic or athletic scholarships. If you are a resident of Hawaii, HI529 savings are not included in determining the amount of Hawaii need-based student aid that a beneficiary may receive. However, other federal and institutional aid programs may take amounts in your account into consideration when determining eligibility.

In making decisions about eligibility for financial aid programs offered by the U.S. government and the amount of financial aid required, the U.S. Department of Education takes into consideration a variety of factors, including:

- assets of your Beneficiary's parents, if your Beneficiary is a dependent student and the Account Owner is the parent or the Beneficiary, or

- assets of the Beneficiary, if the Beneficiary is the owner of the Account and not a dependent student.

Assets owned by the parent of a Beneficiary who is not a dependent are not considered for purposes of the Free Application for Federal Student Aid (FAFSA). Because the treatment of Account assets on the FAFSA may have a material adverse effect on your Beneficiary's eligibility to receive valuable benefits under financial aid programs, you or your Beneficiary should check with:

- the applicable laws or regulations,
- the financial aid office of an Eligible Educational Institution,
- your tax advisor regarding the impact of an investment in and withdrawals from the Plan on needs-based financial aid programs, and/or
- a financial advisor.

HI529 accounts are not considered when determining eligibility for state financial aid programs in Hawaii but should be recorded on FAFSA where appropriate based on filing status. If you are not a Hawaii resident, check with the financial aid office of an Eligible Educational Institution for more information.

**Relationship of Your Account to Medicaid Eligibility.** It is unclear how local and state government agencies will treat Qualified Tuition Program assets for the purpose of Medicaid eligibility. Although there are federal guidelines under Title XIX of the Social Security Act of 1965, each state administers its Medicaid program and rules could vary greatly from one state to the next. You should check with an attorney, a tax advisor, or your local Medicaid administrator regarding the impact of an investment in the Plan on Medicaid eligibility.

**General Investment Option Risks.** Each Investment Option has its own investment strategy, risks and performance characteristics. In choosing the appropriate Investment Option(s) for your Account, you should consider your financial status, tax situation, risk tolerance, age, investment goals, time horizons of you or your Beneficiary, and other factors you determine to be important.

An Investment Option's risk and potential return are functions of its relative weightings of stock, bond, and money market investments. Certain Investment Options carry more and/or different risks than others. In general, the greater an Investment

Option's exposure to stock investments, the higher its risk (especially short-term volatility) and its potential for superior long-term performance. The more exposure an Investment Option has to bond and money market investments, the lower its risk and its potential long-term returns. There are also variations in risk/return levels within the stock and bond categories. For example, international stocks typically have higher risk levels than domestic stocks.

**The Target Indices of Certain Underlying Funds may Change.** Many of the Underlying Funds are index funds. Each index fund reserves the right to substitute a different index for the index it currently tracks. This could happen if the current index is discontinued, if the index fund's agreement with the sponsor of its current index is terminated, or for any other reason determined in good faith by the index fund's board of trustees. In any such instance, a substitute index would measure substantially the same market segment (e.g., large-, mid-, or small-capitalization) as the current index.

**HI529 Investment Options Not Designed for Elementary and Secondary Tuition.** The Investment Options we offer through HI529 have been designed exclusively for you to save for Qualified Higher Education Expenses. They have not been designed to assist you in reaching your K-12 Tuition Expenses savings goals. Specifically, the Age-Based Option is designed for Account Owners seeking to automatically invest in progressively more conservative portfolios as their Beneficiary approaches college age. The Age-Based Option time horizon and withdrawal periods may not match those needed to meet your K-12 Tuition Expenses savings goals, which may be significantly shorter. In addition, if you are saving for K-12 Tuition Expenses and wish to invest in the Individual Portfolios, please note that these portfolios are comprised of fixed investments. This means that your assets will remain invested in that Investment Option until you direct us to move them to a different Investment Option. Please consult a qualified tax or investment advisor about your personal circumstances.

**No Indemnification.** The Plan Administrators will not indemnify any Account Owner or Beneficiary against losses or other claims arising from the official or unofficial acts, negligent or otherwise, of the Plan Administrators.

# INVESTMENT CHOICES

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## AT A GLANCE

### In this section, you will learn more about:

Investment Options and Underlying Funds in HI529  
Investment Allocation of the Portfolios

In this section, you will find information about the Investment Options, including a discussion of the Age-Based Option and Individual Portfolios available under the Plan. You should consider the information in this section carefully before choosing to invest in HI529. Information about each Investment Option's objective, strategy and risks has been provided by Vanguard. If you have questions about any of the investment-related information in this section, you may wish to speak to an investment advisor prior to making an investment decision.

The Investment Options have been designed exclusively for you to save for Qualified Higher Education Expenses. They have not been designed to assist you in saving for K-12 Tuition Expenses. Specifically, the Age-Based Option time horizon and withdrawal periods may not match those needed to meet your K-12 Tuition Expenses savings goals, which may be significantly shorter.

## Investments Overview

Your Account assets are held by the Plan for your exclusive benefit and cannot be transferred or used by the Plan for any purpose other than those of the Plan. You are purchasing Units in the Investment Options, not shares of the Underlying Funds. Those Investment Options invest your contributions in one or more of the Underlying Funds.

You can choose from two (2) investment approaches:

- **Age-Based Option.** Eight (8) age-based Portfolios that are designed to correspond with the Beneficiary's age. If you enroll in an age-based Portfolio, your money will automatically be moved to progressively more conservative age-based Portfolios as your Beneficiary approaches college age;

- **Individual Portfolios.** Eight (8) Individual Portfolio options managed by Vanguard. If you choose an Individual Portfolio, your money will remain in that Investment Option until you instruct the Plan to move it.

Whenever you contribute money to your Account, you may allocate the contribution among a maximum of five Investment Options. For example, you could choose five Individual Portfolios or the Age-Based Option and four Individual Portfolios, etc. Regardless of how many Investment Options you select, you must allocate a minimum of 5% of your contribution to each Investment Option. For example, you could choose three Investment Options and allocate your contribution 60%, 35%, and 5%.

## Age-Based Option

The Age-Based Option is designed to take into account a Beneficiary's age and your investing time horizon—i.e., the number of years before the Beneficiary is expected to attend an Eligible Educational Institution. In general, for younger Beneficiaries, the Age-Based Option will be invested in Portfolios more heavily weighted in stocks to capitalize on the longer investment horizon and to try to maximize returns. As time passes, Account assets are automatically moved to more conservative Portfolios in an attempt to preserve capital as the withdrawal phase approaches. There is no assurance that any Portfolio will be able to achieve its goals.

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

For the Age-Based Option, the Plan will automatically exchange assets from one Portfolio to another as the Beneficiary ages. The exchange occurs during the month following the month of the Beneficiary's birth date, according to the following schedule:

Age of Beneficiary	Age-Based Option
Newborn through 4 years	<b>Vanguard 87.5% Stock/12.5% Bond Portfolio*</b> 87.5% Stocks/12.5% Bonds
5 through 6 years	<b>Vanguard Growth Portfolio</b> 75% Stocks/25% Bonds
7 through 8 years	<b>Vanguard 62.5% Stock/37.5% Bond Portfolio*</b> 62.5% Stocks/37.5% Bonds
9 through 10 years	<b>Vanguard Moderate Growth Portfolio</b> 50% Stocks/50% Bonds
11 through 12 years	<b>Vanguard 37.5% Stock/62.5% Bond Portfolio*</b> 37.5% Stocks/62.5% Bonds
13 through 14 years	<b>Vanguard Conservative Growth Portfolio</b> 25% Stocks/75% Bonds
15 through 16 years	<b>Vanguard 12.5% Stock/87.5% Bond Portfolio*</b> 12.5% Stocks/87.5% Bonds
17 or older	<b>Vanguard Income Portfolio</b> 75% Bonds/25% Short-Term Reserves

\*Not available for investment as an Individual Portfolio.

The table above provides a summary of the asset allocation targets for each Age-Based Option, please visit [www.hi529.com](http://www.hi529.com) for up to date information.

## Individual Portfolios

Unlike the Age-Based Option, the assets you invest in an Individual Portfolio will remain in that Investment Option until you instruct the Plan to move it.

If you choose to invest in Individual Portfolios that have a significant weighting in stocks, you should consider moving your assets to more conservative Portfolios as your Beneficiary approaches age of enrollment. Please note that there are limitations on your ability to move assets from one Portfolio to another. See, **Other Account Information—Changing Investment Options for Current Balances and Future Contributions** starting on page 23.

The following tables provides the allocations of the Underlying Funds for each Portfolio in the Plan:

<b>Underlying Fund</b>	<b>Vanguard 87.5% Stock/12.5% Bond Portfolio*</b>	<b>Vanguard Growth Portfolio</b>	<b>Vanguard 62.5% Stock/37.5% Bond Portfolio*</b>	<b>Vanguard Moderate Growth Portfolio</b>	<b>Vanguard 37.5% Stock/62.5% Bond Portfolio*</b>	<b>Vanguard Conservative Growth Portfolio</b>
Vanguard Total Stock Market Index Fund	52.5%	45%	37.5%	30%	22.5%	15%
Vanguard Total International Stock Market Index Fund	35%	30%	25%	20%	15%	10%
<b>Stock Subtotal</b>	<b>87.5%</b>	<b>75%</b>	<b>62.5%</b>	<b>50%</b>	<b>37.5%</b>	<b>25%</b>
Vanguard Total Bond Market II Index Fund	8.75%	17.5%	26.25%	35%	43.75%	52.5%
Vanguard Total International Bond Market Index Fund	3.75%	7.5%	11.25%	15%	18.75%	22.5%
Vanguard Short-Term Inflation-Protected Securities Index Fund	0%	0%	0%	0%	0%	0%
Vanguard Total Bond Market Index Portfolio	0%	0%	0%	0%	0%	0%
<b>Bond Subtotal</b>	<b>12.5%</b>	<b>25%</b>	<b>37.5%</b>	<b>50%</b>	<b>62.5%</b>	<b>75%</b>
Vanguard Federal Money Market Fund	0%	0%	0%	0%	0%	0%
Money Market Subtotal	0%	0%	0%	0%	0%	0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<b>Underlying Fund</b>	<b>Vanguard 12.5% Stock/87.5% Bond Portfolio*</b>	<b>Vanguard Income Portfolio</b>	<b>Vanguard Money Market Portfolio</b>	<b>Vanguard Total Stock Market Index Portfolio</b>	<b>Vanguard Total International Stock Index Portfolio</b>	<b>Vanguard Total Bond Market Index Portfolio</b>
Vanguard Total Stock Market Index Fund	7.5%	0%	0%	100%	0%	0%
Vanguard Total International Stock Market Index Fund	5%	0%	0%	0%	100%	0%
<b>Stock Subtotal</b>	<b>12.5%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>
Vanguard Total Bond Market II Index Fund	61.25%	34.5%	0%	0%	0%	0%
Vanguard Total International Bond Market Index Fund	26.25%	22.5%	0%	0%	0%	0%
Vanguard Short-Term Inflation-Protected Securities Index Fund	0%	18%	0%	0%	0%	0%
Vanguard Total Bond Market Index Portfolio	0%	0%	0%	0%	0%	100%
<b>Bond Subtotal</b>	<b>87.5%</b>	<b>75%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>
Vanguard Federal Money Market Fund	0%	25%	100%	0%	0%	0%
Money Market Subtotal	0%	25%	100%	0%	0%	0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*Portfolio is only available for purchase within the age-based option.



## PORTFOLIO PROFILES

The following descriptions highlight the investment objective, strategy, and main risks of each Portfolio. The Investment Options in HI529 are more likely to meet their goals if each Underlying Fund in which each Investment Option invests achieves its stated investment objectives.

As with any investment, your Investment Options' performance could trail that of other investments or lose money. Each Investment Option has a different level of risk. The information below is provided by Vanguard and only lists the main risks of the Portfolio. Descriptions of the risks listed can be found in the **Explanation of the Risk Factors of the Portfolios** and the **Underlying Funds** section starting on page 40. Each Underlying Fund's current prospectus and statement of additional information contains information not summarized here and identifies additional risks that are not discussed below. You may wish to speak to an investment advisor to understand the specific risks associated with each Portfolio.

### Vanguard 87.5% Stock/12.5% Bond Portfolio

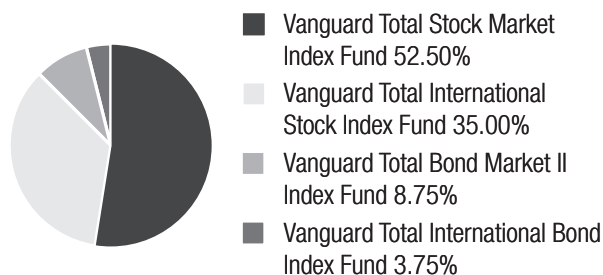
Note: This Portfolio is only available within the Age-Based Option and not as a stand-alone Portfolio.

#### Investment Objective

The Portfolio seeks to provide a high level of capital appreciation and low current income.

#### Investment Strategy

The Portfolio invests in two Vanguard stock index funds and two Vanguard bond index funds, resulting in an allocation of 87.5% of assets to stocks and 12.5% to bonds. The percentages of the Portfolio's assets allocated to each Underlying Fund are:



Through its investment in Vanguard Total Stock Market Index Fund, the Portfolio indirectly invests in U.S. stocks. The Fund employs an indexing investment approach designed to track the performance of the CRSP US Total Market Index, which represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange ("NYSE") and Nasdaq. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry

weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Through its investment in Vanguard Total International Stock Index Fund, the Portfolio also indirectly invests in international stocks. The Fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a float-adjusted, market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The Fund invests all, or substantially all, of its assets in the common stocks included in its target index.

Through its investment in Vanguard Total Bond Market II Index Fund, the Portfolio also indirectly invests in U.S. bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and characteristics. All of the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Total International Bond Index Fund, the Portfolio also indirectly invests in international bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), which provides a broad-based measure of the global, investment-grade, fixed-rate debt markets. The Index includes government, government agency, corporate, and securitized non-U.S. investment-grade fixed income investments, all issued in currencies other than the U.S. dollar and with maturities of more than one year. The Index methodology is not designed to satisfy the diversification requirements of the Investment Company Act of 1940. The Fund will attempt to hedge its foreign currency exposure, primarily through the use of foreign currency exchange forward contracts, in order to correlate to the returns of the Index, which is U.S. dollar hedged. Such hedging is intended to minimize the currency risk associated with investment in bonds denominated in currencies other than the U.S. dollar. The Fund invests by sampling the Index, meaning that it holds a range of securities that, in the aggregate, approximates the full Index in terms of key risk

factors and other characteristics. All of the Fund’s investments will be selected through the sampling process and, under normal circumstances, at least 80% of the Fund’s assets will be invested in bonds included in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

**Investment Risks**

The Portfolio invests 87.5% of its assets in stock index funds and the remaining 12.5% in bond index funds. The Portfolio is proportionately subject to the risks of the underlying stock funds, including stock market risk, country/regional risk, currency risk, and emerging markets risk and the risks of the underlying bond funds, including interest rate risk, income risk, prepayment risk, extension risk, call risk, credit risk, country/regional risk, liquidity risk, currency and currency hedging risk, and derivatives risk. The Portfolio is also subject to investment style risk and index sampling risk, and nondiversification risk.

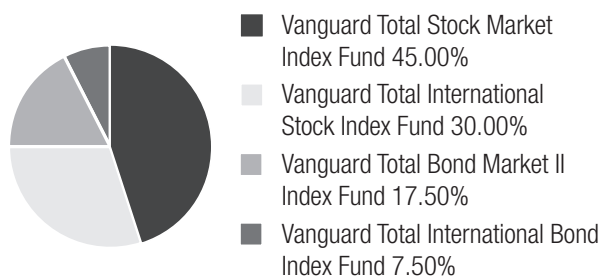
**Vanguard Growth Portfolio**

**Investment Objective**

The Portfolio seeks to provide a high level of capital appreciation and low current income.

**Investment Strategy**

The Portfolio invests in two Vanguard stock index funds and two Vanguard bond index funds, resulting in an allocation of 75% of assets to stocks and 25% to bonds. The percentages of the Portfolio’s assets allocated to each Underlying Fund are:



Through its investment in Vanguard Total Stock Market Index Fund, the Portfolio indirectly invests in U.S. stocks. The Fund employs an indexing investment approach designed to track the performance of the CRSP US Total Market Index, which represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange (“NYSE”) and Nasdaq. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Through its investment in Vanguard Total International Stock Index Fund, the Portfolio also indirectly invests in international stocks. The Fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a float-adjusted, market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The Fund invests all, or substantially all, of its assets in the common stocks included in its target index.

Through its investment in Vanguard Total Bond Market II Index Fund, the Portfolio also indirectly invests in U.S. bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and characteristics. All of the Fund’s investments will be selected through the sampling process, and at least 80% of the Fund’s assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Total International Bond Index Fund, the Portfolio also indirectly invests in international bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), which provides a broad-based measure of the global, investment-grade, fixed-rate debt markets. The Index includes government, government agency, corporate, and securitized non-U.S. investment-grade fixed income investments, all issued in currencies other than the U.S. dollar and with maturities of more than one year. The Index methodology is not designed to satisfy the diversification requirements of the Investment Company Act of 1940. The Fund will attempt to hedge its foreign currency exposure, primarily through the use of foreign currency exchange forward contracts, in order to correlate to the returns of the Index, which is U.S. dollar hedged. Such hedging is intended to minimize the currency risk associated with investment in bonds denominated in currencies other than the U.S. dollar. The Fund invests by sampling the Index, meaning that it holds a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund’s investments will be selected through the sampling process and, under normal circumstances, at least 80% of the Fund’s assets will be invested in bonds included in the Index. The Fund maintains



a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

### Investment Risks

The Portfolio invests 75% of its assets in stock index funds and the remaining 25% in bond index funds. The Portfolio is proportionately subject to the risks of the underlying stock funds, including stock market risk, country/regional risk, currency risk, and emerging markets risk; and the risks of the underlying bond funds, including interest rate risk, income risk, prepayment risk, extension risk, call risk, credit risk, country/regional risk, liquidity risk, currency and currency hedging risk, and derivatives risk. The Portfolio is also subject to investment style risk, index sampling risk, and nondiversification risk.

### Vanguard 62.5% Stock/37.5% Bond Portfolio

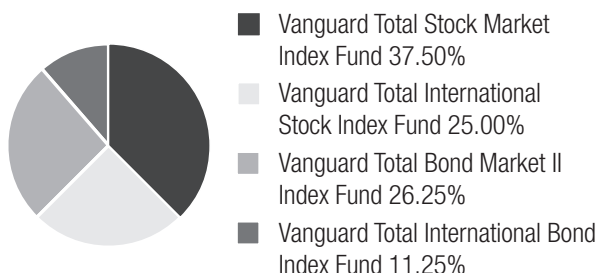
Note: This Portfolio is only available within the Age-Based Option and not as a stand-alone Portfolio.

#### Investment Objective

The Portfolio seeks to provide a moderate level of capital appreciation along with current income.

#### Investment Strategy

The Portfolio invests in two Vanguard stock index funds and two Vanguard bond index funds, resulting in an allocation of 62.5% of assets to stocks and 37.5% to bonds. The percentages of the Portfolio's assets allocated to each Underlying Fund are:



Through its investment in Vanguard Total Stock Market Index Fund, the Portfolio indirectly invests in U.S. stocks. The Fund employs an indexing investment approach designed to track the performance of the CRSP US Total Market Index, which represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange (“NYSE”) and Nasdaq. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Through its investment in Vanguard Total International Stock Index Fund, the Portfolio also indirectly invests in international

stocks. The Fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a float-adjusted, market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The Fund invests all, or substantially all, of its assets in the common stocks included in its target index.

Through its investment in Vanguard Total Bond Market II Index Fund, the Portfolio also indirectly invests in U.S. bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Total International Bond Index Fund, the Portfolio also indirectly invests in international bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), which provides a broad-based measure of the global, investment-grade, fixed-rate debt markets. The Index includes government, government agency, corporate, and securitized non-U.S. investment-grade fixed income investments, all issued in currencies other than the U.S. dollar and with maturities of more than one year. The Index methodology is not designed to satisfy the diversification requirements of the Investment Company Act of 1940. The Fund will attempt to hedge its foreign currency exposure, primarily through the use of foreign currency exchange forward contracts, in order to correlate to the returns of the Index, which is U.S. dollar hedged. Such hedging is intended to minimize the currency risk associated with investment in bonds denominated in currencies other than the U.S. dollar. The Fund invests by sampling the Index, meaning that it holds a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process and, under normal circumstances, at least 80% of the Fund's assets will be invested in bonds included in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

## Investment Risks

The Portfolio invests 62.5% of its assets in stock index funds and the remaining 37.5% in bond index funds. The Portfolio is proportionately subject to the risks of the underlying stock funds, including stock market risk, country/regional risk, currency risk, and emerging markets risk; and the risks of the underlying bond funds, including interest rate risk, income risk, prepayment risk, extension risk, call risk, credit risk, country/regional risk, liquidity risk, currency and currency hedging risk, and derivatives risk. The Portfolio is also subject to investment style risk, index sampling risk, and nondiversification risk.

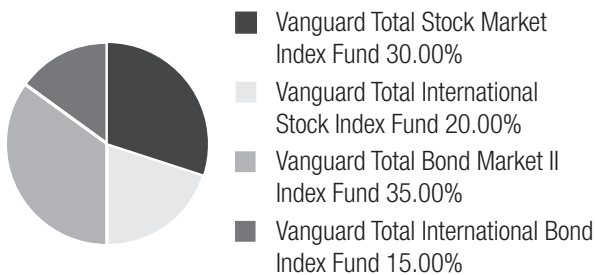
## Vanguard Moderate Growth Portfolio

### Investment Objective

The Portfolio seeks to provide capital appreciation and current income.

### Investment Strategy

The Portfolio invests in two Vanguard stock index funds and two Vanguard bond index funds, resulting in an allocation of 50% of assets to stocks and 50% to bonds. The percentages of the Portfolio's assets allocated to each Underlying Fund are:



Through its investment in Vanguard Total Stock Market Index Fund, the Portfolio indirectly invests in U.S. stocks. The Fund employs an indexing investment approach designed to track the performance of the CRSP US Total Market Index, which represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange ("NYSE") and Nasdaq. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Through its investment in Vanguard Total International Stock Index Fund, the Portfolio also indirectly invests in international stocks. The Fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a float-adjusted, market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States.

The Fund invests all, or substantially all, of its assets in the common stocks included in its target index.

Through its investment in Vanguard Total Bond Market II Index Fund, the Portfolio also indirectly invests in U.S. bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and characteristics. All of the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Total International Bond Index Fund, the Portfolio also indirectly invests in international bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), which provides a broad-based measure of the global, investment-grade, fixed-rate debt markets. The Index includes government, government agency, corporate, and securitized non-U.S. investment-grade fixed income investments, all issued in currencies other than the U.S. dollar and with maturities of more than one year. The Index methodology is not designed to satisfy the diversification requirements of the Investment Company Act of 1940. The Fund will attempt to hedge its foreign currency exposure, primarily through the use of foreign currency exchange forward contracts, in order to correlate to the returns of the Index, which is U.S. dollar hedged. Such hedging is intended to minimize the currency risk associated with investment in bonds denominated in currencies other than the U.S. dollar. The Fund invests by sampling the Index, meaning that it holds a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process and, under normal circumstances, at least 80% of the Fund's assets will be invested in bonds included in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

### Investment Risks

The Portfolio invests 50% of its assets in stock index funds and the remaining 50% in bond index funds. The Portfolio is proportionately subject to the risks of the underlying stock funds, including stock market risk, country/regional risk, currency risk,

and emerging markets risk; and the risks of the underlying bond funds, including interest rate risk, income risk, prepayment risk, extension risk, call risk, credit risk, country/regional risk, liquidity risk, currency and currency hedging risk, and derivatives risk. The Portfolio is also subject to investment style risk, index sampling risk, and nondiversification risk.

## Vanguard 37.5% Stock/62.5% Bond Portfolio

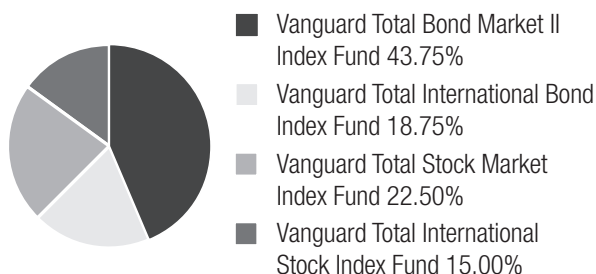
Note: This Portfolio is only available within the Age-Based Option and not as a stand-alone Portfolio.

### Investment Objective

The Portfolio seeks to provide a moderate level of current income along with capital appreciation.

### Investment Strategy

The Portfolio invests in two Vanguard bond index funds and two Vanguard stock index funds, resulting in an allocation of 62.5% of assets to bonds and 37.5% to stocks. The percentages of the Portfolio's assets allocated to each Underlying Fund are:



Through its investment in Vanguard Total Bond Market II Index Fund, the Portfolio indirectly invests in U.S. bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Total International Bond Index Fund, the Portfolio also indirectly invests in international bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), which provides a broad-based measure of the

global, investment-grade, fixed-rate debt markets. The Index includes government, government agency, corporate, and securitized non-U.S. investment-grade fixed income investments, all issued in currencies other than the U.S. dollar and with maturities of more than one year. The Index methodology is not designed to satisfy the diversification requirements of the Investment Company Act of 1940. The Fund will attempt to hedge its foreign currency exposure, primarily through the use of foreign currency exchange forward contracts, in order to correlate to the returns of the Index, which is U.S. dollar hedged. Such hedging is intended to minimize the currency risk associated with investment in bonds denominated in currencies other than the U.S. dollar. The Fund invests by sampling the Index, meaning that it holds a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process and, under normal circumstances, at least 80% of the Fund's assets will be invested in bonds included in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Total Stock Market Index Fund, the Portfolio indirectly invests in U.S. stocks. The Fund employs an indexing investment approach designed to track the performance of the CRSP US Total Market Index, which represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange ("NYSE") and Nasdaq. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Through its investment in Vanguard Total International Stock Index Fund, the Portfolio indirectly invests in international stocks. The Fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a float-adjusted, market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The Fund invests all, or substantially all, of its assets in the common stocks included in its target index.

### Investment Risks

The Portfolio invests 62.5% of its assets in bond index funds and the remaining 37.5% in stock index funds. The Portfolio is subject to the risks of the underlying bond funds, including interest rate risk, income risk, prepayment risk, extension risk, call risk, credit risk, country/regional risk, liquidity risk, currency and currency hedging risk, and derivatives risk; and the risks of the underlying stock funds, including stock market risk, country/regional risk, currency risk, and emerging markets risk. The

Portfolio is also subject to investment style risk, index sampling risk, and nondiversification risk.

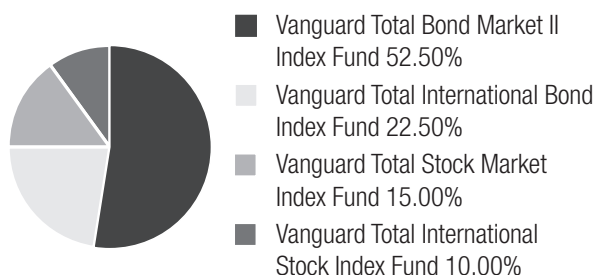
## Vanguard Conservative Growth Portfolio

### Investment Objective

The Portfolio seeks to provide a moderate level of current income along with capital appreciation.

### Investment Strategy

The Portfolio invests in two Vanguard stock index funds and two Vanguard bond index funds, resulting in an allocation of 75% of assets to bonds and 25% to stocks. The percentages of the Portfolio's assets allocated to each Underlying Fund are:



Through its investment in Vanguard Total Bond Market II Index Fund, the Portfolio indirectly invests in U.S. bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Total International Bond Index Fund, the Portfolio also indirectly invests in international bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), which provides a broad-based measure of the global, investment-grade, fixed-rate debt markets. The Index includes government, government agency, corporate, and securitized non-U.S. investment-grade fixed income investments, all issued in currencies other than the U.S. dollar and with maturities of more than one year. The Index methodology is not designed to satisfy the diversification requirements of the Investment Company Act of 1940. The Fund will attempt to

hedge its foreign currency exposure, primarily through the use of foreign currency exchange forward contracts, in order to correlate to the returns of the Index, which is U.S. dollar hedged. Such hedging is intended to minimize the currency risk associated with investment in bonds denominated in currencies other than the U.S. dollar. The Fund invests by sampling the Index, meaning that it holds a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process and, under normal circumstances, at least 80% of the Fund's assets will be invested in bonds included in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Total Stock Market Index Fund, the Portfolio indirectly invests in U.S. stocks. The Fund employs an indexing investment approach designed to track the performance of the CRSP US Total Market Index, which represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange ("NYSE") and Nasdaq. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Through its investment in Vanguard Total International Stock Index Fund, the Portfolio indirectly invests in international stocks. The Fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a float-adjusted, market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The Fund invests all, or substantially all, of its assets in the common stocks included in its target index.

### Investment Risks

The Portfolio invests 75% of its assets in bond funds and the remaining 25% in stock funds. The Portfolio is proportionately subject to the risks of the underlying bond funds, including interest rate risk, income risk, prepayment risk, extension risk, call risk, credit risk, country/regional risk, liquidity risk, currency and currency hedging risk, and derivatives risk; and the risks of the underlying stock funds, including stock market risk, country/regional risk, currency risk, and emerging markets risk. The Portfolio is also subject to investment style risk, index sampling risk, and nondiversification risk.



## Vanguard 12.5% Stock/87.5% Bond Portfolio

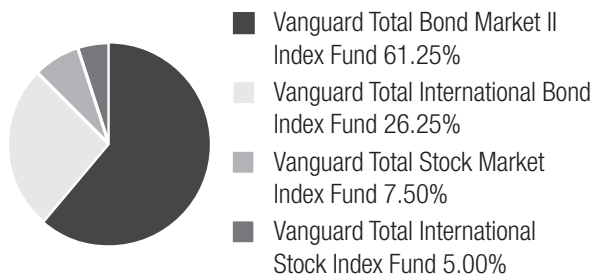
**Note:** This Portfolio is only available within the Age-Based Option and not as a stand-alone Portfolio.

### Investment Objective

The Portfolio seeks to provide a high level of current income and low capital appreciation.

### Investment Strategy

The Portfolio invests in two Vanguard bond index funds and two Vanguard stock index funds, resulting in an allocation of 87.5% of assets to bonds and 12.5% of assets to stocks. The percentages of the Portfolio's assets allocated to each Underlying Fund are:



Through its investment in Vanguard Total Bond Market II Index Fund, the Portfolio indirectly invests in U.S. bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Total International Bond Index Fund, the Portfolio also indirectly invests in international bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), which provides a broad-based measure of the global, investment-grade, fixed-rate debt markets. The Index includes government, government agency, corporate, and securitized non-U.S. investment-grade fixed income investments, all issued in currencies other than the U.S. dollar and with maturities of more than one year. The Index methodology is not designed to satisfy the diversification requirements of the

Investment Company Act of 1940. The Fund will attempt to hedge its foreign currency exposure, primarily through the use of foreign currency exchange forward contracts, in order to correlate to the returns of the Index, which is U.S. dollar hedged. Such hedging is intended to minimize the currency risk associated with investment in bonds denominated in currencies other than the U.S. dollar. The Fund invests by sampling the Index, meaning that it holds a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process and, under normal circumstances, at least 80% of the Fund's assets will be invested in bonds included in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Institutional Total Stock Market Index Fund, the Portfolio also indirectly invests in U.S. stocks. The Fund employs an indexing investment approach designed to track the performance of the CRSP US Total Market Index, which represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange ("NYSE") and Nasdaq. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Through its investment in Vanguard Total International Stock Index Fund, the Portfolio also indirectly invests in international stocks. The Fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a float-adjusted, market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The Fund invests all, or substantially all, of its assets in the common stocks included in its target index.

### Investment Risks

The Portfolio invests 87.5% of its assets in bond index funds and the remaining 12.5% in stock index funds. The Portfolio is proportionately subject to the risks of the underlying bond funds, including interest rate risk, income risk, prepayment risk, extension risk, call risk, credit risk, country/regional risk, liquidity risk, currency and currency hedging risk, and derivatives risk; and the risks of the underlying stock funds, including stock market risk, country/regional risk, currency risk, and emerging markets risk. The Portfolio is also subject to investment style risk, index sampling risk, and nondiversification risk.

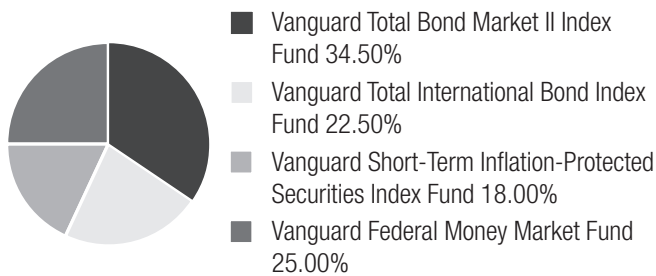
## Vanguard Income Portfolio

### Investment Objective

The Portfolio seeks to provide current income

### Investment Strategy

The Portfolio invests in three Vanguard bond index funds and one Vanguard money market fund, resulting in an allocation of 75% of its assets to investment-grade bonds and 25% of its assets to short-term investments. The percentages of the Portfolio's assets allocated to each Underlying Fund are:



Through its investment in Vanguard Total Bond Market II Index Fund, the Portfolio indirectly invests in U.S. bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Total International Bond Index Fund, the Portfolio also indirectly invests in international bonds. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), which provides a broad-based measure of the global, investment-grade, fixed-rate debt markets. The Index includes government, government agency, corporate, and securitized non-U.S. investment-grade fixed income investments, all issued in currencies other than the U.S. dollar and with maturities of more than one year. The Index methodology is not designed to satisfy the diversification requirements of the Investment Company Act of 1940. The Fund will attempt to hedge its foreign currency exposure, primarily through the use of foreign currency exchange forward contracts, in order to correlate to the returns of the Index, which is U.S. dollar

hedged. Such hedging is intended to minimize the currency risk associated with investment in bonds denominated in currencies other than the U.S. dollar. The Fund invests by sampling the Index, meaning that it holds a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process and, under normal circumstances, at least 80% of the Fund's assets will be invested in bonds included in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Short-Term Inflation-Protected Securities Index Fund, the Portfolio indirectly invests in short-term investments. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) 0-5 Year Index. The Index is a market-capitalization-weighted index that includes all inflation-protected public obligations issued by the U.S. Treasury with remaining maturities of less than 5 years. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the securities that make up the Index, holding each security in approximately the same proportion as its weighting in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the target index, which generally does not exceed 3 years.

Through its investment in Vanguard Federal Money Market Fund, the Portfolio indirectly invests in high-quality, short-term money market instruments. Under normal circumstances, at least 80% of the Fund's assets are invested in securities issued by the U.S. government and its agencies and instrumentalities. Although these securities are high-quality, most of the securities held by the Fund are neither guaranteed by the U.S. Treasury nor supported by the full faith and credit of the U.S. government. To be considered high quality, a security must be determined by Vanguard to present minimal credit risk based in part on a consideration of maturity, portfolio diversification, portfolio liquidity, and credit quality. The Fund maintains a dollar-weighted average maturity of 60 days or less and a dollar-weighted average life of 120 days or less. Government money market funds are required to invest at least 99.5% of its total assets in cash, government securities, and/or repurchase agreements that are collateralized solely by government securities or cash (collectively, government securities). The Fund generally invests 100% of its assets in government securities and therefore will satisfy the 99.5% requirement for designation as a government money market fund.

### Investment Risks

The Portfolio invests 75% of its assets in bond index funds and the remaining 25% in short-term investments. The Portfolio is proportionately subject to the risks of the Underlying Investments, including interest rate risk, income risk, prepayment

risk, extension risk, call risk, credit risk, country/regional risk, liquidity risk, currency and currency hedging risk, derivatives risk, income fluctuation risk, index sampling risk, and manager risk.

**Note about Vanguard Federal Money Market Fund:** The Portfolio could lose money by investing in the Fund. Although the Fund seeks to preserve the value of an investment at \$1 per share, the Fund cannot guarantee that it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

## Vanguard Total Stock Market Index Portfolio Investment

### Objective

The Portfolio seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.

### Investment Strategy

The Portfolio invests 100% of its assets in Vanguard Total Stock Market Index Fund, which employs an indexing investment approach to track the performance of the CRSP US Total Market Index. The Index represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange and Nasdaq. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

**Investment Risks** The Portfolio primarily is subject to stock market risk. The Portfolio also has low levels index sampling risk and derivatives risk.

## Vanguard Money Market Portfolio

### Investment Objective

The Portfolio seeks income consistent with the preservation of principal.

### Investment Strategy.

The Portfolio invests 100% of its assets in Vanguard Federal Money Market Fund. Vanguard Federal Money Market Fund primarily invests in high-quality, short-term money market instruments. Under normal circumstances, at least 80% of the Fund's assets are invested in securities issued by the U.S. government and its agencies and instrumentalities. Although these securities are high-quality, most of the securities held by the Fund are neither guaranteed by the U.S. Treasury nor supported by the full faith and credit of the U.S. government.

To be considered high-quality, a security must be determined by Vanguard to present minimal credit risk based in part on a consideration of maturity, portfolio diversification, portfolio liquidity, and credit quality. The Fund maintains a dollar-weighted average maturity of 60 days or less and a dollar-weighted average life of 120 days or less. Government money market funds are required to invest at least 99.5% of their total assets in cash, government securities, and/or repurchase agreements that are collateralized solely by government securities or cash (collectively, government securities). The Fund generally invests 100% of its assets in government securities and therefore will satisfy the 99.5% requirement for designation as a government money market fund.

### Investment Risks

The Portfolio is subject to income risk, manager risk, and credit risk.

**Note:** Vanguard Income Portfolio and Vanguard Money Market Portfolio could lose money by investing in the Fund. Although the Fund seeks to preserve the value of an investment at \$1 per share, the Fund cannot guarantee that it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

## Vanguard Total International Stock Index Portfolio

### Investment Objective

The Portfolio seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in developed and emerging markets, excluding the United States.

### Investment Strategy

The Portfolio invests 100% of its assets in Vanguard Total International Stock Index Fund. Vanguard Total International Stock Index Fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a float-adjusted market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The Fund invests all, or substantially all, of its assets in the common stocks included in its target index.

### Investment Risks

The Portfolio is subject to the risks of the Underlying Investment, including stock market risk, investment style risk, country/regional risk, currency risk, and emerging markets risk.

## Vanguard Total Bond Market Index Portfolio

### Investment Objective

The Bond Index Portfolio seeks to track the performance of a broad, market-weighted index. In so doing the Portfolio seeks to provide income.

### Investment Strategy

The Bond Index Portfolio invests 100% of its assets in Vanguard Total Bond Market Index Fund. The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. This Index measures a wide spectrum of public, investment grade, taxable fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than one year. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds in the index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between five and ten years.

### Investment Risks

The Portfolio is subject to the risks of the Underlying Investment, including interest rate risk, income risk, prepayment risk, extension risk, call risk, credit risk, index sampling risk, and liquidity risk.

## EXPLANATION OF THE RISK FACTORS OF THE PORTFOLIOS AND THE UNDERLYING FUNDS

**Call Risk.** This is the risk that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupon rates or interest rates before their maturity dates. The Underlying Fund would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Underlying Fund's income.

**Country/Regional Risk.** This is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by foreign companies, governments, or government agencies. Because an Underlying Fund may invest a large portion of its assets in securities of companies or bonds of issuers located in any one country or region, an Underlying Fund's performance may be hurt disproportionately by the poor performance of its investments in that area. Country/regional risk is especially high in emerging markets.

**Credit Risk.** This is the risk that an issuer of a security owned by an Underlying Fund will fail to pay principal or interest in a timely

manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline.

**Currency Risk.** This is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Currency risk is especially high in emerging markets.

**Currency and Currency Hedging Risk.** Vanguard Total International Bond Index Fund seeks to mimic the performance of foreign bonds without regard to currency exchange rate fluctuations. To accomplish this goal, the Underlying Fund attempts to offset, or hedge, its foreign currency exposure by entering into currency hedging transactions, primarily through the use of foreign currency exchange forward contracts (a type of derivative). However, it generally is not possible to perfectly hedge the Underlying Fund's foreign currency exposure. The Underlying Fund will decline in value if it underhedges a currency that has weakened or overhedges a currency that has strengthened relative to the U.S. dollar. In addition, the Underlying Fund will incur expenses to hedge its foreign currency exposure. By entering into currency hedging transactions, the Underlying Fund may eliminate any chance to benefit from favorable fluctuations in relevant currency exchange rates. The Underlying Fund's use of foreign currency exchange forward contracts also subjects the Underlying Fund to counterparty risk, which is the chance that the counterparty to a currency forward contract with the Underlying Fund will be unable or unwilling to meet its financial obligations.

**Derivatives Risk.** An Underlying Fund may invest in derivatives, which may involve risks different from, and possibly greater than, those of investments directly in the underlying securities or assets.

**Emerging Markets Risk.** This is the chance that the stocks of companies located in emerging markets will be substantially more volatile, and substantially less liquid, than the stocks of companies located in more developed foreign markets because, among other factors, emerging markets can have greater custodial and operational risks; less developed legal, tax, regulatory, and accounting systems; and greater political, social, and economic instability than developed markets.

**Extension Risk.** This is the chance that during periods of rising interest rates, certain debt securities will be paid off substantially more slowly than originally anticipated, and the value of those securities may fall. This will lengthen the duration or average life of those securities and delay an Underlying Fund's ability to reinvest proceeds at higher interest rates, making an Underlying Fund more sensitive to changes in interest rates. For Underlying Funds that invest in mortgage-backed securities, extension risk is the chance that during periods of rising interest rates, homeowners will repay their mortgages at slower rates.

**Income Fluctuation Risk.** This is the chance that an Underlying Fund's income distributions will fluctuate considerably more than the income distributions of a typical bond fund. For Vanguard



Inflation-Protected Securities Fund, income fluctuations associated with changes in interest rates are expected to be low; however, income fluctuations associated with changes in inflation rates are expected to be high.

**Income Risk.** This is the risk that falling interest rates will cause an Underlying Fund's income to decline. Income risk is generally higher for short-term bond funds and lower for long-term bond funds.

**Index Sampling Risk.** This is the chance that the securities selected for an Underlying Fund, in the aggregate, will not provide investment performance matching that of the target index.

**Interest Rate Risk.** This is the chance that bond prices will decline because of rising interest rates. The prices of short- and intermediate-term bonds are generally less sensitive to interest rate changes than are the prices of long-term bonds.

**Investment Style Risk.** For Underlying Funds that invest in foreign stocks, this is the chance that returns from non-U.S. small- and mid-capitalization stocks will trail returns from global stock markets. Historically, non-U.S. small- and mid-cap stocks have been more volatile in price than the large cap stocks that dominate the global markets, and they often perform quite differently.

**Liquidity Risk.** This is the chance that an Underlying Fund may not be able to sell a security in a timely manner at a desired price.

**Manager Risk.** This is the chance that poor security selection will cause an Underlying Fund to underperform relevant benchmarks or other funds with a similar investment objective.

**Prepayment Risk.** This is the chance that during periods of falling interest rates, homeowners will refinance their mortgages before their maturity dates, resulting in prepayment of mortgage-backed securities held by an Underlying Fund. An Underlying Fund would then lose any price appreciation above the mortgage's principal and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Underlying Fund's income.

**Nondiversification Risk.** This is the chance that an Underlying Fund's performance may be hurt disproportionately by the poor performance of bonds issued by just a few issuers or even a single issuer. Vanguard Total International Bond Index Fund is considered nondiversified, which means that it may invest a significant percentage of its assets in bonds issued by a small number of issuers as compared with diversified mutual funds.

**Stock Market Risk.** This is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of mid- and small-cap stocks often fluctuate more than those of large company stocks. In addition, an Underlying Fund's target index may, at times, become focused in stocks of a particular market sector, which could subject an Underlying Fund to proportionately higher exposure to the risks of that sector. For Underlying Funds that invest in foreign stocks: investments in foreign stocks can be riskier than U.S. stock investments. Foreign stocks may be more volatile and less liquid than U.S. Stocks. The prices of foreign stocks and the prices of U.S. stocks may move in opposite directions.

## INVESTMENT PERFORMANCE

The following table shows how the performance of the Portfolios has varied over the periods indicated. The performance data includes each Portfolio's total annual asset-based fee, but does not include other charges associated with an investment in HI529. See **Fees and Expenses** on page 21.

The performance of the Portfolios will differ from the performance of the Underlying Funds. Because the Portfolios have higher expense ratios than those of the Underlying Funds, over comparable periods of time, all other things being equal, a Portfolio would have lower performance than its comparable Underlying Fund. (Of course, the Underlying Funds do not offer the same tax advantages as the Portfolios.) Performance differences also are caused by differences in the trade dates of Portfolio purchases. The Portfolio will use your money to

purchase shares of an Underlying Fund. However, the trade date for the Portfolio's purchase of Underlying Fund shares typically will be one business day after the trade date for your purchase of Units. Depending on the amount of cash flow into or out of the Portfolio and whether the Underlying Fund is going up or down in value, this timing difference may cause the Portfolio's performance either to trail or exceed the Underlying Fund's performance. **The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investor's portfolio units, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit [www.hi529.com](http://www.hi529.com).**

AVERAGE ANNUAL RETURNS AS OF SEPTEMBER 30, 2019						
NAME	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION	INCEPTION DATE
Growth Portfolio	3.20	8.55	6.96	8.97	6.00	11/16/2007
Moderate Growth Portfolio	5.67	6.55	5.67	7.10	5.39	11/16/2007
Conservative Growth Portfolio	7.79	4.36	4.19	5.09	4.51	11/16/2007
Income Portfolio	6.63	1.60	1.80	2.13	2.46	11/16/2007
Total Stock Market Index Portfolio	2.26	12.06	9.64	12.31	7.81	11/16/2007
Money Market Portfolio	1.73	0.90	0.54	0.27	0.48	11/16/2007
87.5% Stock/12.5% Bond Portfolio*	--	--	--	--	--	5/10/2019
62.5% Stock/37.5% Bond Portfolio*	--	--	--	--	--	5/10/2019
37.5% Stock/62.5% Bond Portfolio*	--	--	--	--	--	5/10/2019
12.5% Stock/87.5% Bond Portfolio*	--	--	--	--	--	5/10/2019
Vanguard Total International Stock Index Portfolio*	--	--	--	--	--	5/10/2019
Vanguard Total Bond Market Index Portfolio*	--	--	--	--	--	5/10/2019

\*Portfolio commenced operations on May 10, 2019. As a result, fund performance is not illustrated in this table at this time.

# IMPORTANT TAX INFORMATION

## FEDERAL TAX ISSUES

### AT A GLANCE

#### In this section, you will learn more about:

Investment Options and Underlying Funds in HI529  
Federal tax benefits  
Gift/Estate Tax Limits  
Transfers and Rollovers

**General.** This section describes some of the federal tax considerations to be aware of when investing in HI529. This information is by no means exhaustive and is not meant as tax advice. The federal tax consequences associated with an investment in HI529 can be complex. Additionally, HI529 should not be used for the purposes of avoiding federal taxes or penalties. **Before you invest, you may wish to consult an independent tax advisor regarding the application of tax laws to your particular circumstances.**

States other than Hawaii may impose taxes and/or penalties on investments in or withdrawals from a Qualified Tuition Program offered by those other states. These penalties and taxes may, in certain cases, have the effect of offsetting some or all of the federal tax benefits discussed below.

**Risk of Tax Law Changes.** The IRS has issued only proposed regulations and certain other guidance under Section 529. See **IRS Regulations Not Final** on page 26, for a discussion of the risk of tax law changes.

Earnings grow tax-deferred and withdrawals are federal tax-free if used for Qualified Expenses.

**Federal Tax-Deferred and Tax-Free Earnings.** Any earnings on contributions are tax-deferred, which means your Account assets grow free of current federal income tax and are tax-free if withdrawn to pay for Qualified Expenses, as described below.

**Federal Taxes:** The federal taxation of your HI529 Account can be complex. Make sure you understand the federal tax benefits and obligations before you invest.

**Federal Gift/Estate Tax.** If your contributions, together with any other gifts to your Beneficiary over and above those made to your Account, do not exceed \$15,000 per year (\$30,000 for married couples making a proper election), no gift tax is imposed for that year. If you wish to move assets into tax-advantaged investments more quickly, you can make gifts of up to \$75,000 in a single year (\$150,000 for married

couples making a proper election) and then elect to apply the contribution against the annual exclusion equally over a five-year period. This allows you to move assets out of your estate more quickly where those assets can grow tax free of federal income tax. For purposes of Federal estate tax, Account assets are generally considered part of your Beneficiary's – and not your estate. There are some exceptions as well as further rules regarding gifts and the generation-skipping transfer tax that may apply in the case of withdrawals, changes of Beneficiaries, and other situations. The state law treatment of gift and estate taxes also varies. You should check with your tax advisor for the specific effect of federal and state (if any) gift tax and generation-skipping transfer tax on your situation.

**Transfers and Rollovers.** You can transfer assets for the same Beneficiary from another Qualified Tuition Program to your Account without adverse tax consequences if no other rollovers have occurred within the prior twelve (12) months, and you contribute the withdrawal into another Account or Qualified Tuition Program within sixty (60) days of receipt. Changes in your Beneficiary could potentially cause federal gift and/or generation-skipping transfer tax consequences to you and your Beneficiary. Because gift and generation-skipping transfer tax issues are complex, you should consult with your tax advisor.

**Refunded Distributions.** For a discussion on federal tax considerations, see **Refunded Distributions** on page 13.

**Coverdell ESA.** Generally, contributions may be made to both a Coverdell ESA (defined in Section 530 of the Code) and a Qualified Tuition Program in the same year on behalf of the same Beneficiary. However, the same educational expenses cannot be claimed for a tax-exempt withdrawal from both the Coverdell ESA and the Qualified Tuition Program. See **Moving Assets from a Coverdell ESA** starting on page 13 to learn more about moving assets from a Coverdell ESA into an Account in HI529.

**Education Tax Credits.** If eligible, you can claim the American Opportunity Tax Credit and Lifetime Learning Tax Credits (collectively, Education Tax Credits) in the same year that a tax-exempt withdrawal is taken from a Qualified Tuition Program provided the withdrawal is not used for the same educational expenses for which the Education Tax Credit was claimed.

**All Withdrawals.** Withdrawals may be comprised of: (1) principal, which is not taxable, and (2) earnings, if any, which may be subject to federal income tax. We determine the earnings portion applying IRS rules and report to the IRS and the recipient. However, we do not report whether the withdrawal is a Qualified Withdrawal or a Non-Qualified Withdrawal. The earnings portion of a withdrawal will generally be calculated on an Account-by-Account basis. If you don't select a specific

Investment Option(s) from which to take a withdrawal, the withdrawal will be taken proportionally from all the Portfolios in the Account. If you request that a withdrawal be taken from one or more specific Portfolio(s), the earnings, for tax reporting purposes, will be calculated based on the earnings of all the Portfolios in your Account. You are responsible for preparing and filing the appropriate forms when completing your federal income tax return and for paying any applicable tax directly to the IRS or your state tax authority.

**Qualified Withdrawals.** If you take a withdrawal from your Account to pay for Qualified Expenses, your Beneficiary generally does not have to include as income any earnings attributable to that withdrawal for the applicable taxable year if the total withdrawals for that year are less than or equal to the total withdrawals for Qualified Expenses for that year minus any tax-free Educational Assistance and expenses considered in determining any Education Tax Credits claimed for that taxable year.

**You, or your Beneficiary, as applicable, are responsible for determining the amount of the earnings portion of any withdrawal from your Account that may be taxable and are responsible for reporting any earnings that must be included in taxable income.** You should consult with your tax advisor and IRS Publication 970 available at <http://www.irs.gov/publications/p970> for further information.

**Other Withdrawals.** For federal income tax purposes, you or your Beneficiary may not be subject to federal and state income tax on the earnings portion of a withdrawal in the event of the death or Disability of a Beneficiary, the receipt by the Beneficiary of a scholarship, grant, or other tax-free Educational Assistance, attendance at a U.S. military academy, or a Refunded Withdrawal. The withdrawals discussed in this paragraph are not subject to the Federal Penalty Tax. For a detailed discussion of each of these situations, see **Other Withdrawals** starting on page 15.

**Non-Qualified Withdrawals.** You, or your Beneficiary, as applicable, are subject to federal and state income tax and the Federal Penalty Tax on the earnings portion of any withdrawal that is not exempt from tax as described above.

**Determination of Taxable Earnings.** The earnings portion of a withdrawal will generally be calculated on an Account-by-Account basis. If you do not select a specific Investment Option(s) from which to take a withdrawal, the withdrawal will be taken proportionally from all the Portfolios in the Account. If you request that a withdrawal be taken from one or more specific Portfolio(s), the earnings, for tax reporting purposes, will be calculated based on the earnings of all the Investment Options in your Account.

**Records Retention.** Under current federal tax law, you are responsible for obtaining and retaining records, invoices, or other documentation relating to your Account, including records adequate to substantiate, among other things, the following: (i) expenses which you claim are Qualified Expenses, (ii) the death or Disability of a Beneficiary, (iii) the receipt by a Beneficiary of Educational Assistance, (iv) the attendance by a Beneficiary at a U.S. military academy, or (v) a Refunded Withdrawal.

**Tax Reports.** The Plan will report withdrawals and other matters to the IRS, the State of Hawaii Department of Taxation, Distributees, and other persons, if any, to the extent required pursuant to federal, state, or local law, regulation, or ruling. Under federal law, a separate report will be filed by the Program Manager with the IRS reporting withdrawals from an Account to each Distributee reflecting, among other information, the earnings portion withdrawn during the calendar year to which the report pertains.

## STATE TAX ISSUES

### AT A GLANCE

#### In this section, you will learn more about:

Gift/Estate tax limits  
State tax benefits

**General.** The Hawaii State tax consequences associated with an investment in HI529 can be complex. HI529 should not be used for the purposes of avoiding state tax or tax penalties. This discussion is by no means exhaustive and is not meant as tax advice. **Before you invest, you may wish to consult an independent tax advisor regarding the application of tax laws to your particular circumstances.**

The tax benefits described in this Plan Disclosure Statement generally relate to federal tax benefits. State tax treatment may differ based on the state or states in which you pay taxes. You should consult with your tax advisor about any state or local taxes, including income, gift, estate and GST taxes.

**Persons Subject to Hawaii State Tax.** Hawaii does not currently offer a state tax deduction for Contributions to the Plan. The Hawaii Revised Statutes do not currently contain provisions directly addressing the state income tax consequences of investments in Accounts under the Plan and of withdrawals from such Accounts. The starting point for calculating the Hawaii state income tax is federal taxable income, with certain state

adjustments. Thus, for purposes of calculating state income tax under Hawaii law, an Account Owner or Beneficiary will not recognize income on earnings that are not distributed from the Plan. In addition, under current Hawaii law, the earnings portion of a Qualified Withdrawal will not be subject to Hawaii income tax.

### Treatment of Qualified K-12 and ABLE Rollover Distributions.

Despite changes made to Section 529, withdrawals for K-12 Tuition Expenses and rollover distributions from a 529 Plan into an ABLE Account will be treated as Non-Qualified Withdrawals for Hawaii State income tax purposes. As such, earnings will be subject to Hawaii State income taxes. Although the State of Hawaii Department of Taxation has not provided specific guidance to taxpayers, future action by the Hawaii state legislature will be required to (i) conform the Hawaii state tax law to the recently enacted federal tax reform legislation and (ii) begin treating withdrawals for K-12 Tuition Expenses and rollover distributions from a 529 Plan into an ABLE account as Qualified Withdrawals for purposes of Hawaii state income tax.

If you are not a resident of Hawaii, the state(s) where you pay income tax may differ in its state income tax treatment of K-12 Expenses and rollovers distributions from HI529 into an ABLE Account. Account Owners in other states should seek guidance from the state in which they pay taxes.

## GENERAL INFORMATION

**Customer Identification Verification.** When completing an Enrollment Form, we will ask for your name, permanent U.S. street address, date of birth, and Social Security number. If you represent a trust or other entity, we require a tax identification number and information for the person(s), such as Custodian, agent under power of attorney, trustee, or corporate officer, opening your Account. We may also require other information to properly verify your identity. If we do not receive all of the required information, there could be a delay in opening your Account. If, after making reasonable efforts, we are unable to verify your identity, we may take action permitted by law, without prior notice to you, including rejecting contribution and transfer requests, suspending Account services, or closing your Account and issuing a refund at the Unit Value calculated the day your Account is closed. Any refund made under these circumstances may be considered a Non-Qualified Withdrawal. The risk of market loss, tax implications, and any other expenses, as a result of the liquidation, will be solely your responsibility.

**Documents in Good Order.** To process any transaction in the Plan, all necessary documents must be in good order, which means executed when required and properly, fully, and accurately completed.

**Purpose of Qualified Tuition Programs.** Qualified Tuition Programs are intended to be used only to save for Qualified Higher Education Expenses or K-12 Tuition Expenses. Qualified Tuition 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. You may wish to seek tax advice from an independent tax advisor based on your own particular circumstances.

**Your Account.** A completed Enrollment Form includes an acknowledgement that you agree to be bound by the terms and conditions of this Plan Disclosure Statement and the Enrollment Form. The Plan Disclosure Statement and the Enrollment Form, when executed by you, are considered the entire agreement between you and the Plan with respect to your Account. By signing the Enrollment Form, you are requesting that we open an Account for the benefit of your Beneficiary. Your Account, the Plan Disclosure Statement and your signed Enrollment Form are subject to the Act and any rules we may adopt under the Act. Your Account assets will be held, subject to the Act and the Code, the Plan Disclosure Statement, and your signed Enrollment Form, for the exclusive benefit of you and your Beneficiary.

**Changes to Your Account.** We are not responsible for the accuracy of the documentation you submit to us to make changes to your Account, whether submitted online or in paper form. If acceptable, notices, changes, Portfolios, and elections relating to your Account will take effect within a reasonable time after we have received the appropriate documentation in good order, unless we notify you otherwise.

**Accuracy of Information in Plan Disclosure Statement and Changes to the Plan Disclosure Statement.** The information in this Plan Disclosure Statement is believed to be accurate as of the cover date but is subject to change without notice. We may amend the Plan Disclosure Statement from time to time to comply with changes in the law or regulations or if we determine that it is in the Plan's best interest to do so. However, we will not retroactively modify existing terms and conditions applicable to an Account in a manner adverse to you or your Beneficiary, except to the extent necessary to assure compliance with applicable state and federal laws or regulations or to preserve the favorable tax treatment for you, your Beneficiary, the State Administrators, or HI529. No one is authorized to provide information that is different from the information in the most current form of this Plan Disclosure Statement and any subsequent Supplements.

**Keep Legal Documents for Your Records.** You should retain this Plan Disclosure Statement and all Supplements to the Plan Disclosure Statement for your records. If material modifications are made to HI529, a revised Plan Disclosure Statement or Supplement will be sent to your address of record or notice sent to you by email if you choose to receive documents electronically. In these cases, the new Supplement and/or Plan Disclosure Statement will supersede all prior versions. Please note that we periodically match and update the addresses of record against a change of address database maintained by the U.S. Postal Service to reduce the possibility that items sent First Class Mail, such as Account statements, will be undeliverable.

**Changes to State Statutes; Adoption of Rules.** The Hawaii State legislature may, from time to time, pass legislation, which may directly or indirectly affect the terms and conditions of HI529 and the Plan Disclosure Statement.

**Guide to Interpretation.** The Plan is intended to qualify for the tax benefit of Section 529. Notwithstanding anything in the Plan Disclosure Statement to the contrary, the terms and conditions applicable to your Account will be interpreted and/or amended to comply with the requirements of Section 529 and applicable regulations.

**Continuing Disclosure.** Certain financial information and operating data relating to the Plan will be filed by or on behalf of the Plan in electronic form with the Electronic Municipal Market Access system (EMMA) maintained by the MSRB pursuant to Rule 15c2-12 as promulgated by the SEC under the Securities Exchange Act of 1934. Notices of certain enumerated events will be filed by or on behalf of the Plan with the MSRB.

**Independent Registered Public Accounting Firm.** We have engaged an independent public accounting firm to audit the financial statements for the Plan.



**Privacy Policy.** In order for you to enroll and participate in the Plan, it may be necessary for you to provide personally identifiable information to the Plan Administrators. All Account Owner and Beneficiary information is treated confidentially, including all personally identifiable information voluntarily provided by you. Your personally identifiable information will not be disclosed or used without your consent for purposes other than those for which you provided the information, except as authorized or required by law, including any court or administrative order. Please note that the fact that information provided by you is personally identifiable does not mean that it will remain private in all circumstances. Personally identifiable information maintained by the government is a “government record” as defined in Chapter 92F, Hawaii Revised Statutes. Access, including public access, to government records is controlled primarily by Chapter 92F, Hawaii Revised Statutes. In addition, there may be other laws that require public or governmental access to personally identifiable information. Measures to guard against loss, misuse, alteration, or unauthorized access to personally identifiable information have been instituted by the Plan Administrators.

**Custodial Arrangements.** The Bank of New York Mellon (Mellon) is the Plan’s custodian. As custodian, Mellon is responsible for maintaining the Plan’s assets.

**Creditor Protection under U.S. Laws.** Federal bankruptcy law excludes from property of the debtor’s bankruptcy estate certain assets that have been contributed to accounts in a Qualified Tuition Program. However, bankruptcy protection in this respect is limited and has certain conditions. For a Qualified Tuition Program account to be excluded from the debtor’s estate, the Beneficiary must be a child, stepchild, grandchild, or step-grandchild (including a legally adopted child or a foster child) of the individual who files for bankruptcy protection. In addition, contributions made to all Qualified Tuition Program accounts for the same Beneficiary are protected from becoming property of the debtor’s estate as follows:

- contributions to all Qualified Tuition Program accounts for the same beneficiary more than seven-hundred twenty (720) days before a federal bankruptcy filing are completely protected;
- contributions to all Qualified Tuition Program accounts for the same beneficiary more than three hundred and sixty-five (365) days but less than seven hundred and twenty (720) days before a federal bankruptcy filing are, as of April 1, 2019, protected up to six-thousand eight-hundred twenty-five dollars (\$6,825.00), an amount currently revised every three (3) years by the Judicial Conference of the United States (and currently scheduled to be adjusted on April 1, 2022); and
- contributions to all Qualified Tuition Program accounts for the same beneficiary less than three hundred sixty-five (365) days before a federal bankruptcy filing are not

protected against creditor claims in federal bankruptcy proceedings.

Federal bankruptcy law permits a debtor to exempt certain specified assets from liability notwithstanding the assets being property of the debtor’s estate. Under federal bankruptcy law, assets held in a 529 plan account that are property of the debtor’s estate are not exempt from debt for domestic support obligations. This information is not meant to constitute individual tax or bankruptcy advice, and you should consult with your own advisors concerning your individual circumstances.

**Representation.** All factual determinations regarding you or your Beneficiary’s residency, Disabled status, and any other factual determinations regarding your Account will be made by the Plan based on the facts and circumstances of each case.

**Severability.** In the event that any clause or portion of the Plan Disclosure Statement or the Enrollment Form, including your representations, warranties, certifications, and acknowledgements, is found to be invalid or unenforceable by a valid court order, that clause or portion will be severed from the Plan Disclosure Statement or the Enrollment Form, as applicable, and the remainder of the Plan Disclosure Statement or Enrollment Form, as applicable, will continue in full force and effect as if such clause or portion had never been included.

**Hawaii Law.** The Plan is created under the laws of the State of Hawaii. It is governed by, construed, and administered in accordance with the laws of the State. The venue for disputes and all other matters relating to the Plan will be in the State of Hawaii.

**Claims; Disputes.** All decisions and interpretations by the Plan Administrators in connection with the operation of the Plan will be final and binding upon you, the Beneficiary, and any other person affected. Any claim by you or your Beneficiary against the Plan Administrators, individually or collectively, with respect to your Account will be made solely against the assets in your Account. The obligations of HI529 under an Enrollment Form are moneys received from you and earnings and/or losses from your Account investments, and neither you nor your Beneficiary will have recourse against the Plan Administrators, collectively or individually, in connection with any right or obligations arising out of an Account. Assets in your Account are not an obligation of the State. Accounts are not insured by the State and neither the principal contributed nor the investment return is guaranteed by the State of Hawaii or Plan Administrators. Establishment of an Account does not guarantee that a Beneficiary will be admitted to an Eligible Educational Institution or be allowed to continue enrollment at or graduate from an Eligible Educational Institution after admission. Establishing an Account does not establish Hawaii residence for a Beneficiary. The Plan Administrators do not guarantee that amounts saved in an Account will be sufficient to cover the Qualified Expenses of a Beneficiary. All obligations under your Account and the Plan Disclosure Statement are legally binding contractual obligations of the Plan only.

## PLAN GOVERNANCE

**HI529.** HI529 is a Qualified Tuition Program established pursuant to the Act. The purpose of HI529 is to enable families to save for college tuition and other higher education expenses through 529 college savings accounts. Under the Act, the Director has those powers as may be reasonably necessary to administer HI529, including the power and authority to make and enter into contracts necessary for the administration of the Plan, to enter into Participation Agreements with Account Owners, and to promulgate reasonable rules and regulations for the administration of the Plan.

**Program Manager.** Ascensus College Savings Recordkeeping Services, LLC (ACSR) serves as the Program Manager of HI529. ACSR and its affiliates (collectively, Ascensus) have

overall responsibility for the day-to-day operations of the HI529 including recordkeeping and administrative services. The Management Agreement between the Director on behalf of the State and ACSR is now effective and will expire in 2028, or earlier as provided in the Management Agreement.

**Program Manager Address.** 95 Wells Ave, Suite 155, Newton, MA 02459. All general correspondence, however, should be addressed to HI529, P.O. Box 219779, Kansas City, MO 64121-9779.

**Investment Manager.** The Vanguard Group, Inc. ("Vanguard") serves as Investment Manager.

## GLOSSARY OF DEFINED TERMS

**Defined Terms.** Terms used in this Plan Disclosure Statement have the following meanings:

**ABLE Account:** An account, as defined in 529A(e)(6) of the Code, maintained under a qualified ABLE Program.

**ABLE Program:** A program designed to allow individuals with disabilities to save for qualified Disability expenses. Qualified ABLE Programs are sponsored by states or state agencies and are authorized by Section 529A of the Code.

**Account:** An account in HI529 established by an Account Owner for a Beneficiary.

**Account Owner or you:** An individual 18 years or older, an emancipated minor (as determined by State law), a trust, an estate, a partnership, an association, a company, a corporation, or a qualified Custodian under the UGMA/UTMA, who signs an Enrollment Form establishing an Account. In certain cases, the Account Owner and Beneficiary may be the same person.

**ACH:** Automated Clearing House.

**ACSR:** Ascensus College Savings Recordkeeping Services, LLC

**Act:** Chapter 256 of the Hawaii Revised Statutes, as amended.

**Ascensus:** Ascensus is used to refer collectively or individually, as the case requires, to ACSR and its affiliates.

**Beneficiary:** The individual designated by an Account Owner, or as otherwise provided in writing to HI529, to receive the benefit of an Account.

**Code:** Internal Revenue Code of 1986, as amended. References to various Sections of the Code throughout this Plan Disclosure Statement include Section 529 as it currently exists and as it may subsequently be amended, and any regulations adopted under it.

**Custodian:** The individual who opens an Account on behalf of a minor Beneficiary with assets from an UGMA/UTMA account. Generally, the Custodian will be required to perform all duties of the Account Owner with regard to the Account until the Beneficiary attains the age of majority, is otherwise emancipated, or the Custodian is released or replaced by a valid court order. The Custodian of an Account funded from an UGMA/UTMA account may not change the Account Owner or Beneficiary.

**Department:** The State of Hawaii's Department of Budget and Finance, which has the responsibility for administering the Plan.

**Director:** The State of Hawaii Director of Finance of the Department of Budget and Finance.

**Disabled or Disability:** Condition of a Beneficiary who is unable to do any substantial gainful activity because of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and

indefinite duration. We will require medical documentation to verify this condition.

These terms are used often throughout this Plan Disclosure Statement.

**Educational Assistance:** Educational Assistance generally refers to the tax-free portion of any scholarships or fellowships, Pell or other grants; employer-provided educational assistance, veteran's educational assistance, and other tax-free educational assistance (other than gifts or inheritances). See IRS Publication 970 online at <http://www.irs.gov/publications/p970/ch08.html> for more information.

**Education Tax Credits:** American Opportunity Tax Credit or Lifetime Learning Tax Credits. These are federal tax credits available to eligible students to offset qualified higher education expenses.

**EFT or Electronic Funds Transfer:** A service in which an Account Owner authorizes HI529 to transfer money from a bank or other financial institution to an Account in HI529.

**Eligible Educational Institution:** An institution as defined in Section 529(e) of the Code. Generally, the term includes accredited postsecondary educational institutions or vocational schools in the United States and some accredited postsecondary educational institutions or vocational schools abroad offering credit toward a bachelor's, an associate's, a graduate level or professional degree, or another recognized postsecondary credential. The institution must be eligible to participate in a student financial aid program under Title IV of the Higher Education Act of 1965 (20 U.S.C. §1088). To determine if a school is an Eligible Education Institution, search for its Federal School Code (identification number for Title IV financial aid programs) at: <https://fafsa.ed.gov/>.

**Enrollment Form:** A participation agreement between an Account Owner and the Plan, establishing the obligations of each and prepared in accordance with the provisions of HI529.

**Federal Penalty Tax:** A federal surtax required by the Code that is equal to 10% of the earnings portion of a Non-Qualified Withdrawal.

**Federal Qualified Withdrawal:** A withdrawal from an Account that is used to pay Qualified Expenses of the Beneficiary.

**Fees:** The Underlying Fund Fee, Plan Management Fee, Maintenance Fee (as applicable), and any other fees, costs, expenses, and charges associated with HI529.

**Hawaii or State:** The State of Hawaii.

**Hawaii Resident Account:** Accounts held by Account Owners who are residents of Hawaii and have a Hawaii permanent or temporary mailing address on file with the Plan.

**IRS:** Internal Revenue Service.

**Investment Options:** The Age-Based and Individual Portfolio Investment Options available to Account Owners in HI529.

**Investment Manager:** The Vanguard Group, Inc.

**K-12 Tuition Expenses:** Expenses for tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school, not to exceed \$10,000 in withdrawals per tax year per Beneficiary in the aggregate across all 529 Plans making withdrawals for that same Beneficiary in such year.

**HI529:** The Qualified Tuition Program offered by the State of Hawaii.

**Management Agreement:** A program management agreement between the Director on behalf of the State and ACSR to provide HI529 certain recordkeeping and administrative services on behalf of the Plan. The Management Agreement is now effective and will expire in 2028, or earlier as provided in the Management Agreement.

**Maximum Contribution Limit:** The maximum aggregate balance of all Accounts for the same Beneficiary, which will limit the amount of contributions that may be made to Accounts for any one Beneficiary, as required by Section 529. The current Maximum Contribution Limit is \$305,000.

**Member of the Family:** An individual as defined in Section 529(e)(2) of the Code who is related to the Beneficiary including:

1. a child or stepchild;
2. a sibling, stepsibling, or half-sibling (i.e., brother or sister);
3. a parent, or stepparent;
4. a grandparent;
5. a grandchild;
6. a niece or nephew;
7. an aunt or uncle;
8. a first cousin;
9. a mother- or father-in-law, son- or daughter-in-law, brother- or sister-in-law; or
10. a spouse of any individual listed (except first cousin).

For purposes of determining who is a Member of the Family, a legally adopted child or a foster child of an individual is treated as the child of that individual by blood.

**MSRB:** Municipal Securities Rulemaking Board.

**NAV:** Net Asset Value.

**Non-Qualified Withdrawals:** A withdrawal from an Account that is not a Qualified Withdrawal or an Other Withdrawal.

**Non-Resident Accounts:** Accounts held by Account Owners who are not Hawaii Residents and do not have a Hawaii permanent or temporary mailing address on file with the Plan.

**Other Withdrawal:** A withdrawal from your Account that is

- paid to the estate of the Beneficiary (or to a beneficiary other than the Beneficiary ) on or after the death of the Beneficiary;
- by reason of the Disability of the Beneficiary;
- included in income because the Beneficiary received Educational Assistance, but only to the extent of the Educational Assistance;
- by reason of the Beneficiary's attendance at a U.S. military academy, to the extent of the costs of advanced education (as defined in 10 U.S.C. 2005(d)(3)) attributable to that attendance;
- included in income only because of the use of Education Credits as allowed under federal income tax law; or
- a Rollover Distribution to an ABLE Account another Qualified Tuition Program that is not sponsored by the State of Hawaii in accordance with the Code.

**Plan:** HI529.

**Plan Administrators:** The State, the Department, the Director, any other agency of the State (including their respective affiliates and agents), the Program Manager (including its affiliates and agents), or the Investment Manager (including their respective affiliates and agents), and any other counsel, advisor, or consultant retained by, or on behalf of, those entities and any employee, officer, official, or agent of those entities.

**Plan Disclosure Statement:** This document, which is intended to provide substantive disclosure of the terms and conditions of an investment in HI529, including the attached Appendices and any Supplements distributed from time to time.

**Portfolio:** The set of mutual funds in which assets in the Investment Options are invested in accordance with the asset allocation adopted by the Director. An Account is assigned to a Portfolio based upon the selections properly made by the Account Owner.

**Plan Management Fee:** The Plan Management Fee as described under **Fees** on page 21.

**Program Management Services:** Recordkeeping and administrative services and other program management duties provided to HI529 by ACSR, as an independent contractor.

**Program Manager:** ACSR has been engaged by the Director on behalf of the State to provide the Program Management Services, as an independent contractor, on behalf of HI529.

**Qualified Withdrawal:** A withdrawal from an Account that is used to pay Qualified Higher Education Expenses of the Beneficiary. For Federal and certain state income tax purposes, this definition may also include a withdrawal from an Account that is used to pay K-12 Tuition Expenses.

**Qualified Expenses:** Qualified Higher Education Expenses and K-12 Tuition Expenses, collectively.

**Qualified Higher Education Expenses:** Certain educational expenses of a Beneficiary at an Eligible Educational Institution, such as tuition, fees, and the cost of books, supplies, and equipment required for the enrollment or attendance (including expenses for special needs services in the case of a special needs Beneficiary), expenses for the purchase of computer or peripheral equipment, computer software, or internet access and related services, if the equipment, software, or services are to be used primarily by the Beneficiary during any of the years enrolled at an Eligible Educational Institution, and certain room and board expenses of a Beneficiary attending school at least half-time, as allowable under Section 529.

**Qualified Tuition Program or 529 Plan:** A qualified tuition program established under Section 529 of the Code and sponsored by a state, state agency, and educational institution to help pay for college and related qualified higher education expenses at eligible educational institutions.

**Recurring Contribution:** A service in which an Account Owner authorizes HI529 to transfer money, on a regular and predetermined basis, from a bank or other financial institution to an Account in HI529.

**Refunded Withdrawal:** A withdrawal taken for Qualified Expenses in the same year of a refund by the Eligible Educational Institution recontributed to a Qualified Tuition Program that meets the following requirements:

- The recontribution must not exceed the amount of the refund from the Eligible Educational Institution;
- The recontribution must not exceed the amount of withdrawals previously taken to pay the Qualified Higher Education Expenses of the beneficiary;
- The recontribution must be made to an account in a Qualified Tuition Program of the same beneficiary to whom the refund was made; and

- The funds must be recontributed to a Qualified Tuition Program within sixty (60) days of the date of the refund from the Eligible Educational Institution.

**Rollover Distribution:** A rollover or transfer of assets (i) between Qualified Tuition Programs for the same Beneficiary or (ii) from a Qualified Tuition Program for the same Beneficiary or a different Beneficiary who is a Member of the Family, provided another rollover or transfer for the same Beneficiary has not occurred in the previous twelve (12) months.

**SEC:** U.S. Securities and Exchange Commission.

**Section 529:** Section 529 of the Internal Revenue Code of 1986, as amended.

**Standing Allocation:** The selection made by an Account Owner indicating how contributions are allocated among Investment Options.

**State Administrators:** The State, the Department, the Director, and any other agency of the State (including their respective affiliates and agents).

**Successor Account Owner:** The person designated by the Account Owner to assume ownership of the Account in the event of the Account Owner's death or legal incapacity while there is still money in the Account. The Successor Account Owner must be a U.S. resident at least 18 years old or older.

**Supplement:** An addendum to the Plan Disclosure Statement, issued from time to time.

**Total Annual Asset-Based Fee:** The sum of the Underlying Fund Fee and the Plan Management Fee as described under **Fees** on page 21.

**UGMA/UTMA:** Uniform Gifts to Minors Act / Uniform Transfers to Minors Act.

**Underlying Funds:** The mutual funds in which assets of the Investment Options are invested.

**Unit or Units:** The measurement of an Account's interest in an Investment Option.

**Unit Value:** The value per Unit in an Investment Option.

**Upromise Service:** A loyalty program offered by Upromise, Inc. that enables Account Owners who have signed up for this optional service to earn rewards from participating merchants. The Upromise Service is separate from the Plan and not affiliated with the Plan Administrators.

**Vanguard:** The Vanguard Group, Inc., the investment manager of the Plan.

**We, our or us:** HI529 and the Plan Administrators, as applicable.



## PARTICIPATION AGREEMENT

In this section, we ask you to indemnify the Plan Administrators, to make certain representations to us and to acknowledge your responsibilities. When you sign the Enrollment Form, you agree to the terms and conditions specified in the Plan Disclosure Statement and this Participation Agreement.

### Indemnity

As an Account Owner, I agree to and acknowledge the following:

- I am opening an Account in the Plan based upon my statements, agreements, representations, warranties, and covenants as set forth in the Plan Disclosure Statement and the Enrollment Form.
- I, through the Enrollment Form and the Plan Disclosure Statement, indemnify and hold harmless the Plan Administrators from and against any and all loss, damage, liability, penalty, tax, or expense, including costs of reasonable attorneys' fees, which they incur by reason of, or in connection with, any misstatement or misrepresentation that is made by me or my Beneficiary, any breach by me of the acknowledgements, representations, or warranties in the Plan Disclosure Statement or the Enrollment Form, or any failure by me to fulfill any covenants or agreements in the Plan Disclosure Statement, or the Enrollment Form.

### Representations, Warranties and Acknowledgements

I, as Account Owner, represent and warrant to, and acknowledge and agree with, the Plan Administrators regarding the matters set forth in the Plan Disclosure Statement and the Enrollment Form including that:

1. I have received, read, and understand the terms and conditions of the Plan Disclosure Statement and Enrollment Form and any additional information provided to me by the Plan Administrators with respect to HI529.
2. I certify that I am a natural person, at least 18 years of age and a citizen or a resident of the United States of America, who resides in the United States of America or, that I have the requisite authority to enter into this Participation Agreement and to open an Account for the benefit of the Beneficiary. I also certify that the person named as Beneficiary of the Account is a citizen or a resident of the United States of America.
3. I understand that HI529 is intended to be used only to save for Qualified Expenses of the Beneficiary.
4. I understand that any contributions credited to my Account will be deemed by the Plan Administrators to have been received from me and that contributions by third parties may result in adverse tax or other consequences to me or those third parties.

5. If I am establishing an Account as a Custodian for a minor under UGMA/UTMA, I understand and agree that I assume responsibility for any adverse consequences resulting from the establishment, maintenance, or termination of the Account.
6. If I am establishing an Account as a trustee for a trust, I represent that (i) I, in my capacity as trustee, am the Account Owner; (ii) I am duly authorized to act as trustee for the trust; (iii) the Plan Disclosure Statement may not discuss tax consequences and other aspects of HI529 of particular relevance to the trust and individuals having an interest in the trust; and (iv) I, as trustee, for the benefit of the trust, have consulted with and relied on a professional advisor, as deemed appropriate by the trustee, before becoming an Account Owner.
7. If I am establishing an Account on behalf of an entity, I represent that I have the requisite authority to enter into, and bind such entity to, this Participation Agreement and open an Account in the Plan for the benefit of the Beneficiary.
8. I have been given an opportunity to ask questions and receive answers concerning the terms and conditions of HI529 and the Plan Disclosure Statement.
9. I understand that HI529 assets may be allocated among equity funds, fixed-income funds, cash management funds, and other investments.
10. In making my decision to open an Account and completing my Enrollment Form, I have not relied upon any representations or other information, whether written or oral, other than as set forth in the Plan Disclosure Statement, and I have considered the availability of alternative education savings and investment programs, including other Qualified Tuition Programs.
11. I understand that I am solely responsible for determining which Qualified Tuition Program is best suited to my needs and objectives. I understand that each of the Investment Options within HI529 may not be suitable, and that HI529 may not be suitable, for all investors as a means of saving and investing for higher education costs. I have determined that an investment in HI529 is a suitable investment for me as a means of saving for the Qualified Expenses of the Beneficiary.
12. I have been given an opportunity to obtain any additional information needed to complete my Enrollment Form and/or verify the accuracy of any information I have furnished. I certify that all of the information that I provided in the Enrollment Form and any other documentation subsequently furnished in connection with the opening or maintenance of, or any withdrawals from, my Account is

and shall be accurate and complete. I agree to notify HI529 promptly of any material changes in such information.

13. The value of my Account depends upon the performance of the Portfolios. I understand that at any time the value of my Account may be more or less than the amounts contributed to the Account. I understand that all contributions to my Account are subject to investment risks, including the risk of loss of all or part of the contributions and any return or interest earned. I understand that the value of my Account may not be adequate to fund actual Qualified Expenses.
14. I understand that although I own interests in an Investment Option, I do not have a direct beneficial interest in the Underlying Funds and other investment products approved by the Director from time to time, and therefore, I do not have the rights of an owner or shareholder of those Underlying Funds or other investments. I further understand that I received no advice or investment recommendation from, or on behalf of, the Plan Administrators.
15. I understand that after I make my initial contribution to a specific Investment Option, I will be allowed to direct the further investment of that contribution no more than two times per calendar year.
16. I cannot use my Account as collateral for any loan. I understand that any attempt to use my Account as collateral for a loan would be void. I also understand that HI529 will not lend any assets to my Beneficiary or to me.
17. I understand that the Program Manager has the right to provide a registered investment adviser identified by me with access to financial and other information regarding my Account.
18. I understand that, unless otherwise provided in a written agreement between me and a registered investment adviser, no part of my participation in HI529 will be considered the provision of an investment advisory service.
19. Except as described in this Plan Disclosure Statement, I will not assign or transfer any interest in my Account. I understand that, except as provided under Hawaii law, any attempt to assign or transfer that interest is void.
20. I acknowledge that HI529 intends to qualify for favorable federal tax treatment under the Code. Because this qualification is vital to HI529, the Director may modify HI529 or amend this Plan Disclosure Statement at any time if the Director decides that the change is needed to meet the requirements of the Code or the regulations administered by the IRS pursuant to the Code or State law or to ensure the proper administration of HI529.
21. I understand that my Account(s), including assets and records, may be transferred to a different program manager, and/ or investment manager at the Director's direction in the event of a change in Program Manager or Investment Manager.
22. The Plan Administrators, individually and collectively, do not guarantee that my Beneficiary: will be accepted as a student by any private or religious elementary or secondary school or institution of higher education or other institution of postsecondary education; if accepted, will be permitted to continue as a student; will be treated as a state resident of any state for tuition and fee purposes; will graduate from any elementary or secondary public, private or religious school or institution of higher education or other institution of postsecondary education; or will achieve any particular treatment under any applicable state or federal financial aid programs.
23. The Plan Administrators, individually and collectively, do not guarantee any rate of return or benefit for contributions made to my Account or guarantee the amount of tuition and fees that may be charged by an educational institution.
24. The Plan Administrators, individually and collectively, are not:
  - a. liable for a failure of HI529 to qualify or to remain a Qualified Tuition Program under the Code including any subsequent loss of favorable tax treatment under state or federal law;
  - b. liable for any loss of funds contributed to my Account or for the denial to me of a perceived tax or other benefit under HI529, the Plan Disclosure Statement or the Enrollment Form; or
  - c. liable for loss caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, acts of terrorism, strikes, or other conditions beyond their control.
25. I understand that under Hawaii law, Hawaii residency is not established for the Beneficiary merely because I have designated him or her as the Beneficiary of the Account.
26. By opening an Account, I submit (on behalf of myself and my Beneficiary) to the exclusive jurisdiction of courts in Hawaii for all legal proceedings arising out of or relating to my Account. The Director or the Program Manager may apply to a court at any time for judicial settlement of any matter involving my Account. If the Director or the Program Manager does so, they will give me or my Beneficiary the opportunity to participate in the court proceeding, but they may also involve other persons. Any expense incurred by the Plan Administrators in legal proceedings involving my Account, including attorney's fees and expenses, are chargeable to my Account and payable by me or my Beneficiary if not paid from my Account.
27. The Plan Disclosure Statement and this Participation Agreement are binding upon the parties and their respective

heirs, successors, beneficiaries, and permitted assigns.  
By signing the Enrollment Form, I agree that all of my representations and obligations are for the benefit of the Plan Administrators, all of whom can rely upon and enforce my representations and obligations contained in the Plan Disclosure Statement and the Enrollment Form.

28. My statements, representations, warranties, and covenants will survive the termination of my Account.

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P.O. Box 219779  
Kansas City, MO 64121-9779



Mail  
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Investment returns will vary depending upon the performance of the Investment Options you choose. Depending on market conditions, you could lose all or a portion of your 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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