KY Saves 529

# Program Description

**FEBRUARY 22, 2019**

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This Program Description for the Kentucky Educational Savings Plan Trust ("KY Saves 529" or "Program") is intended to provide substantive disclosure of the terms and conditions of an investment in the Program. This Program Description is designed to comply with the College Savings Plans Network Disclosure Principles, Statement No. 6 adopted July 1, 2017.

**Before you invest, consider whether your or the Beneficiary's home state offers any state tax or other state benefits, such as financial aid, scholarship funds, and protection from creditors, that are only available for investments in that state's qualified tuition program. You also may wish to contact directly your home state's 529 education savings plan(s), or any other 529 plan, to learn more about those plans' features, benefits, and limitations. You should also consult your financial, tax, or other advisor to learn more about how state-based benefits (or any limitations) would apply to your specific circumstances. Keep in mind that state-based benefits should be one of many appropriately weighted factors to be considered when making an investment decision.**

**Account Owners should periodically assess, and if appropriate, adjust their investment choices with their time horizon, risk tolerance and investment objectives in mind.**

KY Saves 529 is administered by the Kentucky Higher Education Assistance Authority. Ascensus College Savings Recordkeeping Services, LLC, is the Program Manager. The Program Manager and its affiliates have overall responsibility for the program's day-to-day operations, including investment advisory, recordkeeping, and administrative services.

Investment returns will vary depending upon the performance of the Investment Options you choose. Except to the extent of FDIC insurance available for the Capital Preservation Option, depending on market conditions, you could lose all or a portion of your money by investing in KY Saves 529. Account Owners assume all investment risks as well as responsibility for any federal and state tax consequences.

Capitalized terms used in this Program Description are defined throughout the document and/or in the ***Glossary of Defined Terms*** starting on page 81.

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# GETTING STARTED

**Getting started with KY Saves 529 is easy. Just follow these three (3) simple steps:**

### READ THIS PROGRAM DESCRIPTION

Read this Program Description 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 Program.

### GATHER YOUR INFORMATION

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).

### ENROLL ONLINE

Go online to **www.kysaves.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 KY Saves 529. Please read the Program Description in its entirety before you invest. See the ***Glossary of Defined Terms*** starting on page 81 for the definition of capitalized terms used throughout this Program Description.

## The Program

The Kentucky Educational Savings Plan Trust, known as KY Saves 529, is a 529 Plan sponsored by the Commonwealth of Kentucky. KY Saves 529 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 Program 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

KY Saves 529 offers three (3) easy to access investment approaches depending on your preferences:

1. **Year of Enrollment Options.** You will select a Year of Enrollment Option based on the year that you expect your Beneficiary to attend (i) an elementary or secondary public, private, or religious school or (ii) an Eligible Educational Institution, as applicable. The asset mix (or allocation) of your selected option will adjust on a recurring fixed schedule automatically over time, becoming progressively more conservative as the target year of school enrollment approaches. During the calendar year mentioned in the name of your selected Year of Enrollment Option, all assets will transfer out of your selected option and into the In School Enrollment Option (the most conservative option of the Year of Enrollment Options), and the selected Year of Enrollment Option will be closed. For example, in the year 2037, the assets in the 2037 Enrollment Option will be transferred into the In School Enrollment, and the 2037 Enrollment Option will be closed. There are seven (7) Investment Options that comprise the Year of Enrollment Options.
2. **Asset Allocation Options.** These options give you the opportunity to create your own mix of equity and fixed income, and active or index-based allocations. There are four (4) Investment Options that comprise the Asset Allocation Options.
3. **Capital Preservation Option.** This option invests in a Federal Deposit Insurance Corporation (FDIC) insured omnibus savings account held in trust through NexBank.

Some Accounts held prior to February 25, 2019 may also be invested in a Guaranteed Option managed by TIAA-CREF Life Insurance Company (TIAA). The Guaranteed Option is closed to new contributions. Any contributions received to the Guaranteed Option after February 22, 2019 will be directed to the Capital Preservation Option.

For more detailed descriptions of the three investment approaches, see ***Investment Options*** beginning on page 32.

## Fees

KY Saves 529 charges Investment Option fees as follows:

Annualized investment costs on assets per Investment Option range from 0.00% - 0.85%.

KY Saves 529 does not charge enrollment or annual maintenance fees.

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

For a detailed description of Fees associated with KY Saves 529, see ***Fees*** starting on page 25.

## Risk Factors

An investment in the Program 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 Program, including changes in fees; (iv) the risk of federal or state tax law changes; and (v) the risk that contributions to the Program 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 KY Saves 529, see ***Program Risks*** starting on page 28. For a list of risks associated with the Investment Options and Underlying Funds, see ***Investment Option Descriptions*** and ***Underlying Fund Descriptions*** on page 35 and 39 and ***Appendices A*** and ***B***.

## Tax Advantages

Earnings on Account assets generally grow free of federal and Kentucky income tax. Withdrawals used to pay for Qualified Expenses are not subject to federal or Kentucky state income tax.

## Benefit for Certain Kentucky Resident Beneficiaries

Beneficiaries who reside in Kentucky for eight (8) consecutive years and are continuously designated on an Account for the entirety of that eight-year period will qualify for Kentucky resident tuition rates at certain Eligible Educational Institutions in Kentucky. Net contributions of at least $2,400 must be in the Account at the end of the eight-year period. Additional restrictions apply. See ***Vested Participation Agreements***, page 21.

## Contributions

The minimum contribution amount is $25. Alternately, you may establish a payroll direct deposit with a minimum contribution of $15 per paycheck. You can make contributions by check, recurring contribution, payroll direct deposit, EFT, rolling over assets from another 529 Plan, moving assets from an UGMA/UTMA account or Coverdell ESA, redeeming U.S. Savings Bonds, and through Refunded Distributions.

Subsequent contributions can also be made through Ugift® and transfers from a Upromise Program 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*** and ***Additional Contributions*** on page 22.

# FREQUENTLY ASKED QUESTIONS

### How does KY Saves 529 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 Expenses, you can withdraw those funds tax-free. Funds withdrawn for other purposes may be subject to federal and state taxes. See ***Using Your Account*** on page 18.

### How are KY Saves 529 funds invested?

You can choose from three (3) investment approaches (Year of Enrollment, Asset Allocation, and Capital Preservation) based on your preferences, how active you want to be, and the level of risk you are comfortable with. For descriptions of the three (3) investment approaches, see ***Investment Options*** beginning on page 32.

### How do I open an Account?

Complete an Enrollment Form, either online or by mail. Once your information is determined to be complete and accurate, your enrollment will be processed.

**KY Saves 529 is a tax-advantaged education savings plan that offers tax-deferred growth, favorable contribution limits, attractive investment options and professional investment management.**

### 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 includes: 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 and State tax free if used to pay Qualified Expenses. What are Qualified Expenses?

The IRS determines which education costs can be considered Qualified Expenses. Examples of Qualified 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. Qualified Expenses also include tuition in connection with the Beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious schools. See ***Using Your Account*** beginning on page 18 for a more detailed overview of Qualified, Non-Qualified, and Other Withdrawals.

### Does my beneficiary have to attend a Kentucky school?

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 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 KY Saves 529 Account may be used to pay for Qualified Expenses at those institutions.

The assets in your Account can also be used towards the tuition cost of elementary or secondary public, private, or religious schools.

### Are any additional benefits available if my Beneficiary chooses to attend college in Kentucky?

Yes. If your Beneficiary resides in Kentucky for eight years and is continuously designated as the Beneficiary on your Account for the entirety of that eight year period, your Participation Agreement will become a Vested Participation Agreement, and your Beneficiary will qualify for Kentucky resident tuition rates at Kentucky public higher education institutions, even if your Beneficiary moves out of Kentucky after the eight year period, see ***Vested Participation Agreements*** on page 21.

### Do my contributions to KY Saves 529 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 41.

### What if I already have a 529 plan?

Can I roll over my account to KY Saves 529? Yes. We will accept rollovers of accounts from other 529 Plans. There may be many benefits to moving your account into KY Saves 529, including Kentucky resident tuition rates for Vested Participation Agreements.

Please contact our Client Service Representatives at **877.598.7878** 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 Program Description?

To obtain forms relating to KY Saves 529 or the most up to date Program Description and Supplements, visit the KY Saves 529 website at **www.kysaves.com** or call **877.598.7878**.

### Can I change my Investment Options?

Yes. You may change your Investment Options up to two (2) times per calendar year per Beneficiary.

### If I enroll in KY Saves 529, can I still apply for financial aid?

Yes. Participation in KY Saves 529 will not limit your Beneficiary's receipt of merit-based financial aid, including academic or athletic scholarships. In other states, participation in KY Saves 529 may, like most assets, affect your ability to receive need-based financial aid. However, Account assets are not included when determining Kentucky needs-based aid for Kentucky residents.

**Answers to additional questions you may have are also available online at kysaves.com.**

### 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 Non-Qualified Withdrawal. (For details, see ***Important Tax Information*** starting on page 41.)

### How do I contact the Program?

Phone: **877.598.7878**, Monday through Friday, 8:00 a.m. to 8:00 p.m. Eastern Time
Online: **www.kysaves.com**
Email: **clientservice@kysaves.com**

**Regular Mail:**
KY Saves 529
P.O. Box 56014
Boston, MA 02205-6014

**Priority Delivery:**
KY Saves 529
95 Wells Avenue, Suite 155
Newton, MA 02459-3204

**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

# YOUR ACCOUNT

## OPENING YOUR ACCOUNT

**Account Basics.** To open an Account, you must complete an Enrollment Form either online or in writing. To be an Account Owner, you must be a U.S. citizen, a resident alien or an entity that is organized in the U.S., be at least 18 years of age, and have a Social Security number or tax identification number and 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 Program Description. To fund your Account, see ***Contributing to Your Account*** on page 13.

**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 Program, but contributions to an Account will no longer be accepted if the total assets held in all Accounts for that Beneficiary under all 529 plans offered by Kentucky equal or exceed the Maximum Account Balance (discussed on page 16). Your Beneficiary may be of any age; however, the Beneficiary must be an individual and not a trust or other entity.

**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.**

**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 Investment Option is 1% 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.kysaves.com**, or by calling **877.598.7878**.

**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 KY Saves 529 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.

**Successor Account Owner.** As an Account Owner, you may designate a Successor Account Owner to succeed to all of your rights, title, and interest in an account (including the right to change the Beneficiary) upon your death to the extent permissible under applicable law. A Successor Account Owner can be an individual (at least 18 years of age), entity or trust. This designation can be made on the Enrollment Form when opening your Account. If you fail to designate a Successor Account Owner at the time of enrollment and subsequently decide to make a designation, or if you wish to revoke or change a designation, you may initiate the request online, by calling, or by submitting a Transfer Form. We must receive and process your request before the Successor Account Owner designation can be effective. Forms may be obtained from our website at **www.kysaves.com** or by calling us at **877.598.7878**.

An UGMA/UTMA Custodian will not be permitted to change the Account Owner to anyone other than a successor Custodian during the term of the custodial account under applicable UGMA/UTMA law. For trusts and other entities, a Successor Account Owner cannot be designated. If the individuals who are authorized to act on behalf of the entity change after the Account is established, additional documentation must be submitted with any withdrawal or other transaction request.

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

Upon the death of an Account Owner, the Successor Account Owner must notify KY Saves 529 by submitting a completed Enrollment Form and a certified copy of the death certificate. The Account will become effective for the Successor Account Owner once this form has been received in good order and processed.

If an Account Owner dies without having chosen a Successor Account Owner for the Account and the Account Owner is younger than age 18, a surviving parent or legal guardian will become the Account Owner. Upon the death of the Account Owner, if the Beneficiary is age 18 or older, the Beneficiary will become the owner of the Account. The surviving parent, legal guardian, or Beneficiary must notify KY Saves 529 by submitting the appropriate paperwork—please contact KY Saves 529 at **877.598.7878** for instructions.

**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 ***Customer Identification Verification*** on page 44.

**At a Glance:**

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

Minimum contribution limits
Maximum Account Balance
Various ways to fund your Account

# CONTRIBUTING TO YOUR ACCOUNT

## General

**Minimum Contributions.** The minimum contribution amount is $25. Alternately, you may establish a payroll direct deposit with a minimum contribution of $15 per paycheck.

**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 14.)

**There are a variety of ways to fund 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 Program

**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 Enrollment Form or separately on the Registered Investment Advisor Authorization Form.

## Contribution Methods

**Contributions by Check.** Checks should be made payable to KY Saves 529. 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 KY Saves 529.

**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 Program either online at **www.kysaves.com** or by completing a Payroll Direct Deposit Form and mailing it to KY Saves 529. After you submit your payroll direct deposit instructions to the Program, you will receive a Payroll Direct Deposit Confirmation Form, which you must sign and submit to your employer's payroll department. You may make use payroll direct deposit for both initial and/or additional contributions to your Account.

**Recurring Contributions.** You may contribute to your Account by authorizing periodic automated debits from a checking or savings account if your bank is a member of the Automated Clearing House (ACH), subject to certain processing restrictions. 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 a Recurring Contribution by submitting an online or written form, or over the phone (if your bank information has been previously submitted and is on file). Your Recurring Contribution can be made on a monthly, quarterly or custom frequency basis.

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

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. You may also elect to authorize an annual increase to your Recurring Contribution.

You may terminate your Recurring Contribution at any time. For a change or termination of a Recurring Contribution to take effect, it must be received at least five (5) business days before the next scheduled Recurring Contribution. Recurring Contribution changes are not effective until received and processed by us. See below for ***Limitations on Recurring Contributions and EFT Contributions***.

There is no charge for setting up Recurring Contributions. 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 the Business Day on which the bank debit occurs. You can select the date(s) and the month(s) in which you want a Recurring Contribution to occur. 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.

The start date for a Recurring Contribution must be at least three (3) business days from the date of submission of the Recurring Contribution request, regardless of the frequency of your Recurring Contribution. If a start date for a Recurring Contribution is less than three (3) business days from the date of the submission of the Recurring Contribution request, the Recurring Contribution will start on the requested day in the next succeeding month.

**Electronic Funds Transfer (EFT).** You may contribute by EFT, subject to certain processing restrictions. 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.kysaves.com**; or (iii) by contacting a Client Service Representative at **877.598.7878**.

**Limitations on Recurring Contributions and EFT Contributions.** We may place a limit on the total dollar amount per day you may contribute to an Account by EFT. Contributions in excess of this limit will be rejected. If you plan to contribute a large dollar amount to your Account by EFT, you may want to contact a Client Service Representative at **877.598.7878** to inquire about the current limit prior to making your contribution.

An EFT or Recurring Contribution may fail because the bank account on which it is drawn lacks sufficient funds or banking instructions are incorrect or incomplete. If either happens, we reserve the right to suspend processing of future Recurring Contribution and EFT contributions. See ***Failed Contributions*** on page 16.

**Rollover Contributions.** You can roll over assets from another Qualified Tuition Program to KY Saves 529. 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 roll over assets from another Qualified Tuition Program into an Account in KY Saves 529, 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 a Non-Qualified Withdrawal.

Incoming rollovers can be direct or indirect. In a direct rollover, the money transfers directly from one Qualified Tuition Program to KY Saves 529. 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 KY Saves 529 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 Kentucky 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 Account Balance. 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 KY Saves 529, 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 Program 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 41 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 KY Saves 529, 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 KY Saves 529 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** to determine if you are eligible for this exclusion.

**Ugift.**[1] You may invite family and friends to contribute to your Account through Ugift to provide a gift to the Account Owner's 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 – KY Saves 529*. 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 Account Balance. 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. Ugift is an optional service, is separate from KY Saves 529, and is neither affiliated with the Commonwealth of Kentucky nor the State Administrators.

**Upromise Program.**[2] You have the option to enroll in the Upromise Program. 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 Account Balance.** Once your Account balance reaches the Maximum Account Balance (currently $350,000), no additional contributions will be accepted. The aggregate market value of all accounts for the same Beneficiary under all Qualified Tuition Programs sponsored by the Commonwealth of Kentucky (KY Saves 529 and KAPT) is counted toward the Maximum Account Balance regardless of the Account Owner. Should the value of your Account fall below the Maximum Account Balance, additional contributions will then be accepted. If the Maximum Account Balance is increased, additional contributions up to the new Maximum Account Balance 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 Program and we may charge your Account a Fee. We reserve the right to reject or cancel any contribution due to nonpayment.

1 Ugift is an optional service, is separate from KY Saves 529, and is not affiliated with the Commonwealth of Kentucky or the State Administrators. For more information, please see our website at **www.kysaves.com** or call us at **877.598.7878**.

2 Funds in a Upromise Program account will not be transferred until earnings reach a minimum amount. Go to **upromise.com** for more information on transfer minimums. The Upromise Program is offered by Upromise, Inc., and is separate from KY Saves 529. The Upromise Program 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**. For more information about the Upromise Program, visit **upromise.com**.

**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 Program 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 ***Affirmative Duty to Promptly Notify Us of Errors*** on page 23).

**At a Glance:**
*In this section, you will learn more about:*

Qualified Withdrawals
Non-Qualified Withdrawals
How to request a Withdrawal

# USING YOUR ACCOUNT

**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 Expenses are exempt from federal and Kentucky state income taxes and the Federal Penalty 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.

**Withdrawals: Withdrawals from your Account are either Qualified Withdrawals (tax-free) or Non-Qualified Withdrawals subject to income tax and Federal Penalty Tax.**

**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. *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.*

**Non-Qualified Withdrawals.** A withdrawal that does not meet the requirements for a Qualified Withdrawal or an Other Withdrawal will be considered a Non-Qualified Withdrawal by the IRS. The earnings portion of a Non-Qualified Withdrawal is subject to federal and Kentucky state income taxes (and may be subject to other taxes) and is taxable to the person receiving the withdrawal. In addition, a 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.

**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 Kentucky or an ABLE 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 Kentucky state income tax or the Federal Penalty Tax.

**Withdrawals can be requested online at www.kysaves.com or by calling us at 877.598.7878.**

**Rollovers From KY Saves 529 to an ABLE Program.** Effective for periods after December 22, 2017 and prior to January 1, 2026, distributions made from your Account to an ABLE Account will not be subject to income tax or the Federal Tax Penalty on earnings if (i) within 60 days of the distribution, the distributed funds are transferred to an ABLE 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 ABLE Account for the taxable year do not exceed the annual contribution limits for ABLE Accounts. To the extent that any such contribution or transfer would cause the ABLE Account to exceed the annual contribution limits for that taxable year, it would be subject to income tax and the Federal Tax Penalty on earnings. Contact the ABLE Program before contributing to the ABLE Account to ensure that your rollover contribution will not cause the ABLE 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 ABLE 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 **877.598.7878** or downloaded from our website at **www.kysaves.com**.

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.

**At a Glance:**
*In this section, you will learn more about:*

Account Statements
Vested Participation Agreements
Options for unused money
Changing your Beneficiary
Changing investments
Safeguarding your Account

# MAINTAINING YOUR ACCOUNT

**Account Statements.** You will receive quarterly statements only if you have made financial transactions within the quarter. Transactions that will generate statements include: Contributions made to your Account, any other exchanges, automatic transfers from a Upromise Program account to your Account, withdrawals made from your Account, and transaction fees incurred by your Account. The total value of your Account at the end of the quarter will also be included in your quarterly statements. You will receive an annual Account statement even if you have made no financial transactions within the year.

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 you paid or contributed during the previous tax year.

**Account Maintenance: Did you know that most transactions and changes to your Account can be handled online by going to www.kysaves.com and logging into your Account?**

**Vested Participation Agreements.** A Beneficiary of a Vested Participation Agreement who enrolls in an Eligible Educational Institution in Kentucky will qualify for state resident tuition rates, if available. A Participation Agreement will be considered a Vested Participation Agreement if it meets the following requirements:

1. the Beneficiary is a resident of Kentucky for eight (8) continuous years (the "Vesting Period");
2. the Beneficiary is the designated Beneficiary on the Account for the entirety of the Vesting Period;
3. the total net contributions remaining in the Account at the end of the Vesting Period total at least $2,400; and
4. the Participation Agreement is still in effect at the time that the Beneficiary first enrolls in an Eligible Educational Institution.

Once a Participation Agreement is vested, it will remain vested even if the Beneficiary moves out of Kentucky prior to enrollment at an Eligible Educational Institution.

In order to establish a Vested Participation Agreement, you will be required to submit to KHEAA evidence of the Beneficiary's residence in Kentucky during the eight-year Vesting Period. For more information on submitting evidence of residence, including a list of documentation that will be accepted, contact KHEAA. Although you may change the Beneficiary on your Account (see ***Changing a Beneficiary*** below), the residency status acquired by a Beneficiary of a Vested Participation Agreement cannot be transferred to a new Beneficiary. As such, a Vested Participation Agreement will no longer be vested upon the change of a Beneficiary. Any Participant interested in vesting their Participation Agreement for the purpose of obtaining residential tuition rates for their Beneficiary should contact KHEAA directly at (502) 696-7383.

**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 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 18.)

**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 15.)

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 Program'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 Account Balance 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 **877.598.7878**, or by downloading the appropriate form from our website at **www.kysaves.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.kysaves.com**, by submitting the Change of Investment Form by mail, or by calling **877.598.7878**. 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 Program. (See ***Moving Assets from an UGMA/ UTMA Account*** on page 15.)

**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 Program Description 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 a Transfer Form by mail. For assistance, contact us at **877.598.7878**. 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 Program 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 Program will be detected. Neither the Program nor any of its Program Administrators will be responsible for losses resulting from fraudulent or unauthorized instructions received by the Program, 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.kysaves.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 Program and the Program 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 KY Saves 529 for which the Program or any Program 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 Program. Contact us immediately at 877.598.7878 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.kysaves.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.kysaves.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 **877.598.7878** 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 Program Description (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 Program Description 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.kysaves.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 **877.598.7878**.

**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 KY Saves 529 or required by law; (4) close your Account if we determine that you provided false or misleading information to the Program Administrators in establishing or maintaining an Account, or that you are restricted by law from participating in KY Saves 529; and (5) reject a contribution for any reason, including contributions to the Program that the Investment Managers, the Program Manager, or the State Administrators believe are not in the best interests of the Program, 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.

**At a Glance:**

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

Descriptions of fees and expenses associated with KY Saves 529

Illustrations of Investment Costs

# FEES

**Fees and expenses for KY Saves 529 depend on your investment choices. The schedule of fees is described below. Fees and expenses for KY Saves 529 may change from time to time. Any changes to Fees will be described in updated Program Descriptions 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 Program investments. As an Account Owner, you indirectly bear a pro rata share of the annual costs and expenses associated with each Investment Option in which you are invested. The Total Annual Asset-Based Fee consists of the following fees:

**There are no enrollment or maintenance fees to participate in KY Saves 529. KY Saves 529 charges a Total Annual Asset-Based Fee per Investment Option that ranges from 0.00% - 0.85%.**

- **Underlying Fund Fee.** Includes investment advisory fees, administrative, and other expenses of the Underlying Fund, which are paid to the Investment Managers. 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.
- **Program Management Fee.** Ascensus receives the Program Management Fee to cover the costs of administering and managing KY Saves 529.
- **State Administration Fee.** KHEAA receives an annual fee for administering the KY Saves 529. The fee will be used to offset the costs of administering the program by KHEAA. This fee equals 0.07% per year, except for the Capital Preservation Option and the Guaranteed Option, which are 0.00%. This fee is accrued daily and is factored into each year of enrollment and asset allocation Investment Option's Unit value.

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

## Fee Structure Table

| | ANNUALIZED ASSET-BASED FEES | | | |
|---|---|---|---|---|
| **Investment Options** | **Estimated Annualized Underlying Fund Fee[1]** | **Annualized Service Fee** | **Annualized State Administrative Fee** | **Total Annual Asset-Based Fee** |
| 2037 Enrollment Option | 0.05% | 0.36% | 0.07% | 0.48% |
| 2034 Enrollment Option | 0.05% | 0.36% | 0.07% | 0.48% |
| 2031 Enrollment Option | 0.05% | 0.36% | 0.07% | 0.48% |
| 2028 Enrollment Option | 0.05% | 0.36% | 0.07% | 0.48% |
| 2025 Enrollment Option | 0.04% | 0.36% | 0.07% | 0.47% |
| 2022 Enrollment Option | 0.04% | 0.36% | 0.07% | 0.47% |
| In School Enrollment Option | 0.02% | 0.36% | 0.07% | 0.45% |
| Active Equity Option | 0.38% | 0.40% | 0.07% | 0.85% |
| Equity Index Option | 0.05% | 0.40% | 0.07% | 0.52% |
| Active Bond Option | 0.35% | 0.40% | 0.07% | 0.82% |
| Bond Index Option | 0.06% | 0.40% | 0.07% | 0.53% |
| Capital Preservation Option | 0.00% | 0.20% | 0.00% | 0.20% |
| Guaranteed Option | 0.00% | 0.00% | 0.00% | 0.00% |

1 The Estimated Underlying Fund Fee is derived from each Underlying Fund's most recent prospectus as of January 31, 2019.The Underlying Fund Fee includes investment advisory fees, administrative, and other expenses, which are paid to the Investment Managers, as applicable.

**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 Program 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 Program 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 |

* 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 also receives indirect compensation for the trustee (or custodial) services that it provides to your Account. This compensation, known as "float" income, is paid by the financial organization at which Ascensus maintains "clearing accounts" or by the investments in which Ascensus invests in such clearing accounts. Float income typically arises from interest that is earned on contributions or withdrawals during the time that these assets are held by Ascensus but are not invested in an income-producing account. For example, if you receive an withdrawal check but do not cash it for several days, some interest is earned while those funds remain in the disbursement account.

These clearing 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 is likely to represent a minor portion of the overall compensation paid to Ascensus. KHEAA receives a quarterly accounting of the float income attributable to the Program. By opening an Account through KY Saves 529, you understand that float income may be retained by Ascensus.

## Illustration of Investment Costs

The following table illustrates the approximate cost of the Program over time, using the following assumptions:

- A $10,000 initial contribution is invested for the time periods shown.
- A 5% annually compounded rate of return on the amount invested throughout the period.
- The total funds available in the Account are withdrawn at the end of the period shown to pay for Qualified Expenses (the table does not consider the impact of any potential state or federal taxes on the withdrawal).
- The total annual asset based fee remains the same as that shown in the ***Fee Structure Table*** on page 26.

This hypothetical is not intended to predict or project investment performance. Past performance is no guarantee of future results. Your actual cost may be higher or lower.

**HYPOTHETICAL $10,000 INVESTMENT COST CHART**

| Investment Option | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|
| 2037 Enrollment Option | $49 | $154 | $268 | $603 |
| 2034 Enrollment Option | $49 | $153 | $268 | $602 |
| 2031 Enrollment Option | $49 | $153 | $267 | $600 |
| 2028 Enrollment Option | $49 | $152 | $266 | $598 |
| 2025 Enrollment Option | $48 | $152 | $265 | $596 |
| 2022 Enrollment Option | $48 | $151 | $263 | $592 |
| In School Enrollment Option | $46 | $145 | $253 | $570 |
| Active Equity Option | $87 | $273 | $474 | $1,054 |
| Equity Index Option | $53 | $166 | $290 | $651 |
| Active Bond Option | $84 | $261 | $454 | $1,011 |
| Bond Index Option | $54 | $169 | $295 | $662 |
| Capital Preservation Option | $20 | $64 | $113 | $255 |
| Guaranteed Option | $0 | $0 | $0 | $0 |

**At a Glance:**

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

The risks involved with an investment in KY Saves 529

General Investment Option risks

# PROGRAM RISKS

You should carefully consider the information in this section, as well as the other information in the Program Description 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 Program Description should not be construed as legal, financial, or tax advice.

The Program is an investment vehicle. As such, Accounts in the Program 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 Options – Investment Option Descriptions*** beginning on page 35.

**Principal and Returns Not Guaranteed. Neither your contributions to an Account nor any investment return earned on your contributions is guaranteed (except to the extent of FDIC insurance available on the Capital Preservation Option). You could lose money (including your contributions) or not make any money by investing in KY Saves 529.**

An investment in KY Saves 529 is not a bank deposit. Investments in KY Saves 529 are not insured or guaranteed by the FDIC (except to the extent of FDIC insurance available on the Capital Preservation Option) or any other government agency. Investments are not insured by Program 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 an Investment Option.

**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 35.

**Limited Investment Direction; Liquidity.** Investments in a Qualified Tuition Program like KY Saves 529 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 Program 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 Program Description. 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 Program.** We may change the Investment Options available in the Program without prior notice to you. These changes could include, without limitation:

- a change in the Program'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 Program 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 Program 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 Program, you may choose to rollover your Account assets into another 529 plan or ABLE Program 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 Managers will continue to provide the Underlying Funds for KY Saves 529 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 Account Balance, 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 Program Description, 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 KY Saves 529.

**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 Program or the value of your Account, even retroactively.

In addition, it is the Board's intention to take advantage of Section 529 and therefore, KY Saves 529 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 41.

**Tax Considerations Generally; Income Tax on Earnings.** The federal and state tax consequences associated with participating in the Program 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 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 Program and submit a completed Enrollment Form, a certified copy of the death certificate and such other information requested by the Program. 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 KY Saves 529 for Kentucky 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 Kentucky, KY Saves 529 savings are not included in determining the amount of Kentucky 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 Program on needs-based financial aid programs, and/or
- a financial advisor.

KY Saves 529 accounts are not considered when determining eligibility for state financial aid programs in Kentucky but should be recorded on FAFSA where appropriate based on filing status. If you are not a Kentucky 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 Program 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.

**No Indemnification.** The Program 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 Program Administrators.

**At a Glance:**
*In this section, you will learn more about:*

Investment Options and Underlying Funds in KY Saves 529
Investment Allocation of the Investment Options

# INVESTMENT OPTIONS

In this section, you will find information about the Investment Options, including a discussion of the Year of Enrollment Options, the Asset Allocation Options, and the Capital Preservation Option. You should consider the information in this section carefully before choosing to invest in KY Saves 529. Information about each Investment Option's objective, strategy and risks has been provided by the Investment Managers. If you have questions about any of the investment-related information in this section, please call us at **877.598.7878** or contact the appropriate Investment Manager listed on page 39 prior to making an investment decision.

## Investments Overview

Your Account assets are held by the Program for your exclusive benefit and cannot be transferred or used by the Program for any purpose other than those of the Program. 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 three (3) investment approaches:

- **Year of Enrollment.** Seven (7) Year of Enrollment Options that are designed to correspond with the expected date of enrollment. The asset mix (or allocation) of the options adjust automatically (semi-annually) over time, becoming progressively more conservative as the target date of enrollment approaches. Each option invests in multiple Underlying Funds managed by BlackRock, NexBank, Schwab, State Street Global Advisors, TIAA-CREF Life Insurance Company, and Vanguard;
- **Asset Allocation.** Four (4) Asset Allocation Options, each which focuses on a single investment strategy or asset class. The risk profile of each Investment Option will be fixed over time. Each option invests in other mutual funds managed by American Funds, Baird Advisors, BlackRock, Cohen & Steers, Dimensional Fund Advisors (DFA), PGIM Investments, Schwab, State Street Global Advisors, and Vanguard; and
- **Capital Preservation.** One (1) Capital Preservation Option that invests in an FDIC-insured omnibus savings account held in trust through NexBank. This option focuses on protecting the principal you invest and offers an insured income return.

There is no limit on the number of the Investment Options you can choose. The minimum amount contributed per selected Investment Option is 1% of the amount of your contribution.

## Year of Enrollment Options

The Year of Enrollment Options are made up of seven (7) Investment Options. Specifically, the seven options are:

1. 2037 Enrollment Option;
2. 2034 Enrollment Option;
3. 2031 Enrollment Option;
4. 2028 Enrollment Option;
5. 2025 Enrollment Option;
6. 2022 Enrollment Option; and
7. In School Enrollment Option.

With the exception of the In School Enrollment Option, each option becomes more conservative and likewise generally offers lower return potential and less potential for loss over time based on the target year of school enrollment. To select this strategy, you simply open an Account with a contribution to one of the seven Year of Enrollment Options. You select the option that matches the target year of school enrollment for the Beneficiary for whom you are saving. The allocation of the Underlying Funds will automatically become more conservative as the Beneficiary nears the pre-determined year of school enrollment. Consequently, as the Beneficiary gets closer to attending an elementary or secondary public, private, or religious school or an Eligible Educational Institution, a greater portion of the asset allocation in a year of enrollment option shifts from equity investments to fixed income investments and a cash equivalent component that provides, at the minimum, for stability of principal. As this shift occurs, the potential for greater return is reduced but the risk for loss is also reduced. You may choose to invest in any of these Year of Enrollment Options as you deem appropriate, regardless of the Beneficiary's age. The objectives, strategies and main risks of the Underlying Funds in the Year of Enrollment Options are discussed in ***Year of Enrollment Options*** and ***Underlying Fund Descriptions*** starting on pages 35 and ***Appendix A***, respectively.

The Program Manager monitors and rebalances the underlying asset allocations of the Year of Enrollment Options on a monthly basis. The Program Manager rebalances the Year of Enrollment Options when the Investment Options fall outside the strategic targets by more than one percent (1%).

The table below provides a summary of the asset allocation targets for each Year of Enrollment Option, please visit **www.kysaves.com** for up to date information.

| Underlying Funds | 2037 Enrollment Option | 2034 Enrollment Option | 2031 Enrollment Option | 2028 Enrollment Option | 2025 Enrollment Option | 2022 Enrollment Option | In School Enrollment Option |
|---|---|---|---|---|---|---|---|
| iShares Core S&P Total U.S. Stock Market ETF | 45.00% | 41.67% | 35.00% | 29.17% | 22.50% | 15.00% | 5.00% |
| SPDR® Portfolio Developed World ex-US ETF | 22.50% | 20.83% | 17.50% | 14.58% | 11.25% | 7.50% | 2.50% |
| SPDR® Portfolio Emerging Markets ETF | 13.50% | 12.50% | 10.50% | 8.75% | 6.75% | 4.50% | 1.50% |
| Schwab U.S. REIT ETF | 9.00% | 8.33% | 7.00% | 5.83% | 4.50% | 3.00% | 1.00% |
| Schwab U.S. Aggregate Bond ETF | 5.00% | 6.67% | 10.84% | 14.17% | 18.34% | 21.66% | 15.00% |
| Vanguard Short-Term Inflation Protected Securities ETF | 2.00% | 2.67% | 4.33% | 5.67% | 7.33% | 8.67% | 6.00% |
| iShares Core International Aggregate Bond ETF | 3.00% | 4.00% | 6.50% | 8.50% | 11.00% | 13.00% | 9.00% |
| Cash Equivalent* | 0.00% | 3.33% | 8.33% | 13.33% | 18.33% | 26.67% | 60.00% |

*The Cash Equivalent component of the Year of Enrollment Options is comprised of two Underlying Funds, a Funding Agreement managed by TIAA-CREF Life Insurance Company, and a High Yield Savings Account managed by NexBank. The allocation in the Cash Equivalent component will continue to increase its allocation to the High Yield Savings Account until 100% of the Cash Equivalent component is comprised of the High Yield Savings Account.

## Asset Allocation Options

These options give you the opportunity to invest based on a single investment strategy or asset class. In the Asset Allocation Options, the risk profile is set and does not evolve as the Beneficiary nears school enrollment (as in the Year of Enrollment Options). Because the Investment Option's risk profile is fixed throughout the life of your investment, your asset allocation should not shift unless you direct us to move your assets to another Investment Option. Asset allocation may be also shift as a result of changes in the Underlying Funds.

Depending on its investment objective, the Underlying Investment may strive to maximize capital appreciation or to generate income and preserve principal. In general, stocks offer a potentially greater return than other investments, but they also carry greater risk and volatility. Hence, the appropriate asset allocation among the different Asset Allocation Options depends on the investment goals and risk tolerance of the Account Owner and the time horizon of the Beneficiary to attend school.

If you choose to invest in Asset Allocation Options that invest in Underlying Funds with a significant weighting in stocks, such as the Active Equity Option, you might consider moving your assets to the more conservative Asset Allocation Option, Year of Enrollment Option, or Capital Preservation Option as your Beneficiary approaches school enrollment. Please note that there are limitations on your ability to move assets from one Investment Option to another. (Please see ***Maintaining Your Account*** starting on page 21.)

**The table below illustrates the percentages by asset class of the Underlying Investments within each Asset Allocation Option.**

| Underlying Funds | Active Equity Option | Equity Index Option | Active Bond Option | Bond Index Option | Capital Preservation Option | Guaranteed Option |
|---|---|---|---|---|---|---|
| American Funds Fundamental Investors | 50.00% | | | | | |
| DFA International Core Equity Portfolio | 25.00% | | | | | |
| DFA Emerging Markets Core Equity Portfolio | 15.00% | | | | | |
| Cohen & Steers Institutional Realty Shares | 10.00% | | | | | |
| Baird Core Plus Bond | | | 50.00% | | | |
| DFA Inflation-Protected Securities Portfolio | | | 15.00% | | | |
| PGIM Global Total Return Fund | | | 25.00% | | | |
| BlackRock Low Duration Bond | | | 10.00% | | | |
| iShares Core S&P Total U.S. Stock Market ETF | | 50.00% | | | | |
| SPDR® Portfolio Developed World ex-US ETF | | 25.00% | | | | |
| SPDR® Portfolio Emerging Markets ETF | | 15.00% | | | | |
| Schwab U.S. REIT ETF | | 10.00% | | | | |
| Schwab U.S. Aggregate Bond ETF | | | | 50.00% | | |
| Vanguard Short-Term Inflation Protected Securities ETF | | | | 15.00% | | |
| iShares Core International Aggregate Bond ETF | | | | 25.00% | | |
| Schwab Short-Term U.S. Treasury ETF | | | | 10.00% | | |
| NexBank High Yield Savings | | | | | 100.00% | |
| TIAA-CREF Life Insurance Company Funding Agreement | | | | | | 100.00% |

## Capital Preservation Option

This option focuses on protecting the principal you invest and offers an insured income return. It is the most conservative Investment Option and invests in an FDIC-insured omnibus savings account held in trust through NexBank.

## Guaranteed Option

Accounts held prior to February 22, 2019 may also be invested in a Guaranteed Option managed by TIAA-CREF Life Insurance Company. The Guaranteed Option is closed to new contributions. Any contributions received to the Guaranteed Option received after February 22, 2019 will instead be directed to the Capital Preservation Option.

## Investment Option Descriptions

The following descriptions highlight the investment objective, strategy, and main risks of each Investment Option. The Investment Options in KY Saves 529 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 (except to the extent of FDIC insurance available on the Capital Preservation Option). Each Investment Option has a different level of risk. The information below is provided by the Investment Managers and only lists the main risks of the Investment Option. Descriptions of the risks listed can be found in ***Appendix B*** starting on page 61. Other than the Capital Preservation Option and Guaranteed Option, 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 Investment Option.

## Year of Enrollment Options

### 2037 ENROLLMENT OPTION; 2034 ENROLLMENT OPTION; 2031 ENROLLMENT OPTION; 2028 ENROLLMENT OPTION; 2025 ENROLLMENT OPTION; 2022 ENROLLMENT OPTION; IN SCHOOL ENROLLMENT OPTION

**Objective:**
The Year of Enrollment Options seek to achieve capital appreciation, income and preservation of capital as appropriate for proximity to its applicable target date. The target date is the year which corresponds to the potential enrollment year of the Beneficiary. The objective of this option becomes more focused on capital preservation and income as it approaches its target date.

**Strategy:**
The option allocates its assets to Underlying funds consisting of ETFs and a cash equivalent component. The cash equivalent component holds a Funding Agreement managed by TIAA-CREF Life Insurance Company and a High Yield Savings Account managed by NexBank and seeks to provide a diversified allocation to broad asset classes, including domestic and international stocks and bonds, real estate, and capital preservation. The Underlying Funds represent different investment objectives and strategies. The allocations to the asset classes and the Underlying Funds are expected to change, reducing exposure to stocks and increasing exposure to fixed income and cash equivalents until the Beneficiaries' enrollment year. The Underlying Funds in this Enrollment Option will rebalance on an ongoing basis if they drift from their target allocations. The option will de-risk the asset class allocations on a semi-annual basis.

**Risks:**
Your investment in these options could lose money, or the options performance could trail that of other investments. Each Option has a different level of risk. Risks for the Year of Enrollment Options include: Asset Class Risk, Authorized Participant Risk, Call Risk, Cash Transactions Risk, Concentration Risk, Credit Risk, Currency Hedging Risk, Currency Risk, Cyber Security Risk, Depository Receipts Risk, Derivatives Risk, Emerging Markets Risk, Equity Risk, Extension Risk, Financial Sector Risk, Fluctuation of Net Asset Value, Share Premiums and Discount Risk, Geographic Risk, Income Fluctuations Risk, Income Risk, Index-Related Risk, Interest Rate Risk, Investment Style Risk, Issuer Risk, Large-Capitalization Companies Risk, Liquidity Risk, Management Risk, Market Capitalization Risk, Market Risk, Market Trading Risk, Mid-Company Risk, Mortgage-Backed and Mortgage Pass-Through Securities Risk, Non-Diversification Risk, Non-US Issuers Risk, Operational Risk, Passive Investment Risk, Portfolio Turnover Risk, Pre-Payment and Extension Risk, Real Estate Investment Risk, Reliance on Trading Partners Risk, REITs Risk, Risk of

Investing in Developed Countries, Risk of investing in Russia, Risk of Investing in the United States, Sampling Index Tracking Risk, Securities Lending Risk, Shares of Fund May Trade at Prices other than NAV, Small-Cap Company Risk, Sovereign and Quasi-Sovereign Obligations Risk, Structural Risk, Tax Risk, Technology Sector Risk, Tracking Error Risk, Unconstrained Sector Risk, and Valuations Risk.

## Asset Allocation Options

### ACTIVE EQUITY OPTION

**Objective:**
The Active Equity Option seeks to achieve long-term growth of capital and income.

**Strategy:**
The option allocates its assets to underlying mutual funds, seeking to provide a diversified allocation to broad asset classes, including domestic stocks, international stocks and real estate. The underlying funds represent different investment objectives and strategies and are actively managed. The underlying funds in this option will rebalance on an ongoing basis if they drift from their target allocations.

**Risks:**
Your investment in this option could lose money, or the option's performance could trail that of other investments. Risks for the Active Equity Option include: Active Management Risk, Common Stock Risk, Cyber Security Risk, Derivatives Risk, Emerging Markets Risk, Equity Markets Risk, Foreign Securities and Currencies Risk, Investment Risk, Issuer Risk, Large Shareholder Risk, Market Risk, Non-Diversification Risk, Other Investment Companies Risk, Preferred Securities Risk, Real Estate Market Risk, Regulatory Risk, REIT Risk, Risk of Investing in Growth Oriented Stocks, Risk of Investing in Income Oriented Stocks, Risk of Investing Outside the United States, Securities Lending Risk, Small and Medium Sized Company Risk, Small Company Risk, and Value Investment Risk.

### EQUITY INDEX OPTION

**Objective:**
The Equity Index Option seeks to achieve long-term growth of capital and income.

**Strategy:**
The option allocates its assets to underlying ETFs, seeking to provide a diversified allocation to broad asset classes, including domestic stocks, international stocks and real estate. The underlying funds represent different investment objectives and strategies, and are each managed to track their prospective benchmark index. The Underlying Funds in this option will rebalance on an ongoing basis if they drift from their target allocations.

**Risks:**
Your investment in this option could lose money, or the option's performance could trail that of other investments. Risks for the Equity Index Option include: Asset Class Risk, Authorized Participant Concentration Risk, Concentration Risk, Currency Risk, Cyber Security Risk, Depository Receipts Risk, Derivatives Risk, Emerging Markets Risk, Equity Risk, Financials Sector Risk, Geographic Risk, Index-Related Risk, Investment Style Risk, Issuer Risk, Large Capitalization Companies Risk, Liquidity Risk, Management Risk, Market Capitalization Risk, Market Risk, Market Trading Risk, Mid Cap Company Risk, Non-Diversification Risk, Non-US Issuers Risk, Operational Risk, Passive Investment Risk, Real Estate Investment Risk, REITs Risk, Risk of Investing in the United States, Securities Lending Risk, Shares of Fund May Trade at Prices other than NAV, Small Cap Company Risk, Technology Sector Risk, Tracking Error Risk, Unconstrained Sector Risk, and Valuations Risk.

## ACTIVE BOND OPTION

**Objective:**

The Active Bond Option seeks to achieve total return made up of current income and capital appreciation, along with some protection from inflation.

**Strategy:**

The option allocates its assets to underlying mutual funds, seeking to provide a diversified allocation to broad asset classes and maturities, including domestic and international bonds, as well as inflation protected securities. The underlying funds represent different investment objectives and strategies and are actively managed. The underlying funds in this option will rebalance on an ongoing basis if they drift from their target allocations.

**Risks:**

Your investment in this option could lose money, or the option's performance could trail that of other investments. Risks for the Active Bond option include: Bond Market Risk, Borrowing Risk, Counterparty Risk, Credit Risk, Currency Risk, Cyber Security Risk, Debt Securities Risk, Derivatives Risk, Dollar Rolls Risk, Economic and Market Events Risk, Emerging Markets Risk, Extension Risk, Foreign Securities Risk, Hedging Risk, High Portfolio Turnover Risk, Income Risk, Inflation-Protected Securities Interest Rate Risk, Inflation-Protected Securities Tax Risk, Interest Rate Risk, Junk Bonds Risk, Leverage Risk, Liquidity Risk, Management Risk, Market Risk, Mortgage and Asset Backed Debt Obligations Risk, Non-Diversification Risk, Non-Investment Grade Quality Risk, Prepayment Risk, Regulatory Risk, Repurchase Agreements and Purchase and Sales Contract Risk, Reverse Repurchase and Sales Agreements Risk, Risk of Increased Expenses, Risks of Investing for Inflation Protection, Sector Risk, Securities Lending, Selection Risk, Tax Risk, US Government Issuer Risk, Valuation Risk, and Volatility Risk.

## BOND INDEX OPTION

**Objective:**

The Bond Index Option seeks to achieve total return made up of current income and capital appreciation, along with some protection from inflation.

**Strategy:**

The option allocates its assets to underlying ETFs, seeking to provide a diversified allocation to broad asset classes and maturities, including domestic and international bonds, as well as inflation protected securities. The underlying funds represent different investment objectives and strategies, and are each managed to track their prospective benchmark index. The underlying funds in this option will rebalance on an ongoing basis if they drift from their target allocations.

**Risks:**

Your investment in this option could lose money, or the option's performance could trail that of other investments. Risks for the Bond Index Option include: Asset Class Risk, Authorized Participant Concentration Risk, Call Risk, Cash Transactions Risk, Concentration Risk, Credit Risk, Currency Hedging Risk, Currency Risk, Cyber Security Risk, Derivatives Risk, Fluctuation of Net Asset Value, Share Premiums, and Discount Risk, Geographic Risk, Income Fluctuations Risk, Income Risk, Index-Related Risk, Interest Rate Risk, Investment Style Risk, Issuer Risk, Liquidity Risk, Management Risk, market Risk, Market Trading Risk, Mortgage-Backed and Mortgage-Pass Through Securities Risk, Non-Diversification Risk, Non-US Issuer Risk, Operational Risk, Passive Investment Risk, Portfolio Turnover Risk, Prepayment and Extension Risk, Reliance on Trading Partners Risk, Risk of Investing in Developed Countries, Risk of Investing in Russia, Sampling Index Tracking Risk, Securities Lending Risk, Shares of the Fund May Trade at Prices Other than the NAV. Sovereign and Quasi Sovereign Obligations Risk, Structural Risk, Tax Risk, Tracking Error Risk, and Valuations Risk.

## Capital Preservation Options

### CAPITAL PRESERVATION OPTION

**Objective:**
The option seeks income consistent with the preservation of principal.

**Investment Strategy:**
The option invests 100% of its assets in the NexBank High-Yield Savings Account (HYSA). The HYSA is held in an omnibus savings account insured by the FDIC, which is held in trust by KHEAA at NexBank. Investments in the Capital Preservation Option earn a varying rate of interest. Interest on the HYSA will be compounded daily based on the actual number of days in a year (typically, 365/365 and 366/366 in leap years) and will be credited to the HYSA on a monthly basis. The interest rate is expressed as an Annual Percentage Yield (APY). The HYSA APY will be reviewed by NexBank on a periodic basis and may be recalculated as needed at any time. Investments in the Capital Preservation Option are pooled into the FDIC-insured omnibus savings account held in trust by KHEAA at NexBank. Subject to the application of NexBank and FDIC rules and regulations to each Account Owner, funds in the Capital Preservation Option will retain their value as described below under "FDIC Insurance."

**FDIC Insurance:**
Except for the Capital Preservation Option, investments in KY Saves 529 are not insured by the FDIC. FDIC insurance is provided for the Capital Preservation Option only, which invest in an FDIC-insured omnibus savings account held in trust by KHEAA at NexBank. Contributions to and earnings on the investments in the Capital Preservation Option are insured by the FDIC on a pass-through basis to each Account Owner up to the maximum amount set by federal law – currently $250,000. The amount of FDIC insurance provided to an Account Owner is based on the total of: (a) the value of an Account Owner's investment in the Capital Preservation Option; and (b) the value of all other accounts held by the Account Owner at NexBank, as determined by NexBank and FDIC regulations. The Program Administrators are not responsible for determining how an Account Owner's investment in the Capital Preservation Option will be aggregated with other accounts held by the Account Owner at NexBank for purposes of the FDIC insurance.

**No Other Guarantees:**
There is no other insurance and there are no other guarantees for the Capital Preservation Option. Therefore, like all of the options, neither your contributions into the Capital Preservation Option nor any investment return earned on your contributions are guaranteed by the Program Administrators. In addition, the Capital Preservation Option does not provide a guarantee of any level of performance or return.

**Risks:**
To the extent that FDIC insurance applies, the option is primarily subject to income risk. Income Risk is the risk that the return of the underlying FDIC-insured HYSA will vary from week to week because of changing interest rates and that the return of the HYSA will decline because of falling interest rates.

### GUARANTEED OPTION (closed to new contributions)

**Objective:**
The Guaranteed Option seeks to preserve capital and provide a stable return.

**Strategy:**
The assets in this Investment Option are allocated to a funding agreement issued by TIAA-CREF Life Insurance Company, which is an affiliate of TFI, to KHEAA as the policyholder. The funding agreement provides a minimum guaranteed rate of return on the amounts allocated to it by the Investment Option. The minimum effective annual interest rate will be neither less than 1% nor greater than 3% at any time. The guarantee is made by the insurance company to the policyholder, not to Account Owners. In addition to the guaranteed rate of interest to the policyholder, the funding agreement allows for the possibility that additional interest may be credited as declared periodically by TIAA-CREF Life. The rate of any additional interest is declared in advance for a period of up to 12 months and is not guaranteed for any future periods. The current effective annual interest rate applicable to the funding agreement will be posted on the Program's website.

**Risks:**
There is a risk that TIAA-CREF Life Insurance Company could fail to perform its obligations under the funding agreement for financial or other reasons.

## Underlying Fund Descriptions

Underlying Fund descriptions are provided as ***Appendix A*** of this Program Description. The related risks are described as ***Appendix B***.

## Additional Investment Information

**How Your Units Are Valued.** The Unit Value of each Investment Option is normally calculated as of the close of the New York Stock Exchange (NYSE) each day. If securities held by an Underlying Fund in your Investment Options are traded in other markets on days when the NYSE is closed, that Investment Option's value may fluctuate on days when you do not have access to it to purchase or redeem Units. If events that are expected to materially affect the value of securities traded in other markets occur between the close of those markets and the close of business on the NYSE, those securities may be valued at their fair value.

**Investment Policy.** The Program is managed in accordance with an investment policy adopted by the KHEAA Board of Directors (11 Kentucky Administrative Regulations 12:020), which specifies the acceptable rating agency categories for authorized investments. The Program Manager and KHEAA have developed Investment Options and selected the Underlying Funds for each Investment Option based on the guidelines set forth in the investment policy. The Investment Options have been approved by the Board.

**Treatment of Dividends and Capital Gains.** Some Underlying Funds may distribute dividends and capital gains. Any dividends and capital gains will be reinvested into the Investment Options containing the Underlying Funds and will be reflected as increases or decreases in the Investment Option's Unit Value.

**Differences between Performance of the Investment Options and Underlying Funds.** The performance of the Investment Options will differ from the performance of the Underlying Funds. For more details, see the ***Investment Performance*** section beginning on page 40.

**Requesting Additional Information about certain Underlying Funds.** Additional information about the investment strategies and risks of each Underlying Fund that is a mutual fund or ETF is available in its current prospectus and Statement of Additional Information (SAI). You can request a copy of the current prospectus, the SAI, or the most recent semiannual or annual report of any Underlying Fund that is a mutual fund or ETF by visiting the following Investment Managers' websites or calling the numbers referenced below.

| Investment Manager | Website | Phone Number |
|---|---|---|
| American Funds | www.americanfunds.com | 800.421.0180 |
| Baird Advisors | www.bairdassetmanagement.com | 866.442.2473 |
| BlackRock | www.ishares.com and www.blackrock.com/investing/products/mutual-funds | 800.474.2737 |
| Cohen & Steers | www.cohenandsteers.com | 800.330.7348 |
| Dimensional Fund Advisors | www.us.dimensional.com | 512.306.7400 |
| NexBank | www.nexbank.com | 800.827.4818 |
| PGIM Investments | www.pgiminvestments.com | 800.225.1852 |
| Charles Schwab Investment Management, Inc. | www.schwabfunds.com | 877.824.5615 |
| SSGA | www.ssga.com | 866.787.2257 |
| Vanguard | www.vanguard.com | 877.662.7447 |

# INVESTMENT PERFORMANCE

Investment Option price and performance information will be available once the Investment Options commence operations in February 2019. For up to date price and performance information, go to **www.kysaves.com** or call us at **877.598.7878**.

The performance of the Investment Options will differ from the performance of the Underlying Funds. The Investment Options may have higher expense ratios than the Underlying Funds. However, they may receive more advantageous tax treatment. Investment Option performance may also be affected by cash flows into and out of the Investment Options; typically, the Investment Option purchases Underlying Fund shares one business day after the date funds are contributed. Depending on market conditions, the collective impact of these differences may cause the Investment Option's performance to trail or exceed the Underlying Funds' returns.

**Performance: Current performance information is available online at www.kysaves.com.**

**Investment Option performance information represents past performance, which is not a guarantee of future results. Except to the extent of FDIC insurance available on the Capital Preservation Option, investment returns and principal value will fluctuate, so your 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.kysaves.com.**

**At a Glance:**
*In this section, you will learn more about:*

Federal tax benefits
Gift/Estate Tax Limits
Transfers and Rollovers

# IMPORTANT TAX INFORMATION

## FEDERAL TAX ISSUES

**General.** This section describes some of the federal tax considerations to be aware of when investing in KY Saves 529. This information is by no means exhaustive and is not meant as tax advice. The federal tax consequences associated with an investment in KY Saves 529 can be complex. Additionally, KY Saves 529 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 Kentucky 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 29, for a discussion of the risk of tax law changes.

**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 KY Saves 529 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.

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

**Refunded Distributions.** For a discussion on federal tax considerations, see ***Refunded Distributions*** on page 15.

**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 16 to learn more about moving assets from a Coverdell ESA into an Account in KY Saves 529.

**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 Investment Options 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. 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 18.

**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 Investment Options in the Account. If you request that a withdrawal be taken from one or more specific Investment Option(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.

**At a Glance:**
*In this section, you will learn more about:*

Gift/Estate tax limits
State tax benefits

# STATE TAX ISSUES

**General.** The Kentucky state tax consequences associated with an investment in KY Saves 529 can be complex. KY Saves 529 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.**

**Kentucky Tax-Free Earnings.** Contributions to an Account are not includable in the Kentucky taxable income of the Beneficiary. Earnings credited to your Account are not subject to federal or Kentucky income tax while held in your Account.

**Kentucky Gift/Estate Tax.** Kentucky currently has no gift, generation-skipping tax, or estate tax. Check with your tax advisor for the specific effect of Kentucky state transfer taxes on your situation.

**Kentucky Tax-Free Withdrawals for Qualified Expenses.** Kentucky taxable income, which is generally derived from federal adjusted gross income, is taxed by the State. As a result, you or the Beneficiary are generally not subject to Kentucky income tax on the earnings portion of withdrawals for Qualified Expenses. Since different states have different tax provisions, if you or your Beneficiary, as applicable, are not a Kentucky taxpayer, you should consult your own state's tax laws or your tax advisor for more information on your state's taxation of withdrawals for Qualified Expenses.

**Kentucky Taxation of Non-Qualified and Other Withdrawals.** Because Kentucky taxable income is generally derived from federal adjusted gross income, you or the Beneficiary, as applicable, will be subject to Kentucky income tax on the earnings portion of any withdrawal that is included in your federal adjusted gross income.

**Non-Kentucky Taxpayers.** If you are not a Kentucky taxpayer, consider any state tax or other benefits that may be available in your or your Beneficiary's home state Qualified Tuition Program. State-based benefits should be one of many factors to be considered when making an investment decision, and different states have different tax provisions. Consider consulting your tax advisor to learn more about how state-based benefits (or any limitations) would apply to your specific circumstances.

# 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 Program, 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 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 acknowledgment that you agree to be bound by the terms and conditions of this Program Description and the Enrollment Form. The Program Description and the Enrollment Form, when executed by you, are considered the entire agreement between you and the Program 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 Program Description 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 Program Description, 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, Investment Options, 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 Program Description and Changes to the Program Description.** The information in this Program Description is believed to be accurate as of the cover date but is subject to change without notice. We may amend the Program Description from time to time to comply with changes in the law or regulations or if we determine that it is in the Program'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 KY Saves 529. No one is authorized to provide information that is different from the information in the most current form of this Program Description and any subsequent Supplements.

**Keep Legal Documents for Your Records.** You should retain this Program Description and all Supplements to the Program Description for your records. If material modifications are made to KY Saves 529, a revised Program Description 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 Program Description 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 Kentucky General Assembly may, from time to time, pass legislation, which may directly or indirectly affect the terms and conditions of KY Saves 529 and the Program Description.

**Guide to Interpretation.** The Program is intended to qualify for the tax benefits of Section 529. Notwithstanding anything in the Program Description 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 Program will be filed by or on behalf of the Program 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 Program with the MSRB.

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

**Privacy Policy.** We are required to treat all prospective and existing Account Owner and Beneficiary information confidentially. We are prohibited from using or disclosing this information, except as may be necessary to perform our obligations to the Program, or if required by applicable law, by court or other order. You can access a copy of the most recent privacy policy on the Program's website at **www.kysaves.com** or call **877.598.7878** to request a paper copy.

**Custodial Arrangements.** The Bank of New York Mellon (Mellon) is the Program's custodian. As custodian, Mellon is responsible for maintaining the Program'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, 2016, protected up to six-thousand four-hundred twenty-five dollars ($6,425.00), 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, 2019); 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 your or your Beneficiary's residency, Disabled status, and any other factual determinations regarding your Account will be made by the Program based on the facts and circumstances of each case.

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

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

**Claims; Disputes.** All decisions and interpretations by the Program Administrators in connection with the operation of the Program will be final and binding upon you, the Beneficiary, and any other person affected. Any claim by you or your Beneficiary against the Program Administrators, individually or collectively, with respect to your Account will be made solely against the assets in your Account. The obligations of KY Saves 529 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 Program 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 Commonwealth of Kentucky or Program 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 Kentucky residence for a Beneficiary. The Program 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 Program Description are legally binding contractual obligations of the Program only.

# PROGRAM GOVERNANCE

**KY Saves 529.** The Kentucky Educational Savings Plan Trust (KY Saves 529) is a Qualified Tuition Program established pursuant to the Act. The purpose of KY Saves 529 is to encourage and make possible the attainment of education by the greatest number of persons by encouraging the investment of funds for future educational use. Under the Act, KHEAA has those powers as may be reasonably necessary to effect the purposes of KY Saves 529, including the power and authority to make and enter into contracts necessary for the administration of the Program, to enter into Participation Agreements with Account Owners, and to promulgate reasonable rules and regulations for the administration of the Program.

**Other Qualified Tuition Programs Administered by KHEAA.** In addition to KY Saves 529, KHEAA also administers KAPT, a closed qualified tuition program for prepaid accounts. KAPT is not managed by or distributed by the Program Manager or any of its affiliates. This Program Description is only intended for use in connection with an Account opened in KY Saves 529. It is not intended for use in connection with accounts in KAPT.

**Program Manager. Ascensus College Savings Recordkeeping Services, LLC** (ACSR) serves as the Program Manager of KY Saves 529. ACSR and its affiliates (collectively, Ascensus) have overall responsibility for the day-to-day operations of the KY Saves 529 including recordkeeping, administrative, marketing, and investment consulting services. The Management Agreement between KHEAA and ACSR is now effective and will terminate in 2027, or earlier as provided in the Management Agreement. The Management Agreement may be extended for an additional eight (8) year term.

**Program Manager Address.** 95 Wells Ave, Suite 155, Newton, MA 02459. All general correspondence, however, should be addressed to **KY Saves 529, P.O. Box 56014, Boston, MA 02205-6014**.

**Investment Managers.** KY Saves 529 has eleven (11) Investment Managers: American Funds, Baird Advisors, BlackRock, Cohen & Steers, Dimensional Fund Advisors, NexBank, PGIM Investments, Schwab, SSGA, TIAA-CREF Life Insurance Company, and Vanguard.

# APPENDIX A – DESCRIPTIONS OF UNDERLYING FUNDS

The following descriptions highlight the investment objective, strategy, and main risks of each Underlying Fund. The Investment Options in KY Saves 529 are more likely to meet their goals if each Underlying Fund in which each Investment Option invests achieves its stated investment objectives.

The information below is provided by the Investment Managers and only lists the main risks of the Investment Option. Descriptions of the risks listed can be found in ***Appendix B***. Other than the Capital Preservation Option and the Guaranteed Option, 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 Investment Option.

## AMERICAN FUNDS FUNDAMENTAL INVESTORS FUND

**Investment Objective:**
The American Funds Fundamental Investors Fund's investment objective is to achieve long-term growth of capital and income.

**Principal Investment Strategies:**
The fund seeks to invest primarily in common stocks of companies that appear to offer superior opportunities for capital growth and most of which have a history of paying dividends. In addition, the fund may invest significantly in securities of issuers domiciled outside the United States. The investment adviser uses a system of multiple portfolio managers in managing the fund's assets. Under this approach, the portfolio of the fund is divided into segments managed by individual managers who decide how their respective segments will be invested. The fund relies on the professional judgment of its investment adviser to make decisions about the fund's portfolio investments. The basic investment philosophy of the investment adviser is to seek to invest in attractively valued companies that, in its opinion, represent good, long-term investment opportunities. The investment adviser believes that an important way to accomplish this is through fundamental analysis, which may include meeting with company executives and employees, suppliers, customers and competitors. Securities may be sold when the investment adviser believes that they no longer represent relatively attractive investment opportunities.

**Principal Risks:**
Active Management Risk, Issuer Risk, Market Risk, Risk in Investing in Growth-Oriented Stocks, Risk in Investing in Income-Oriented Stocks, and Risk Investing Outside the United States

## BAIRD CORE PLUS BOND FUND

**Investment Objective:**
The investment objective of the Baird Core Plus Bond Fund (the "Fund") is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Bloomberg Barclays U.S. Universal Bond Index.

**Principal Investment Strategies:**
The Fund normally invests at least 80% of its net assets in the following types of U.S. dollar-denominated debt obligations: U.S. government and other public-sector entities, Asset-backed and mortgage-backed obligations of U.S. and foreign issuers, Corporate debt of U.S. and foreign issuers. The Fund invests primarily in investment-grade debt obligations, but may invest up to 20% of its net assets in non-investment grade debt obligations (sometimes referred to as "high yield" or "junk" bonds). Non-investment grade debt obligations, at the time of purchase, are generally rated at least B or higher by Standard & Poor's ("S&P") or Moody's Investors Service ("Moodys") or have an equivalent rating by another nationally recognized rating agency. The Fund may also invest in unrated debt obligations that are determined by Robert W. Baird & Co. Incorporated (the "Advisor") to be comparable in quality to the rated obligations. After purchase, a debt obligation may cease to be rated or may have its rating reduced below the minimum rating required by the Fund for purchase. In such cases, the Advisor will consider whether to continue to hold the debt obligation. The Fund may hold debt obligations with a "D" or similar credit rating indicating at least a partial payment default. The Advisor attempts to keep the duration of the Fund's portfolio substantially equal to that of its benchmark, the Bloomberg Barclays

U.S. Universal Bond Index. The duration of the Fund's benchmark as of December 31, 2018 was 5.67 years. The dollar-weighted average portfolio effective maturity of the Fund will normally be more than five years but less than 10 years during normal market conditions. The Advisor may invest in debt obligations of all maturities. The Advisor attempts to diversify the Fund's portfolio by holding debt obligations of many different issuers and choosing issuers in a variety of sectors. In determining which debt obligations to buy for the Fund, the Advisor attempts to achieve returns that exceed the Fund's benchmark primarily in three ways: Yield curve positioning: The Advisor selects debt obligations with maturities and yields that it believes have the greatest potential for achieving the Fund's objective, while attempting to match the average duration of the debt obligations in the Fund with the average duration of the debt obligations in the Fund's benchmark. Sector allocation: The Advisor invests in debt obligations in those sectors which it believes represent the greatest potential for achieving the Fund's objective. Security selection: The Advisor determines which issuers it believes offer the best relative value within each sector and then decides which available debt obligations of that issuer to purchase. The Fund may invest in foreign debt obligations as well as cash or cash equivalents. The Advisor generally will sell a debt obligation when, on a relative basis and in the Advisor's opinion, it will no longer help the Fund attain its objective.

**Principal Risks:**
Bond Market Risk, Credit Risk, Extension Risk, Foreign Securities Risk, Government Obligations Risk, Liquidity Risk, Management Risk, Mortgage and Asset Backed Debt Obligations Risk, Non-Investment Grade Quality Risk, Sector Risk, and Valuation Risk

## BLACKROCK LOW DURATION BOND PORTFOLIO

**Investment Objective:**
The investment objective of the BlackRock Low Duration Bond Portfolio (the "Low Duration Fund" or the "Fund") is to seek to maximize total return, consistent with income generation and prudent investment management

**Principal Investment Strategies:**
The Low Duration Fund invests primarily in investment grade bonds and maintains an average portfolio duration that is between 0 and 3 years. The Low Duration Fund normally invests at least 80% of its assets in debt securities. The Low Duration Fund may invest up to 20% of its assets in non-investment grade bonds (commonly called "high yield" or "junk bonds"). The Low Duration Fund may also invest up to 25% of its assets in assets of foreign issuers, of which 10% (as a percentage of the Fund's assets) may be invested in emerging markets issuers. Up to 10% of the Low Duration Fund's assets may be exposed to non-US currency risk. A bond of a foreign issuer, including an emerging market issuer, will not count toward the 10% limit on non-US currency exposure if the bond is either (i) US dollar-denominated or (ii) non-US dollar denominated, but hedged back to US dollars. The management team evaluates sectors of the bond market and individual securities within these sectors. The management team selects bonds from several sectors including: U.S. Treasuries and agency securities, commercial and residential mortgage-backed securities, collateralized mortgage obligations ("CMOs"), asset-backed securities and corporate bonds. The Low Duration Fund may buy or sell options or futures on a security or an index of securities, or enter into credit default swaps and interest rate or foreign currency transactions, including swaps (collectively, commonly known as derivatives). The Fund may use derivative instruments to hedge its investments or to seek to enhance returns. The Fund may seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as reverse repurchase agreements or dollar rolls). The Low Duration Fund may engage in active and frequent trading of portfolio securities to achieve its principal investment strategies.

**Principal Risks:**
Borrowing Risk, Debt Securities Risk, Derivatives Risk, Emerging Markets Risk, Foreign Securities Risk, High Portfolio Turnover Risk, Junk Bonds Risk, Leverage Risk, Illiquid Investments Risk, Market Risk and Selection Risk, Mortgage- and Asset-Backed Securities Risk, Repurchase Agreements and Purchase and Sales Contracts Risk, and U.S. Government Issuer Risk

## COHEN AND STEERS INSTITUTIONAL REALTY SHARES FUND

**Investment Objective:**
The investment objective of Cohen & Steers Institutional Realty Shares, Inc. (the "Fund") is total return through investment in real estate securities.

**Principal Investment Strategies:**
Cohen & Steers Capital Management, Inc. (the "Advisor") adheres to a bottom-up, relative value investment process when selecting publicly traded real estate securities. To guide the portfolio construction process, the Advisor utilizes a proprietary valuation model that quantifies relative valuation of real estate securities based on price-to-net asset value ("NAV"), cash flow multiple/growth ratios and a dividend discount model ("DDM"). Analysts incorporate both quantitative and qualitative analysis in their NAV, cash flow, growth and DDM estimates. The company research process includes an evaluation of the commercial real estate supply and demand dynamics, management, strategy, property quality, financial strength and corporate structure. Judgments with respect to risk control, geographic and property sector diversification, liquidity and other factors are considered along with the models' output and drive the portfolio managers' investment decisions.

Under normal market conditions, the Fund invests at least 80%, and normally substantially all, of its total assets in common stocks and other equity securities issued by real estate companies. Real estate equity securities include common stocks, preferred stocks and other equity securities issued by real estate companies, including real estate investment trusts ("REITs") and similar REIT-like entities. A real estate company is one that (i) derives at least 50% of its revenue from the ownership, construction, financing, management or sale of commercial, industrial or residential real estate and land; or (ii) has at least 50% of its assets invested in such real estate. REITs are companies that own interests in real estate or in real estate related loans or other interests, and their revenue primarily consists of rent derived from owned, income producing real estate properties and capital gains from the sale of such properties. The Fund may invest, without limit, in shares of REITs. A REIT in the U.S. is generally not taxed on income distributed to shareholders so long as it meets certain tax related requirements, including the requirement that it distribute substantially all of its taxable income to such shareholders (other than net capital gains for each taxable year). REIT-like entities are organized outside of the U.S. and have operations and receive tax treatment in their respective countries similar to that of U.S. REITs. The Fund retains the ability to invest in real estate companies of any market capitalization.

The Fund may invest up to 20% of its total assets in securities of foreign issuers (including emerging market issuers) which meet the same criteria for investment as domestic companies, including investments in such companies in the form of American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs") and European Depositary Receipts ("EDRs").

**Principal Risks:**
Active Management Risk, Common Stock Risk, Cyber Security Risk, Foreign (Non-U.S.) Securities Risk, Investment Risk, Large Shareholder Risk, Market Risk, Non-Diversification Risk, Other Investment Companies Risk, Preferred Securities Risk, Real Estate Market Risk, REIT Risk, Regulatory Risk, and , Small and Medium Sized Companies Risk

## DFA EMERGING MARKETS CORE EQUITY PORTFOLIO

**Investment Objective:**
The investment objective of the Emerging Markets Core Equity Portfolio is to achieve long-term capital appreciation.

**Principal Investment Strategies:**
The Emerging Markets Core Equity Portfolio purchases a broad and diverse group of securities associated with emerging markets, which may include frontier markets (emerging market countries in an earlier stage of development), authorized for investment by Dimensional Fund Advisors LP's (the "Advisor") Investment Committee ("Approved Markets"), with a greater emphasis on small capitalization, value, and high profitability companies. The Portfolio's increased exposure to small capitalization, value, and high profitability companies may be achieved by decreasing the allocation of the Portfolio's assets to the largest growth or low profitability companies, which would result in a greater weight allocation to small capitalization, value, and/or high profitability companies. An equity issuer is considered a growth company primarily because it has a high price in relation to its book value. Securities are considered value stocks primarily because a company's shares have a low price in relation to their book value. In assessing growth and value, the Advisor may consider additional factors such as price to cash flow or price to earnings ratios. In assessing profitability, the Advisor may consider different ratios, such as that of earnings or profits from operations relative to book value or assets. The criteria the Advisor uses for assessing growth, value or profitability are subject to change from time to time. The

Advisor may also adjust the representation in the Emerging Markets Core Equity Portfolio of an eligible company, or exclude a company, after considering such factors as free float, momentum, trading strategies, liquidity, size, value, profitability, and other factors that the Advisor determines to be appropriate, given market conditions.

As a non-fundamental policy, under normal circumstances, the Emerging Markets Core Equity Portfolio will invest at least 80% of its net assets in emerging markets equity investments that are defined in the Prospectus as Approved Market securities.

The Emerging Markets Core Equity Portfolio may gain exposure to companies in Approved Markets by purchasing equity securities in the form of depositary receipts, which may be listed or traded outside the issuer's domicile country. The Emerging Markets Core Equity Portfolio may purchase or sell futures contracts and options on futures contracts for Approved Market or other equity market securities and indices, including those of the United States, to adjust market exposure based on actual or expected cash inflows to or outflows from the Portfolio. The Portfolio does not intend to sell futures contracts to establish short positions in individual securities or to use derivatives for purposes of speculation or leveraging investment returns.

The Emerging Markets Core Equity Portfolio may lend its portfolio securities to generate additional income.

**Principal Risks:**
Equity Market Risk, Foreign Securities and Currencies Risk, Small Company Risk, Emerging Markets Risk, Value Investment Risk, Derivatives Risk, Securities Lending Risk, Cyber Security Risk

## DFA INFLATION PROTECTED SECURITIES PORTFOLIO

**Investment Objective:**
The investment objective of the DFA Inflation-Protected Securities Portfolio (the "Inflation-Protected Portfolio") is to provide inflation protection and earn current income consistent with inflation-protected securities.

**Principal Investment Strategies:**
The Inflation-Protected Portfolio seeks its investment objective by investing in a universe of inflation-protected securities that are structured to provide returns linked to the rate of inflation over the long-term. The Inflation-Protected Portfolio ordinarily invests in inflation-protected securities issued by the U.S. Government and its agencies and instrumentalities and the credit quality of such inflation-protected securities will be that of such applicable U.S. government, agency or instrumentality issuer.

As a non-fundamental policy, under normal circumstances, the Portfolio will invest at least 80% of its net assets in inflation-protected securities. Inflation-protected securities (also known as inflation-indexed securities) are securities whose principal and/or interest payments are adjusted for inflation, unlike conventional debt securities that make fixed principal and interest payments. Inflation-protected securities include Treasury Inflation-Protected Securities ("TIPS"), which are securities issued by the U.S. Treasury. The principal value of TIPS is adjusted for inflation (payable at maturity) and the semi-annual interest payments by TIPS equal a fixed percentage of the inflation-adjusted principal amount. These inflation adjustments are based upon the Consumer Price Index for Urban Consumers (CPI-U). The original principal value of TIPS is guaranteed, even during periods of deflation. At maturity, TIPS are redeemed at the greater of their inflation-adjusted principal or par amount at original issue. Other types of inflation-protected securities may use other methods to adjust for inflation and other measures of inflation. In addition, inflation-protected securities issued by entities other than the U.S. Treasury may not provide a guarantee of principal value at maturity.

Generally, the Inflation-Protected Portfolio will purchase inflation-protected securities with maturities between five and twenty years from the date of settlement, although it is anticipated that, at times, the Portfolio will purchase securities outside of this range. The Portfolio ordinarily will have an average weighted maturity, based upon market values, between three to twelve years.

The Inflation-Protected Portfolio is authorized to invest more than 25% of its total assets in U.S. Treasury bonds, bills and notes and obligations of U.S. government agencies and instrumentalities. The Portfolio will not shift the maturity of its investments in anticipation of interest rate movements.

The Inflation-Protected Portfolio may purchase or sell futures contracts and options on futures contracts, to adjust market exposure based on actual or expected cash inflows to or outflows from the Portfolio. The Portfolio does not intend to sell futures contracts to establish short positions in individual securities or to use derivatives for purposes of speculation or leveraging investment returns.

The Inflation-Protected Portfolio may lend its portfolio securities to generate additional income.

**Principal Risks:**
Credit Risk, Cyber Security Risk, Derivatives Risk, Income Risk, Inflation–Protected Securities Tax Risk, Inflation-Protected Securities Interest Rate Risk, Interest Rate Risk, Liquidity Risk, Market Risk, Risks of Investing for Inflation Protection, and Securities Lending Risk

## DFA INTERNATIONAL CORE EQUITY PORTFOLIO

**Investment Objective:**
The investment objective of the International Core Equity Portfolio is to achieve long-term capital appreciation.

**Principal Investment Strategies:**
The International Core Equity Portfolio purchases a broad and diverse group of securities of non-U.S. companies in developed markets with a greater emphasis on small capitalization, value and high profitability companies as compared to their representation in the International Universe. For purposes of this Portfolio, Dimensional Fund Advisors LP (the "Advisor") defines the International Universe as a market capitalization weighted portfolio of non-U.S. companies in developed markets that have been authorized as approved markets for investment by the Advisor's Investment Committee. The Portfolio's increased exposure to small capitalization, value and high profitability companies may be achieved by decreasing the allocation of the International Core Equity Portfolio's assets to the largest growth or low profitability companies relative to their weight in the International Universe, which would result in a greater weight allocation to small capitalization, value, and/or high profitability companies. An equity issuer is considered a growth company primarily because it has a high price in relation to its book value. Securities are considered value stocks primarily because a company's shares have a low price in relation to their book value. In assessing growth and value, the Advisor may consider additional factors such as price to cash flow or price to earnings ratios. In assessing profitability, the Advisor may consider different ratios, such as that of earnings or profits from operations relative to book value or assets. The criteria the Advisor uses for assessing growth, value or profitability are subject to change from time to time.

The International Core Equity Portfolio intends to purchase securities of companies associated with developed market countries that the Advisor has designated as approved markets. As a non-fundamental policy, under normal circumstances, the International Core Equity Portfolio will invest at least 80% of its net assets in equity securities. The Advisor determines company size on a country or region specific basis and based primarily on market capitalization. The percentage allocation of the assets of the International Core Equity Portfolio to securities of the largest growth companies as defined above will generally be reduced from between 5% and 35% of their percentage weight in the International Universe. As of December 31, 2017, securities of the largest growth companies in the International Universe comprised approximately 13% of the International Universe and the Advisor allocated approximately 4% of the International Core Equity Portfolio to securities of the largest growth companies in the International Universe. The percentage by which the Portfolio's allocation to securities of the largest growth companies is reduced will change due to market movements and other factors. The Advisor may also adjust the representation in the International Core Equity Portfolio of an eligible company, or exclude a company, after considering such factors as free float, momentum, trading strategies, liquidity, size, value, profitability, and other factors that the Advisor determines to be appropriate, given market conditions.

The International Core Equity Portfolio may gain exposure to companies associated with approved markets by purchasing equity securities in the form of depositary receipts, which may be listed or traded outside the issuer's domicile country. The International Core Equity Portfolio also may purchase or sell futures contracts and options on futures contracts for foreign or U.S. equity securities and indices, to adjust market exposure based on actual or expected cash inflows to or outflows from the Portfolio. The Portfolio does not intend to sell futures contracts to establish short positions in individual securities or to use derivatives for purposes of speculation or leveraging investment returns.

The International Core Equity Portfolio may lend its portfolio securities to generate additional income.

**Principal Risks:**
Equity Market Risk, Foreign Securities and Currencies Risk, Small Company Risk, Value Investment Risk, Derivatives Risk, Securities Lending Risk, Cyber Security Risk

## iSHARES CORE INTERNATIONAL AGGREGATE BOND ETF

**Investment Objective:**

The iShares Core International Aggregate Bond ETF seeks to track the investment results of an index composed of global non-U.S. dollar-denominated investment-grade bonds that mitigates exposure to fluctuations between the value of the component currencies and the U.S. dollar.

**Principal Investment Strategies:**

The Fund seeks to track the investment results of the Bloomberg Barclays Global Aggregate ex USD 10% Issuer Capped (Hedged) Index (the "Underlying Index"), which measures the performance of the global investment-grade (as determined by Bloomberg Index Services Limited (the "Index Provider" or "Bloomberg") bond market. The Underlying Index includes investment-grade fixed-rate sovereign and government-related debt, corporate and securitized bonds from both developed and emerging market issuers. Securities included in the Underlying Index are issued in currencies other than the U.S. dollar, must have maturities of at least one year and are required to meet minimum outstanding issue size criteria. The Underlying Index is market capitalization-weighted with a cap on each issuer of 10%. Debt that is publicly issued in the global and regional markets is included in the Underlying Index. Certain types of securities, such as USD-denominated bonds, contingent capital securities, inflation-linked bonds, floating-rate issues, fixed-rate perpetuals, retail bonds, structured notes, pass-through certificates, private placements (other than those offered pursuant to Rule 144A or Regulation S promulgated under the Securities Act of 1933, as amended (the "1933 Act")), sinkable Russian OFZ bonds issued prior to 2009 and securities where reliable pricing is unavailable are excluded from the Underlying Index. The securities in the Underlying Index are updated on the last business day of each month, and the currency risk of the securities in the Underlying Index are hedged to the U.S. dollar on a monthly basis. As of October 31, 2017, a significant portion of the Underlying Index is represented by fixed-rate foreign sovereign and government debt, non-U.S. government-related bonds and corporate bonds. The components of the Underlying Index, and the degree to which these components represent certain industries and/or countries, are likely to change over time. BlackRock Fund Advisors ("BFA") uses a "passive" or indexing approach to try to achieve the Fund's investment objective.

**Principal Risks:**

Asset Class Risk, Authorized Participant Concentration Risk, Call Risk, Cash Transactions Risk, Concentration Risk, Credit Risk, Currency Hedging Risk, Currency Risk, Cyber Security Risk, Derivatives Risk, Extension Risk, Geographic Risk, Income Risk, Index-Related Risk, Interest Rate Risk, Issuer Risk, Liquidity Risk, Management Risk, Market Risk, Market Trading Risk, Non-Diversification Risk, Non-US Issuers Risk, Operational Risk, Passive Investment Risk, Risk of Investing in Developed Countries, Risk of Investing in Russia, Securities Lending Risk, Sovereign and Quasi-Sovereign Obligations Risk, Structural Risk, Tax Risk, Tracking Error Risk, and Valuations Risk.

## ISHARES CORE S&P TOTAL U.S. STOCK MARKET ETF

**Investment Objective:**

The iShares Core S&P Total U.S. Stock Market ETF seeks to track the investment results of a broad-based index composed of U.S. equities.

**Principal Investment Strategies:**

The Fund seeks to track the investment results of the S&P Total Market Index™ (TMI) (the "Underlying Index"), which is comprised of the common equities included in the S&P 500® and the S&P Completion Index™. The Underlying Index consists of all U.S. common equities listed on the New York Stock Exchange ("NYSE") (including NYSE Arca, Inc. ("NYSE Arca") and NYSE MKT), the NASDAQ Global Select Market, the NASDAQ Global Market, the NASDAQ Capital Market and BATS Exchange, Inc. The securities in the Underlying Index are weighted based on the total float-adjusted market value of their outstanding shares. Securities with higher total float-adjusted market value have a larger representation in the Underlying Index. The S&P 500 measures the performance of the large-capitalization sector of the U.S. equity market. The S&P Completion Index measures the performance of the U.S. mid-, small- and micro-capitalization sector of the U.S. equity market. As of March 31, 2018, the S&P 500 and the S&P Completion Index included approximately 80% and 20%, respectively, of the market capitalization of the Underlying Index. The Underlying Index includes large-, mid-, small- and micro-capitalization companies. As of March 31, 2018, a significant portion of the Underlying Index is represented by securities of companies in the financials and information technology industries or sectors. The components of the Underlying Index are likely to change over time BFA uses a "passive" or indexing approach to try to achieve the Fund's investment objective.

**Principal Risks:**

Asset Class Risk, Authorized Participant Concentration Risk, Concentration Risk, Cyber Security Risk, Financials Sector Risk, Index-Related Risk, Technology Sector Risk, Issuer Risk, Large-Capitalization Companies Risk, Management Risk, Market Risk, Market Trading Risk, Operational Risk, Passive Investment Risk, Risk of Investing in the United States, Securities Lending Risk, and Tracking Error Risk.

## PGIM GLOBAL TOTAL RETURN FUND

**Investment Objective:**
The Fund's investment objective is to seek total return, made up of current income and capital appreciation.

**Principal Investment Strategies:**
The Fund seeks investments that will increase in value, as well as pay the Fund interest and other income. The Fund generally invests in global developed market sovereign, corporate, mortgage-related, and asset-backed debt securities. The Fund may also invest in the debt securities of emerging market sovereign, quasi-sovereign, and corporate issuers.

The Fund may invest in countries anywhere in the world, and normally invests at least 65% of its total assets in income-producing debt securities of US and foreign corporations and governments, supranational organizations, semi-governmental entities or government agencies, authorities or instrumentalities, investment-grade US or foreign mortgages and mortgage-related securities and US or foreign short-term and long-term bank debt securities or bank deposits. The Fund may invest in debt securities that are denominated in US dollars or foreign currencies. The Fund may invest up to 35% of its total assets in speculative, lower-rated securities, also known as "junk" bonds, and unrated securities that the subadviser determines are of comparable quality to investment grade securities.

In managing the Fund's assets, the subadviser uses a combination of top-down economic analysis and bottom-up research in conjunction with proprietary quantitative models and risk management systems. In the top-down economic analysis, the subadviser develops views on economic, policy and market trends. In its bottom-up research, the subadviser develops an internal rating and outlook on issuers. The rating and outlook is determined based on a thorough review of the financial health and trends of the issuer. The subadviser may also consider investment factors such as expected total return, yield, spread and potential for price appreciation as well as credit quality, maturity and risk. The Fund may invest in a security based upon the expected total return rather than the yield of such security.

**Principal Risks:**
Credit Risk, Debt Obligations Risk, Derivatives Risk, Foreign Securities Risk, US Government and Agency Securities Risk, Interest Rate Risk, Liquidity Risk, Junk Bonds Risk, Market Risk, Mortgages and Mortgage-Related Securities Risk, Non-diversification Risk, Emerging Markets Risk, Currency Risk, Economic and Market Events Risk, and Risk of Increase in Expenses.

## SCHWAB SHORT-TERM U.S. TREASURY ETF

**Investment Objective:**
The fund's goal is to track as closely as possible, before fees and expenses, the total return of the Bloomberg Barclays US Treasury 1-3 Year Index.

**Principal Investment Strategies:**
To pursue its goal, the fund generally invests in securities that are included in the Bloomberg Barclays US Treasury 1-3 Year Index. The index includes all publicly-issued U.S. Treasury securities that have a remaining maturity of greater than or equal to one year and less than three years, are rated investment grade, and have $300 million or more of outstanding face value. The securities in the index must be denominated in U.S. dollars and must be fixed-rate and non-convertible. The index excludes state and local government series bonds and coupon issues that have been stripped from bonds. The index is market capitalization weighted and the securities in the index are updated on the last business day of each month. As of December 31, 2017, there were 95 securities in the index.

It is the fund's policy that under normal circumstances it will invest at least 90% of its net assets (including, for this purpose, any borrowings for investment purposes) in securities included in the index. The fund will notify its shareholders at least 60 days before changing this policy.

Under normal circumstances, the fund may invest up to 10% of its net assets in securities not included in its index. The principal types of these investments include those that the investment adviser believes will help the fund track the index, such as investments in (a) securities that are not represented in the index but the investment adviser anticipates will be added to the index; (b) high-quality liquid short-term investments, such as securities issued by the U.S. government, its agencies or instrumentalities, including obligations that are not guaranteed by the U.S. Treasury, and obligations that are issued by private issuers that are guaranteed as to principal or interest by the U.S. government, its agencies or instrumentalities; and (c) other investment companies. The fund may also invest in cash and cash equivalents, including money market funds, enter into repurchase agreements, and may lend its securities to minimize the difference in performance that naturally exists between an index fund and its corresponding index.

Because it may not be possible or practical to purchase all of the securities in the index, the investment adviser will seek to track the total return of the index by using sampling techniques. These techniques involve investing in a limited number of index securities that, when taken together, are expected to perform similarly to the index as a whole. These techniques are based on a variety of factors, including interest rate and yield curve risk, maturity exposures, and other risk factors and characteristics. The fund generally expects that its portfolio will hold less than the total number of securities in the index, but reserves the right to hold as many securities as it believes necessary to achieve the fund's investment objective. The fund generally expects that its yield and maturity will be similar to those of the index. In addition, the fund generally expects that its weighted average duration will closely correspond to the weighted average duration of the index, which as of December 31, 2017, was 1.95 years.

The investment adviser seeks to achieve, over time, a correlation between the fund's performance and that of its index, before fees and expenses, of 95% or better. However, there can be no guarantee that the fund will achieve a high degree of correlation with the index. A number of factors may affect the fund's ability to achieve a high correlation with its index, including the degree to which the fund utilizes a sampling technique (or otherwise gives a different weighting to a security than the index does). The correlation between the performance of the fund and its index may also diverge due to transaction costs, asset valuations, timing variances, and differences between the fund's portfolio and the index resulting from legal restrictions (such as diversification requirements) that apply to the fund but not to the index.

**Principal Risks:**
Credit Risk, Interest Rate Risk, Investment Style Risk, Liquidity Risk, Market Risk, Market Trading Risk, Sampling Index Tracking Risk, Securities Lending Risk, Shares of the Fund May Trade at Prices Other Than NAV and Tracking Error Risk

## SCHWAB U.S. AGGREGATE BOND ETF

**Investment Objective:**
The fund's goal is to track as closely as possible, before fees and expenses, the total return of the Bloomberg Barclays US Aggregate Bond Index.

**Principal Investment Strategies:**
To pursue its goal, the fund generally invests in securities that are included in the Bloomberg Barclays US Aggregate Bond Index. The index is a broad-based benchmark measuring the performance of the U.S. investment grade, taxable bond market, including U.S. Treasuries, government-related and corporate bonds, mortgage pass-through securities, commercial mortgage-backed securities, and asset-backed securities that are publicly available for sale in the United States. To be eligible for inclusion in the index, securities must be fixed rate, non-convertible, U.S. dollar denominated with at least $300 million or more of outstanding face value and have one or more years remaining to maturity. The index excludes certain types of securities, including tax-exempt state and local government series bonds, structured notes embedded with swaps or other special features, private placements, floating rate securities, inflation-linked bonds and Eurobonds. The index is market capitalization weighted and the securities in the index are updated on the last business day of each month. As of December 31, 2017, there were approximately 9,734 securities in the index.

It is the fund's policy that under normal circumstances it will invest at least 90% of its net assets (including, for this purpose, any borrowings for investment purposes) in securities included in the index, including TBA transactions, as defined below. The fund will notify its shareholders at least 60 days before changing this policy.

Under normal circumstances, the fund may invest up to 10% of its net assets in securities not included in its index. The principal types of these investments include those that the investment adviser believes will help the fund track the index, such as investments in (a) securities that are not represented in the index but the investment adviser anticipates will be added to the index; (b) high-quality liquid short-term investments, such as securities issued by the U.S. government, its agencies or instrumentalities, including obligations that are not guaranteed by the U.S. Treasury, and obligations that are issued by private issuers that are guaranteed as to principal or interest by the U.S. government, its agencies or instrumentalities; (c) other investment companies; and (d) derivatives, principally futures contracts. The fund may use futures contracts and other derivatives primarily to help manage interest rate exposure. The fund may also invest in cash and cash equivalents, including money market funds, and lend its securities to minimize the difference in performance that naturally exists between an index fund and its corresponding index.

Because it is not possible or practical to purchase all of the securities in the index, the fund's investment adviser will seek to track the total return of the index by using sampling techniques. These techniques involve investing in a limited number of index securities that, when taken together, are expected to perform similarly to the index as a whole. These techniques are based on a variety of factors, including interest rate and yield curve risk, maturity exposures, industry, sector and issuer weights, credit quality, and other risk factors and characteristics. The fund expects that its portfolio will hold less than the total number of securities in the index, but reserves the right to hold as many securities as it believes necessary to achieve the fund's investment objective. The fund generally expects that its weighted average duration will closely correspond to the weighted average duration of the index, which as of December 31, 2017, was 5.89 years.

As of December 31, 2017, approximately 28.07% of the bonds represented in the index were U.S. fixed-rate agency mortgage pass-through securities. U.S. fixed rate agency mortgage pass-through securities are securities issued by entities such as the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) that are backed by pools of mortgages. Most transactions in fixed-rate mortgage pass-through securities occur through standardized contracts for future delivery in which the exact mortgage pools to be delivered are not specified until a few days prior to settlement, and are often referred to as "to-be-announced transactions" or "TBA transactions." In a TBA transaction, the buyer and seller agree upon general trade parameters such as agency, settlement date, par amount and price. The actual pools delivered generally are determined two days prior to settlement date; however, it is not anticipated that the fund will receive the pools, but will instead participate in rolling TBA transactions. The fund anticipates that it may enter into such contracts on a regular basis. This may result in a significantly higher portfolio turnover for the fund than a typical index fund. The fund, pending settlement of such contracts, will invest its assets in high-quality liquid short-term instruments, including Treasury securities and shares of money market mutual funds. The fund will assume its pro rata share of the fees and expenses of any money market fund that it may invest in, in addition to the fund's own fees and expenses.

The fund will concentrate its investments (i.e., hold 25% or more of its total assets) in a particular industry, group of industries or sector to approximately the same extent that its index is so concentrated. For purposes of this limitation, securities of the U.S. government (including its agencies and instrumentalities), and repurchase agreements collateralized by U.S. government securities are not considered to be issued by members of any industry.

The investment adviser seeks to achieve, over time, a correlation between the fund's performance and that of its index, before fees and expenses, of 95% or better. However, there can be no guarantee that the fund will achieve a high degree of correlation with the index. A number of factors may affect the fund's ability to achieve a high correlation with its index, including the degree to which the fund uses a sampling technique (or otherwise gives a different weighting to a security than the index does). The correlation between the performance of the fund and its index may also diverge due to transaction costs, asset valuations, timing variances, and differences between the fund's portfolio and the index resulting from legal restrictions (such as diversification requirements) that apply to the fund but not to the index.

**Principal Risks:**
Concentration Risk, Credit Risk, Derivatives Risk, Interest Rate Risk, Investment Style Risk, Liquidity Risk, Market Risk, Market Trading Risk, Mortgage-Backed and Mortgage Pass-Through Securities Risk, Non-US Issuer Risk, Portfolio Turnover Risk, Prepayment and Extension Risk, Sampling Index Tracking Risk, Securities Lending Risk, Shares of the Fund May Trade at Prices Other Than NAV and Tracking Error Risk

## SCHWAB U.S. REIT ETF

Investment Objective: The fund's goal is to track as closely as possible, before fees and expenses, the total return of the Dow Jones U.S. Select REIT Index™.

**Principal Investment Strategies:**

To pursue its goal, the fund generally invests in securities that are included in the Dow Jones U.S. Select REIT Index. The index is a float-adjusted market capitalization weighted index comprised of real estate investment trusts (REITs). The index generally includes REITs that own and operate income producing commercial and/or residential real estate, derive at least 75% of the REIT's total revenue from the ownership and operation of real estate assets, and have a minimum total market capitalization of $200 million at the time of its inclusion. The index excludes mortgage REITs, net-lease REITs, real estate finance companies, mortgage brokers and bankers, commercial and residential real estate brokers and estate agents, home builders, large landowners and subdividers of unimproved land, hybrid REITs, timber REITs, and companies that have more than 25% of their assets in direct mortgage investments. As of February 28, 2018, the index was composed of 101 REITs.

It is the fund's policy that under normal circumstances it will invest at least 90% of its net assets (including, for this purpose, any borrowings for investment purposes) in securities included in the index. The fund will notify its shareholders at least 60 days before changing this policy. The fund will generally seek to replicate the performance of the index by giving the same weight to a given security as the index does. However, when the investment adviser believes it is in the best interest of the fund, such as to avoid purchasing odd-lots (i.e., purchasing less than the usual number of shares traded for a security), for tax considerations, or to address liquidity considerations with respect to a security, the investment adviser may cause the fund's weighting of a security to be more or less than the index's weighting of the security. The fund may sell securities that are represented in the index in anticipation of their removal from the index, or buy securities that are not yet represented in the index in anticipation of their addition to the index.

Under normal circumstances, the fund may invest up to 10% of its net assets in securities not included in its index. The principal types of these investments include those that the investment adviser believes will help the fund track the index, such as investments in (a) securities that are not represented in the index but the investment adviser anticipates will be added to the index; (b) investment companies; and (c) derivatives, principally futures contracts. The fund may use futures contracts and other derivatives primarily to seek returns on the fund's otherwise uninvested cash assets to help it better track the Index. The fund may also invest in cash, cash equivalents and money market funds, and may lend its securities to minimize the difference in performance that naturally exists between an index fund and its corresponding index.

Due to the composition of the index, the fund will concentrate its investments (i.e., hold 25% or more of its total assets) in real estate companies and companies related to the real estate industry. The fund may also invest in a particular industry, group of industries or sector to approximately the same extent that its index is so concentrated.

The investment adviser seeks to achieve, over time, a correlation between the fund's performance and that of its index, before fees and expenses, of 95% or better. However, there can be no guarantee that the fund will achieve a high degree of correlation with the index. A number of factors may affect the fund's ability to achieve a high correlation with its index, including the degree to which the fund utilizes a sampling technique. The correlation between the performance of the fund and its index may also diverge due to transaction costs, asset valuations, timing variances, and differences between the fund's portfolio and the index resulting from legal restrictions (such as diversification requirements) that apply to the fund but not to the index.

**Principal Risks:**

Concentration Risk, Derivatives Risk, Equity Risk, Investment Style Risk, Large-Cap Company Risk, Liquidity Risk, Market Capitalization Risk, Market Risk, Market Trading Risk, Mid-Cap Company Risk, Real Estate Investment Risk, REITs Risk, Securities Lending Risk, Shares of Fund May Trade at Prices other than NAV, Small-Cap Company Risk, and Tracking Error Risk

## SPDR PORTFOLIO EMERGING MARKETS ETF

**Investment Objective:**
The SPDR Portfolio Emerging Markets ETF (the "Fund") seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of an index based upon the emerging markets of the world.

**Principal Investment Strategies:**
In seeking to track the performance of the S&P Emerging BMI Index (the "Index"), the Fund employs a sampling strategy, which means that the Fund is not required to purchase all of the securities represented in the Index. Instead, the Fund may purchase a subset of the securities in the Index in an effort to hold a portfolio of securities with generally the same risk and return characteristics of the Index. The quantity of holdings in the Fund will be based on a number of factors, including asset size of the Fund. Based on its analysis of these factors, SSGA Funds Management, Inc. ("SSGA FM" or the "Adviser"), the investment adviser to the Fund, may invest the Fund's assets in a subset of securities in the Index or may invest the Fund's assets in substantially all of the securities represented in the Index in approximately the same proportions as the Index.

Under normal market conditions, the Fund generally invests substantially all, but at least 80%, of its total assets in the securities comprising the Index and in depositary receipts (including American Depositary Receipts ("ADRs") or Global Depositary Receipts ("GDRs")) based on securities comprising the Index. In addition, the Fund may invest in equity securities that are not included in the Index (including common stock, preferred stock, depositary receipts and shares of other investment companies), cash and cash equivalents or money market instruments, such as repurchase agreements and money market funds (including money market funds advised by the Adviser).

The Index is a market capitalization weighted index designed to define and measure the investable universe of publicly traded companies domiciled in emerging markets. The Index component securities are a subset, based on region, of component securities included in the S&P Global BMI (Broad Market Index). The S&P Global BMI is a rules-based index that measures global stock market performance. A country will be eligible for inclusion in the S&P Global BMI if it is classified as either a developed or emerging market by the S&P Global Equity Index Committee. Country classification is reviewed annually and determined based on quantitative criteria and feedback from market participants via a publicly available market consultation. All publicly listed companies with float-adjusted market capitalizations of at least $100 million and sufficient liquidity based on 12- month median value traded ratio and 6-month median daily value traded are included for each country. Once included, all current constituents with float-adjusted market capitalizations of at least $75 million and sufficient liquidity will remain in the S&P Global BMI for each country. The Index is "float-adjusted," meaning that only those shares publicly available to investors are included in the Index calculation. All stocks are weighted proportionally to their float-adjusted market capitalization and the Index is reconstituted annually in September. In addition, the Index rebalances quarterly to allow for the inclusion of eligible initial public offerings.

**Principal Risks:**
Currency Risk, Depositary Receipts Risk, Emerging Markets Risk, Equity Investing Risk, Financial Sector Risk, Fluctuation of Net Asset Value, Share Premiums and Discounts Risk, Geographic Focus Risk, Indexing Strategy/Index Tracking Risk, Liquidity Risk, Market Risk, Non-Diversification Risk, Non-US Securities Risk, Technology Sector Risk, Unconstrained Sector Risk, and Valuation Risk

## SPDR PORTFOLIO DEVELOPED WORLD EX-US ETF

**Investment Objective:**
The SPDR Portfolio Developed World ex-US ETF (the "Fund") seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of an index based upon the developed world (ex-US) equity markets

**Principal Investment Strategies:**
In seeking to track the performance of the S&P Developed Ex-U.S. BMI Index (the "Index"), the Fund employs a sampling strategy, which means that the Fund is not required to purchase all of the securities represented in the Index. Instead, the Fund may purchase a subset of the securities in the Index in an effort to hold a portfolio of securities with generally the same risk and return characteristics of the Index. The quantity of holdings in the Fund will be based on a number of factors, including asset size of the Fund. Based on its analysis of these factors, SSGA Funds Management, Inc. ("SSGA FM" or the "Adviser"), the investment adviser to the Fund, may invest the Fund's assets in a subset of securities in

the Index or may invest the Fund's assets in substantially all of the securities represented in the Index in approximately the same proportions as the Index.

Under normal market conditions, the Fund generally invests substantially all, but at least 80%, of its total assets in the securities comprising the Index and in depositary receipts (including American Depositary Receipts ("ADRs") or Global Depositary Receipts ("GDRs")) based on securities comprising the Index. In addition, the Fund may invest in equity securities that are not included in the Index (including common stock, preferred stock, depositary receipts and shares of other investment companies), cash and cash equivalents or money market instruments, such as repurchase agreements and money market funds (including money market funds advised by the Adviser).

The Index is a market capitalization weighted index designed to define and measure the investable universe of publicly traded companies domiciled in developed countries outside the United States. The Index component securities are a subset, based on region, of component securities included in the S&P Global BMI (Broad Market Index). The S&P Global BMI is a rules-based index that measures global stock market performance. A country will be eligible for inclusion in the S&P Global BMI if it is classified as either a developed or emerging market by the S&P Global Equity Index Committee. Country classification is reviewed annually and determined based on quantitative criteria and feedback from market participants via a publicly available market consultation. All publicly listed companies with float-adjusted market capitalizations of at least $100 million and sufficient liquidity based on 12-month median value traded ratio and 6-month median daily value traded are included for each country. Once included, all current constituents with float-adjusted market capitalizations of at least $75 million and sufficient liquidity will remain in the S&P Global BMI for each country. The Index is "float-adjusted," meaning that only those shares publicly available to investors are included in the Index calculation. All stocks are weighted proportionally to their float-adjusted market capitalization and the Index is reconstituted annually in September. In addition, the Index rebalances quarterly to allow for changes in shares outstanding and the inclusion of eligible initial public offerings.

**Principal Risks:**
Currency Risk, Depositary Receipts Risk, Equity Investing Risk, Financial Sector Risk, Fluctuation of Net Asset Value, Share Premiums and Discounts Risk, Geographic Focus Risk, Indexing Strategy/Index Tracking Risk, Market Risk, Non-Diversification Risk, Non-US Securities Risk, Unconstrained Sector Risk

## VANGUARD SHORT-TERM INFLATION-PROTECTED SECURITIES ETF

**Investment Objective:**
The Fund seeks to track the performance of a benchmark index that measures the investment return of inflation-protected public obligations of the U.S. Treasury with remaining maturities of less than 5 years.

**Principal Investment Strategies:**
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.

**Principal Risks:**
Income Fluctuations, Interest Rate Risk, Trading Risk

## TIAA-CREF LIFE INSURANCE COMPANY FUNDING AGREEMENT

**Objective:**
The funding agreement seeks to preserve capital and provide a stable return.

**Strategy:**
The assets are allocated to a funding agreement issued by TIAA-CREF Life Insurance Company, which is an affiliate of TFI, to KHEAA as the policyholder. The funding agreement provides a minimum guaranteed rate of return on the amounts allocated to it by the Investment Option. The minimum effective annual interest rate will be neither less than 1% nor greater than 3% at any time. The guarantee is made by the insurance company to the policyholder, not to Account Owners. In addition to the guaranteed rate of interest to the policyholder, the funding agreement allows for the possibility that additional interest may be credited as declared periodically by TIAA-CREF Life Insurance Company. The rate of any additional interest is declared in advance for a period of up to 12 months and is not guaranteed for any future periods. The current effective annual interest rate applicable to the funding agreement will be posted on the Program's website.

**Risks:**
There is a risk that TIAA-CREF Life Insurance Company could fail to perform its obligations under the funding agreement for financial or other reasons.

## NEXBANK HIGH YIELD SAVINGS

**Objective:**
The high yield savings account seeks income consistent with the preservation of principal.

**Investment Strategy:**
The high yield savings account invests 100% of its assets in the NexBank High-Yield Savings Account (HYSA). The HYSA is held in an omnibus savings account insured by the FDIC, which is held in trust by KHEAA at NexBank. Investments in the high yield savings account earn a varying rate of interest. Interest on the HYSA will be compounded daily based on the actual number of days in a year (typically, 365/365 and 366/366 in leap years) and will be credited to the HYSA on a monthly basis. The interest rate is expressed as an Annual Percentage Yield (APY). The HYSA APY will be reviewed by NexBank on a periodic basis and may be recalculated as needed at any time. Investments in the high yield savings account are pooled into the FDIC-insured omnibus savings account held in trust by KHEAA at NexBank. Subject to the application of NexBank and FDIC rules and regulations to each Account Owner, funds in the high yield savings account will retain their value as described below under "FDIC Insurance."

### FDIC Insurance:

Except for the high yield savings account, investments in KY Saves 529 are not insured by the FDIC. FDIC insurance is provided for the high yield savings account only, which invest in an FDIC-insured omnibus savings account held in trust by KHEAA at NexBank. Contributions to and earnings on the investments in the high yield savings account are insured by the FDIC on a pass-through basis to each Account Owner up to the maximum amount set by federal law – currently $250,000. The amount of FDIC insurance provided to an Account Owner is based on the total of: (a) the value of an Account Owner's investment in the Capital Preservation Option; and (b) the value of all other accounts held by the Account Owner at NexBank, as determined by NexBank and FDIC regulations. The Program Administrators are not responsible for determining how an Account Owner's investment in the high yield savings account will be aggregated with other accounts held by the Account Owner at NexBank for purposes of the FDIC insurance.

### No Other Guarantees:

There is no other insurance and there are no other guarantees for the high yield savings account. Therefore, like all of the options, neither your contributions into the high yield savings account nor any investment return earned on your contributions are guaranteed by the Program Administrators. In addition, the high yield savings account does not provide a guarantee of any level of performance or return.

**Risks:**
To the extent that FDIC insurance applies, the option is primarily subject to income risk. Income Risk is the risk that the return of the underlying FDIC-insured HYSA will vary from week to week because of changing interest rates and that the return of the HYSA will decline because of falling interest rates.

# APPENDIX B – EXPLANATIONS OF INVESTMENT RISK FACTORS

The information provided below is a summary of the main risks of the Underlying Funds. Each Underlying Fund's current prospectus and statement of additional information contains information not summarized here and identifies additional principal risks to which the respective Underlying Fund may be subject.

## American Funds Risks

**Active Management Risks.** The investment adviser to the fund actively manages the fund's investments. Consequently, the fund is subject to the risk that the methods and analyses employed by the investment adviser in this process may not produce the desired results. This could cause the fund to lose value or its investment results to lag relevant benchmarks or other funds with similar objectives.

**Issuer Risk.** The prices of, and the income generated by, securities held by the fund may decline in response to various factors directly related to the issuers of such securities, including reduced demand for an issuer's goods or services, poor management performance and strategic initiatives such as mergers, acquisitions or dispositions and the market response to any such initiatives.

**Market Risk.** The prices of, and the income generated by, the common stocks and other securities held by the fund may decline – sometimes rapidly or unpredictably – due to various factors, including events or conditions affecting the general economy or particular industries; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency responses to economic conditions; and currency exchange rate, interest rate and commodity price fluctuations.

**Risk of Investing in Growth-Oriented Stocks.** Growth-oriented common stocks and other equity type securities (such as preferred stocks, convertible preferred stocks and convertible bonds) may involve larger price swings and greater potential for loss than other types of investments.

**Risk of Investing in Income-Oriented Stocks.** Income provided by the fund may be reduced by changes in the dividend policies of, and the capital resources available for dividend payments at, the companies in which the fund invests.

Risk of Investing Outside the United States. Securities of issuers domiciled outside the United States, or with significant operations or revenues outside the United States, may lose value because of adverse political, social, economic or market developments (including social instability, regional conflicts, terrorism, and war) in the countries or regions in which the issuers operate or generate revenue. These securities may also lose value due to changes in foreign currency exchange rates against the U.S. dollar and/or currencies of other countries. Issuers of these securities may be more susceptible to actions of foreign governments, such as the imposition of price controls or punitive taxes that could adversely impact the value of these securities. Securities markets in certain countries may be more volatile and/or less liquid than those in the United States. Investments outside the United States may also be subject to different accounting practices and different regulatory, legal and reporting standards and practices, and may be more difficult to value, than those in the United States. In addition, the value of investments outside the United States may be reduced by foreign taxes, including foreign withholding taxes on interest and dividends. Further, there may be increased risks of delayed settlement of securities purchased or sold by the fund. The risks of investing outside the United States may be heightened in connection with investments in emerging markets.

## Baird Risks

**Bond Market Risk.** A bond's market value may be affected significantly by changes in interest rates – generally, when interest rates rise, the bond's market value declines and when interest rates decline, its market value rises ("interest-rate risk"). Generally, a bond with a longer maturity will entail greater interest rate risk but have a higher yield. Conversely, a bond with a shorter maturity will entail less interest rate risk but have a lower yield ("maturity risk"). A bond's value may also be affected by changes in its credit quality rating or the issuer's financial condition ("credit-quality risk"). Bonds are also generally subject to credit risk that an issuer will not make timely payments of principal and interest.

**Credit Risk.** Debt obligations receiving the lowest investment grade rating or a high yield ("junk bond") rating may have speculative characteristics and, compared to higher grade debt obligations, may have a weakened capacity to make principal and interest payments due to changes in economic conditions or other adverse circumstances. Ratings are essentially opinions of the credit quality of an issuer and may prove to be inaccurate.

**Extension Risk.** Extension risk is the risk that debt obligations, including mortgage- and asset-backed debt obligations, will be paid off by the borrower more slowly than anticipated, increasing the average life of such debt obligations and the sensitivity of the prices of such debt obligations to future interest rate changes.

**Foreign Securities Risk.** Foreign investments, even those that are U.S. dollar-denominated, may involve additional risks, including political and economic instability, differences in financial reporting standards, less regulated securities markets and withholding of foreign taxes.

**Government Obligations Risk.** No assurance can be given that the U.S. government will provide financial support to U.S. government-sponsored agencies or instrumentalities where it is not specifically obligated to do so by law, such as the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac").

**Liquidity Risk.** Certain debt obligations may be difficult or impossible to sell at the time and price that the Advisor would like to sell. The Advisor may have to lower the price, sell other debt obligations or forego an investment opportunity, any of which may have a negative effect on the management or performance of the Fund.

**Management Risk.** The Advisor may err in its choices of debt obligations or portfolio mixes. Such errors could result in a negative return and a loss to you.

**Mortgage- and Asset-Backed Debt Obligations Risk.** Mortgage- and asset-backed debt obligations are subject to interest rate risk. Modest movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain types of these debt obligations. When interest rates fall, mortgage- and asset-backed debt obligations may be subject to prepayment risk, which is the risk that the borrower will prepay some or the entire principal owed to the investor. When interest rates rise, certain types of mortgage- and asset-backed debt obligations are subject to extension risk. Mortgage- and asset-backed debt obligations can also be subject to the risk of default on the underlying residential or commercial mortgage(s) or other assets.

**Non-Investment Grade Quality Risk.** Non-investment grade debt obligations involve greater risk than investment-grade debt obligations, including the possibility of default or bankruptcy. They tend to be more sensitive to economic conditions than higher-rated debt obligations and, as a result, are generally more sensitive to credit risk than debt obligations in the higher-rated categories.

**Sector Risk.** From time to time, based on market or economic conditions, the Fund may have significant positions in specific sectors of the market. Potential negative market or economic developments affecting one or more of these sectors could have a greater impact on the Fund than on a fund with fewer holdings in that sector.

**Valuation Risk.** The prices provided by the Fund's pricing services or independent dealers or the fair value determinations made by the valuation committee of the Advisor may be different from the prices used by other mutual funds or from the prices at which debt obligations are actually bought and sold. The prices of certain debt obligations provided by pricing services may be subject to frequent and significant change, and will vary depending on the information that is available.

## BlackRock Principal Risks

Summary of Principal Risks. As with any investment, you could lose all or part of your investment in the Fund, and the Fund's performance could trail that of other investments. The Fund is subject to certain risks, including the principal risks noted below, any of which may adversely affect the Fund's net asset value per share ("NAV"), trading price, yield, total return and ability to meet its investment objective.

**Asset Class Risk.** (iShares Core S&P Total U.S. Stock Market ETF and iShares Core International Aggregate Bond ETF) Securities and other assets in the Underlying Index or in the Fund's portfolio may underperform in comparison to the general financial markets, a particular financial market or other asset classes.

**Authorized Participant Concentration Risk.** (iShares Core S&P Total U.S. Stock Market ETF and iShares Core International Aggregate Bond ETF) Only an Authorized Participant may engage in creation or redemption transactions directly with the Fund. The Fund has a limited number of institutions that may act as Authorized Participants on an agency basis (i.e., on behalf of other market participants). To the extent that Authorized Participants exit the business or are unable to proceed with creation or redemption orders with respect to the Fund and no other Authorized Participant is able to step forward to create or redeem Creation Units (as defined in the Purchase and Sale of Fund Shares section of the Prospectus), Fund shares may be more likely to trade at a premium or discount to NAV and possibly face trading halts or delisting.

**Borrowing Risk.** (BlackRock Low Duration Bond Portfolio) Borrowing may exaggerate changes in the NAV of Fund shares and in the return on the Fund's portfolio. Borrowing will cost the Fund interest expense and other fees. The costs of borrowing may reduce the Fund's return. Borrowing may cause the Fund to liquidate positions when it may not be advantageous to do so to satisfy its obligations

**Call Risk.** (iShares Core International Aggregate Bond ETF) During periods of falling interest rates, an issuer of a callable bond held by the Fund may "call" or repay the security before its stated maturity, and the Fund may have to reinvest the proceeds in securities with lower yields, which would result in a decline in the Fund's income, or in securities with greater risks or with other less favorable features.

**Cash Transactions Risk.** (iShares Core International Aggregate Bond ETF) The Fund expects to effect all of its creations and redemptions for cash, rather than in kind securities. As a result, the Fund may have to sell portfolio securities at inopportune times in order to obtain the cash needed to meet redemption orders. This may cause the Fund to sell a security and recognize a capital gain or loss that might not have been incurred if it had made a redemption in-kind. The use of cash creations and redemptions may also cause the Fund's shares to trade in the market at wider bid-ask spreads or greater premiums or discounts to the Fund's NAV.

**Concentration Risk.** (iShares Core S&P Total U.S. Stock Market ETF and iShares Core International Aggregate Bond ETF) The Fund may be susceptible to an increased risk of loss, including losses due to adverse events that affect the Fund's investments more than the market as a whole, to the extent that the Fund's investments are concentrated in the securities of a particular issuer or issuers, country, group of countries, region, market, industry, group of industries, project types, group of project types, sector or asset class.

**Credit Risk.** (iShares Core International Aggregate Bond ETF) Debt issuers and other counterparties may be unable or unwilling to make timely interest and/or principal payments when due or otherwise honor their obligations. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness may also adversely affect the value of the Fund's investment in that issuer. The degree of credit risk depends on an issuer's or counterparty's financial condition and on the terms of an obligation.

**Currency Hedging Risk.** (iShares Core International Aggregate Bond ETF) When a derivative is used as a hedge against a position that the Fund holds, any loss generated by the derivative generally should be substantially offset by gains on the hedged investment, and vice versa. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. Hedges are sometimes subject to imperfect matching between the derivative and its reference asset, and there can be no assurance that the Fund's hedging transactions will be effective. In seeking to track the performance of the Underlying Index, the Fund will attempt to hedge the currency exposure of non-U.S. dollar denominated securities held in its portfolio by investing in foreign currency forward contracts, which may include both physically-settled forward contracts and NDFs. NDFs may be less liquid than deliverable currency forward contracts and require the Fund to post variation margin to the counterparty, which can increase costs for the Fund. A lack of liquidity in NDFs of the hedged currency could result in the Fund being unable to structure its hedging transactions as intended. In addition, BFA may seek to limit the size of the Fund in order to attempt to reduce the likelihood of a S-5 situation where the Fund is unable to obtain sufficient liquidity in an underlying currency hedge to implement its investment objective. Currency forward contracts, including NDFs, do not eliminate movements in the value of non-U.S. currencies and securities but rather allow the

Fund to establish a fixed rate of exchange for a future point in time. Exchange rates may be volatile and may change quickly and unpredictably in response to both global economic developments and economic conditions in a geographic region in which the Fund invests. In addition, in order to minimize transaction costs, or for other reasons, the Fund's exposure to the component currencies may not be fully hedged at all times. At certain times, the Fund may use an optimized hedging strategy and will hedge a smaller number of component currencies to reduce hedging costs. In addition, because the Fund's currency hedge is reset on a monthly basis, currency risk can develop or increase intra-month. Furthermore, while the Fund is designed to hedge against currency fluctuations, it is possible that a degree of currency exposure may remain even at the time a hedging transaction is implemented. As a result, the Fund may not be able to structure its hedging transactions as anticipated or its hedging transactions may not successfully reduce the currency risk included in the Fund's portfolio. The effectiveness of the Fund's currency hedging strategy will in general be affected by the volatility of both the Underlying Index and the volatility of the U.S. dollar relative to the currencies to be hedged, measured on an aggregate basis. Increased volatility in either or both the Underlying Index and the U.S. dollar relative to the currencies to be hedged will generally reduce the effectiveness of the Fund's currency hedging strategy. In addition, volatility in one or more of the currencies may offset stability in another currency and reduce the overall effectiveness of the hedges. The effectiveness of the Fund's currency hedging strategy may also in general be affected by interest rates. Significant differences between U.S. dollar interest rates and some or all of the applicable foreign currency interest rates may impact the effectiveness of the Fund's currency hedging strategy. Currency hedging activity exposes the Fund to credit risk due to counterparty exposure. This risk will be higher to the extent that the Fund trades with a single counterparty or small number of counterparties.

**Currency Risk.** (iShares Core International Aggregate Bond ETF) Because the Fund's NAV is determined in U.S. dollars, the Fund's NAV could decline if one or more of the currencies of the non-U.S. markets in which the Fund invests depreciates against the U.S. dollar and the depreciation of one currency is not offset by appreciation in another currency and/or the Fund's attempt to hedge currency exposure to the depreciating currency or currencies is unsuccessful. Generally, an increase in the value of the U.S. dollar against the component currencies will reduce the value of a security denominated in the component currencies, as applicable. In addition, fluctuations in the exchange rates between currencies could affect the economy or particular business operations of companies in a geographic region, including securities in which the Fund invests, causing an adverse impact on the Fund's investments in the affected region and the U.S. As a result, investors have the S-6 potential for losses regardless of the length of time they intend to hold Fund shares. Currency exchange rates can be very volatile and can change quickly and unpredictably. As a result, the Fund's NAV may change quickly and without warning.

**Cyber Security Risk.** (iShares Core S&P Total U.S. Stock Market ETF and iShares Core International Aggregate Bond ETF) Failures or breaches of the electronic systems of the Fund, the Fund's adviser, distributor, and other service providers, market makers, Authorized Participants or the issuers of securities in which the Fund invests have the ability to cause disruptions and negatively impact the Fund's business operations, potentially resulting in financial losses to the Fund and its shareholders. While the Fund has established business continuity plans and risk management systems seeking to address system breaches or failures, there are inherent limitations in such plans and systems. Furthermore, the Fund cannot control the cyber security plans and systems of the Fund's service providers, the Index Provider, market makers, Authorized Participants or issuers of securities in which the Fund invests. Equity Securities Risk. Equity securities are subject to changes in value, and their values may be more volatile than those of other asset classes. The Underlying Index is comprised of common stocks, which generally subject their holders to more risks than holders of preferred stocks and debt securities because common stockholders' claims are subordinated to those of holders of preferred stocks and debt securities upon the bankruptcy of the issuer.

**Debt Securities Risk.** (BlackRock Low Duration Bond Portfolio) Debt securities, such as bonds, involve interest rate risk, credit risk, extension risk, and prepayment risk, among other things.

**Derivatives Risk.** (iShares Core International Aggregate Bond ETF and BlackRock Low Duration Bond Portfolio) The Fund will use currency forwards and NDFs to hedge the currency exposure resulting from investments in the foreign currency denominated securities held by the Fund. The Fund's use of these instruments, like investments in other derivatives, may reduce the Fund's returns, increase volatility and/or result in losses due to credit risk or ineffective hedging strategies. Volatility is defined as the characteristic of a security, a currency, an index or a market, to fluctuate significantly in price within a defined time period. Currency forwards, like other derivatives, are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. A risk of the Fund's use of derivatives is that the fluctuations in their values may not correlate perfectly with the value of the currency or currencies being hedged as compared to that of the U.S. dollar. The possible lack of a liquid secondary market for derivatives and the resulting inability of the Fund to sell or otherwise close a derivatives position could expose the Fund to losses and could make derivatives more difficult for the Fund to value accurately. The Fund could also suffer losses related to its derivatives positions as a result of unanticipated market movements, which losses are potentially unlimited. BFA's use of derivatives is not intended to predict the direction of securities prices, currency exchange rates, interest rates and other economic factors, which could cause the Fund's derivatives positions to lose value. Derivatives may give rise to a form of leverage and may expose the Fund to greater risk and increase its costs. Regulatory requirements may make derivatives more costly, may limit the availability of derivatives, and may delay or restrict the exercise of remedies by the Fund upon a counterparty default under derivatives held by the Fund (which could result in losses), remedies or termination rights by the Fund, and may otherwise adversely affect the value and performance of derivatives.

**Emerging Markets Risk.** (BlackRock Low Duration Bond Portfolio) Emerging markets are riskier than more developed markets because they tend to develop unevenly and may never fully develop. Investments in emerging markets may be considered speculative. Emerging markets are more likely to experience hyperinflation and currency devaluations, which adversely affect returns to U.S. investors. In addition, many emerging securities markets have far lower trading volumes and less liquidity than developed markets.

**Extension Risk.** (iShares Core International Aggregate Bond ETF) During periods of rising interest rates, certain debt obligations may be paid off substantially more slowly than originally anticipated and the value of those securities may fall sharply, resulting in a decline in the Fund's income and potentially in the value of the Fund's investments.

**Financials Sector Risk.** (iShares Core S&P Total U.S. Stock Market ETF) Performance of companies in the financials sector may be adversely impacted by many factors, including, among others, changes in government regulations, economic conditions, and interest rates, credit rating downgrades, and decreased liquidity in credit markets. The extent to which the Fund may invest in a company that engages in securities related activities or banking is limited by applicable law. The impact of changes in capital requirements and recent or future regulation of any individual financial company, or of the financials sector as a whole, cannot be predicted. In recent years, cyber-attacks and technology malfunctions and failures have become increasingly frequent in this sector and have caused significant losses to companies in this sector, which may negatively impact the Fund.

**Foreign Securities Risk.** (BlackRock Low Duration Bond Portfolio) Foreign investments often involve special risks not present in U.S. investments that can increase the chances that the Fund will lose money. These risks include: The Fund generally holds its foreign securities and cash in foreign banks and securities depositories, which may be recently organized or new to the foreign custody business and may be subject to only limited or no regulatory oversight. Changes in foreign currency exchange rates can affect the value of the Fund's portfolio. The economies of certain foreign markets may not compare favorably with the economy of the United States with respect to such issues as growth of gross national product, reinvestment of capital, resources and balance of payments position. The governments of certain countries may prohibit or impose substantial restrictions on foreign investments in their capital markets or in certain industries. Many foreign governments do not supervise and regulate stock exchanges, brokers and the sale of securities to the same extent as does the United States and may not have laws to protect investors that are comparable to U.S. securities laws. Settlement and clearance procedures in certain foreign markets may result in delays in payment for or delivery of securities not typically associated with settlement and clearance of U.S. investments.

**Geographic Risk.** (iShares Core International Aggregate Bond ETF) A natural disaster could occur in a geographic region in which the Fund invests, which could affect the economy or particular business operations of companies in the specific geographic region, causing an adverse impact on the Fund's investments in the affected region.

**High Portfolio Turnover Risk.** (BlackRock Low Duration Bond Portfolio) The Fund may engage in active and frequent trading of its portfolio securities. High portfolio turnover (more than 100%) may result in increased transaction costs to the Fund, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of the securities and on reinvestment in other securities. The sale of Fund portfolio securities may result in the realization and/or withdrawal to shareholders of higher capital gains or losses as compared to a fund with less active trading policies. These effects of higher than normal portfolio turnover may adversely affect Fund performance.

**Illiquid Investments Risk.** (BlackRock Low Duration Bond Portfolio) The Fund may invest up to an aggregate amount of 15% of its net assets in illiquid investments. An illiquid investment is any investment that the Fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment. The Fund's illiquid investments may reduce the returns of the Fund because it may be difficult to sell the illiquid investments at an advantageous time or price. An investment may be illiquid due to, among other things, the reduced number and capacity of traditional market participants to make a market in fixed-income securities or the lack of an active trading market. To the extent that the Fund's principal investment strategies involve derivatives or securities with substantial market and/or credit risk, the Fund will tend to have the greatest exposure to the risks associated with illiquid investments. Liquid investments may become illiquid after purchase by the Fund, particularly during periods of market turmoil. Illiquid investments may be harder to value, especially in changing markets, and if the Fund is forced to sell these investments to meet redemption requests or for other cash needs, the Fund may suffer a loss. This may be magnified in a rising interest rate environment or other circumstances where investor redemptions from fixed-income mutual funds may be higher than normal. In addition, when there is illiquidity in the market for certain securities, the Fund, due to limitations on illiquid investments, may be subject to purchase and sale restrictions.

**Income Risk.** (iShares Core International Aggregate Bond ETF) The Fund's income may decline when interest rates fall. This decline can occur because the Fund may subsequently invest in lower yielding bonds as bonds in its portfolio mature, are near maturity or are called, bonds in the Underlying Index are substituted, or the Fund otherwise needs to purchase additional bonds

**Index-Related Risk.** (iShares Core S&P Total U.S. Stock Market ETF and iShares Core International Aggregate Bond ETF) There is no guarantee that the Fund's investment results will have a high degree of correlation to those of the Underlying Index or that the Fund will achieve its investment objective. Market disruptions and regulatory restrictions could have an adverse effect on the Fund's ability to adjust its exposure to the required levels in order to track the Underlying Index. Errors in index data, index computations or the construction of the Underlying Index in accordance with its methodology may occur from time to time and may not be identified and corrected by the Index Provider for a period of time or at all, which may have an adverse impact on the Fund and its shareholders.

**Information Technology Sector Risk.** (iShares Core S&P Total U.S. Stock Market ETF) Information technology companies face intense competition and potentially rapid product obsolescence. They are also heavily dependent on intellectual property rights and may be adversely affected by the loss or impairment of those rights.

**Interest Rate Risk.** (iShares Core International Aggregate Bond ETF) An increase in interest rates may cause the value of securities held by the Fund to decline, may lead to heightened volatility in the fixed-income markets and may adversely affect the liquidity of certain fixed-income investments. The historically low interest rate environment, together with recent modest rate increases, increases the risks associated with rising interest rates.

**Issuer Risk.** (iShares Core S&P Total U.S. Stock Market ETF and iShares Core International Aggregate Bond ETF) The performance of the Fund depends on the performance of individual securities to which the Fund has exposure. Changes in the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline.

**Junk Bonds Risk.** (BlackRock Low Duration Bond Portfolio) Although junk bonds generally pay higher rates of interest than investment grade bonds, junk bonds are high risk investments that are considered speculative and may cause income and principal losses for the Fund.

**Large-Capitalization Companies Risk.** (iShares Core S&P Total U.S. Stock Market ETF) Large-capitalization companies may be less able than smaller capitalization companies to adapt to changing market conditions. Large-capitalization companies may be more mature and subject to more limited growth potential compared with smaller capitalization companies. During different market cycles, the performance of large-capitalization companies has trailed the overall performance of the broader securities markets.

**Leverage Risk.** (BlackRock Low Duration Bond Portfolio) Some transactions may give rise to a form of economic leverage. These transactions may include, among others, derivatives, and may expose the Fund to greater risk and increase its costs. The use of leverage may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet any required asset segregation requirements. Increases and decreases in the value of the Fund's portfolio will be magnified when the Fund uses leverage.

**Liquidity Risk.** (iShares Core International Aggregate Bond ETF) Liquidity risk exists when particular investments are difficult to purchase or sell. This can reduce the Fund's returns because the Fund may be unable to transact at advantageous times or prices.

**Management Risk.** (iShares Core S&P Total U.S. Stock Market ETF and iShares Core International Aggregate Bond ETF) As the Fund may not fully replicate the Underlying Index, it is subject to the risk that BFA's investment strategy may not produce the intended results.

**Market Risk.** (iShares Core S&P Total U.S. Stock Market ETF and iShares Core International Aggregate Bond ETF) The Fund could lose money over short periods due to short-term market movements and over longer periods during more prolonged market downturns.

**Market Risk and Selection Risk.** (BlackRock Low Duration Bond Portfolio) Market risk is the risk that one or more markets in which the Fund invests will go down in value, including the possibility that the markets will go down sharply and unpredictably. Selection risk is the risk that the securities selected by Fund management will underperform the markets, the relevant indices or the securities selected by other funds with similar investment objectives and investment strategies. This means you may lose money.

**Market Trading Risk.** (iShares Core S&P Total U.S. Stock Market ETF and iShares Core International Aggregate Bond ETF) The Fund faces numerous market trading risks, including the potential lack of an active market for Fund shares, losses from trading in secondary markets, periods of high volatility and disruptions in the creation/redemption process. **ANY OF THESE FACTORS, AMONG OTHERS, MAY LEAD TO THE FUND'S SHARES TRADING AT A PREMIUM OR DISCOUNT TO NAV.**

**Mortgage- and Asset-Backed Debt Obligations Risks.** Mortgage- and asset-backed securities represent interests in "pools" of mortgages or other assets, including consumer loans or receivables held in trust. Mortgage- and asset-backed securities are subject to credit, interest rate, prepayment and extension risks. These securities also are subject to risk of default on the underlying mortgage or asset, particularly during periods of economic downturn. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain mortgage-backed securities.

**Mortgage- and Asset-Backed Securities Risks.** (BlackRock Low Duration Bond Portfolio) Mortgage- and asset-backed securities represent interests in "pools" of mortgages or other assets, including consumer loans or receivables held in trust. Mortgage- and asset-backed securities are subject to credit, interest rate, prepayment and extension risks. These securities also are subject to risk of default on the underlying mortgage or asset, particularly during periods of economic downturn. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain mortgage-backed securities.

**Non-Diversification Risk.** (iShares Core International Aggregate Bond ETF) The Fund may invest a large percentage of its assets in securities issued by or representing a small number of issuers. As a result, the Fund's performance may depend on the performance of a small number of issuers.

**Non-U.S. Issuers Risk.** (iShares Core International Aggregate Bond ETF) Securities issued by non-U.S. issuers carry different risks from securities issued by U.S. issuers. These risks include differences in accounting, auditing and financial reporting standards, the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, political instability, regulatory and economic differences, and potential restrictions on the flow of international capital. The Fund is specifically exposed to European Economic Risk.

**Operational Risk.** (iShares Core S&P Total U.S. Stock Market ETF and iShares Core International Aggregate Bond ETF) The Fund is exposed to operational risks arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of the Fund's service providers, counterparties or other third-parties, failed or inadequate processes and technology or systems failures. The Fund and BFA seek to reduce these operational risks through controls and procedures. However, these measures do not address every possible risk and may be inadequate to address significant operational risks.

**Passive Investment Risk.** (iShares Core S&P Total U.S. Stock Market ETF and iShares Core International Aggregate Bond ETF) The Fund is not actively managed, and BFA generally does not attempt to take defensive positions under any market conditions, including declining markets.

**Reliance on Trading Partners Risk.** (iShares Core International Aggregate Bond ETF) The Fund invests in countries or regions whose economies are heavily dependent upon trading with key partners. Any reduction in this trading may have an adverse impact on the Fund's investments. Through its portfolio companies' trading partners, the Fund is specifically exposed to Asian Economic Risk, European Economic Risk and North American Economic Risk.

**Repurchase Agreements and Purchase and Sale Contracts Risk.** (BlackRock Low Duration Bond Portfolio) If the other party to a repurchase agreement or purchase and sale contract defaults on its obligation under the agreement, the Fund may suffer delays and incur costs or lose money in exercising its rights under the agreement. If the seller fails to repurchase the security in either situation and the market value of the security declines, the Fund may lose money.

**Risk of Investing in Developed Countries.** (iShares Core International Aggregate Bond ETF) The Fund's investment in developed country issuers may subject the Fund to regulatory, political, currency, security, economic and other risks associated with developed countries. Developed countries tend to represent a significant portion of the global economy and have generally experienced slower economic growth than some less developed countries. Certain developed countries have experienced security concerns, such as terrorism and strained international relations. Incidents involving a country's or region's security may cause uncertainty in its markets and may adversely affect its economy and the Fund's investments. In addition, developed countries may be adversely impacted by changes to the economic conditions of certain key trading partners, regulatory burdens, debt burdens and the price or availability of certain commodities.

**Risk of Investing in Russia.** (iShares Core International Aggregate Bond ETF) Investing in Russian securities involves significant risks, including legal, regulatory and economic risks that are specific to Russia. In addition, investing in Russian securities involves risks associated with the settlement of portfolio transactions and loss of the Fund's ownership rights in its portfolio securities as a result of the system of share registration and custody in Russia. A number of jurisdictions, including the U.S., Canada and the European Union (the "EU"), have imposed economic sanctions on certain Russian individuals and Russian S-9 corporate entities. These and future sanctions, or even the threat of further sanctions, may adversely affect Russia's economy and the Fund's investments.

**Risk of Investing in the United States.** (iShares Core S&P Total U.S. Stock Market ETF) Certain changes in the U.S. economy, such as when the U.S. economy weakens or when its financial markets decline, may have an adverse effect on the securities to which the Fund has exposure.

**Securities Lending Risk.** (iShares Core S&P Total U.S. Stock Market ETF and iShares Core International Aggregate Bond ETF) The Fund may engage in securities lending. Securities lending involves the risk that the Fund may lose money because the borrower of the loaned securities fails to return the securities in a timely manner or at all. The Fund could also lose money in the event of a decline in the value of collateral provided for loaned securities or a decline in the value of any investments made with cash collateral. These events could also trigger adverse tax consequences for the Fund.

**Sovereign and Quasi-Sovereign Obligations Risk.** (iShares Core International Aggregate Bond ETF) The Fund invests in securities issued by or guaranteed by non-U.S. sovereign governments and by entities affiliated with or backed by non-U.S. sovereign governments, which may be unable or unwilling to repay principal or interest when due. In times of economic uncertainty, the prices of these securities may be more volatile than those of corporate debt obligations or of other government debt obligations.

**Structural Risk.** (iShares Core International Aggregate Bond ETF) The countries in which the Fund invests may be subject to considerable degrees of economic, political and social instability.

**Tax Risk.** (iShares Core International Aggregate Bond ETF) The Fund invests in derivatives. The federal income tax treatment of a derivative may not be as favorable as a direct investment in an underlying asset. Derivatives may produce taxable income and taxable realized gain. Derivatives may adversely affect the timing, character and amount of income the Fund realizes from its investments. As a result, a larger portion of the Fund's withdrawals may be treated as ordinary income rather than as capital gains. In addition, certain derivatives are subject to mark-to-market or straddle provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). If such provisions are applicable, there could be an increase (or decrease) in the amount of taxable dividends paid by the Fund. Income from swaps is generally taxable. In addition, the tax treatment of certain derivatives, such as swaps, is unsettled and may be subject to future legislation, regulation or administrative pronouncements issued by the U.S. Internal Revenue Service ("IRS"). As part of the Fund's currency hedging strategy, the Fund may match foreign currency forward contracts with the non-U.S. dollar denominated securities whose currency risk is intended to be hedged wholly or partially by such contracts. If the Fund were to perform such matching for income tax purposes, this matching would potentially result in the Fund's deferral for U.S. federal income tax purposes of the realized gains or losses attributable to foreign currency forward contracts until such gains or losses offset the currency related losses on the matched non-U.S. dollar denominated securities. If the IRS were to disagree with such deferral treatment or the matching methodology used, the Fund's income could become undistributed and incur tax liabilities. The Fund may reevaluate, adjust, begin, or discontinue the matching of such contracts in the future.

**Tracking Error Risk.** (iShares Core S&P Total U.S. Stock Market ETF) The Fund may be subject to tracking error, which is the divergence of the Fund's performance from that of the Underlying Index. Tracking error may occur because of differences between the securities and other instruments held in the Fund's portfolio and those included in the Underlying Index, pricing differences, differences in transaction costs, the Fund's holding of uninvested cash, differences in timing of the accrual of or the valuation of dividends or interest, tax gains or losses, changes to the Underlying Index or the costs to the Fund of complying with various new or existing regulatory requirements. This risk may be heightened during times of increased market volatility or other unusual market conditions. Tracking error also may result because the Fund incurs fees and expenses, while the Underlying Index does not.

**Tracking Error Risk.** (iShares Core International Aggregate Bond ETF) Tracking error is the divergence of a fund's performance from that of the applicable underlying index. Tracking error may occur because of differences between the securities and other instruments held in a fund's portfolio and those included in the applicable underlying index, pricing differences (including, as applicable, differences between a security's price at the local market close and the fund's valuation of a security at the time of calculation of the fund's NAV), differences in transaction and hedging costs and forward rates achieved, the fund's holding of uninvested cash, differences in timing of the accrual of or the valuation of dividends or other distributions, interest, tax gains or losses, changes to the applicable underlying index and the cost to the fund of complying with various new or existing regulatory requirements. These risks may be heightened during times of increased market volatility or other unusual market conditions in the affected securities and/or foreign exchange markets. In addition, tracking error may result because a fund incurs fees and expenses, while the applicable underlying index does not, and because the fund accepts creations and redemptions during time periods between which it is able to adjust its currency hedges, whereas the applicable underlying index does not adjust its hedging during these periods.

**U.S. Government Issuer Risk.** (BlackRock Low Duration Bond Portfolio) Treasury obligations may differ in their interest rates, maturities, times of issuance and other characteristics. Obligations of U.S. Government agencies and authorities are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. Government. No assurance can be given that the U.S. Government will provide financial support to its agencies and authorities if it is not obligated by law to do so.

**Valuation Risk.** (iShares Core International Aggregate Bond ETF) The price the Fund could receive upon sale of a security or unwind of a financial instrument or other asset may differ from the Fund's valuation of the security, instrument or other asset and from the value used by the Underlying Index, particularly for securities or other instruments that trade in low volume or volatile markets or that are valued using a fair value methodology as a result of trade suspensions or for other reasons. In addition, the value of the securities or other instruments in the Fund's portfolio may change on days or during time periods when shareholders will not be able to purchase or sell the Fund's shares. Authorized Participants who purchase or redeem Fund shares on days when the Fund is holding fair valued securities may receive fewer or more shares, or lower or higher redemption proceeds, than they would have received had the Fund not fair valued securities or used a different valuation methodology. The Fund's ability to value investments may be impacted by technological issues or errors by pricing services or other third party service providers.

## Cohen And Steers Risks

**Active Management Risk.** As an actively managed portfolio, the value of the Fund's investments could decline because the financial condition of an issuer may change (due to such factors as management performance, reduced demand or overall market changes), financial markets may fluctuate or overall prices may decline, or the Advisor's investment techniques could fail to achieve the Fund's investment objective or negatively affect the Fund's investment performance.

**Common Stock Risk.** While common stocks have historically generated higher average returns than fixed-income securities over the long-term, common stocks have also experienced significantly more volatility in those returns, although under certain market conditions, fixed-income investments may have comparable or greater price volatility. The value of common stocks and other equity securities will fluctuate in response to developments concerning the company, political and regulatory circumstances, the stock market and the economy. In the short term, stock prices can fluctuate dramatically in response to these developments. Different parts of the market and different types of equity securities can react differently to these developments. For example, stocks of large companies can react differently than stocks of smaller companies, and value stocks (stocks of companies that are undervalued by various measures and have potential for long-term capital appreciation), can react differently from growth stocks (stocks of companies with attractive cash flow returns on invested capital and earnings that are expected to grow). These developments can affect a single company, all companies within the same industry, economic sector or geographic region, or the stock market as a whole.

**Cyber Security Risk.** With the increased use of technologies such as the internet and the dependence on computer systems to perform necessary business functions, the Fund and its service providers (including the Advisor) may be susceptible to operational and information security risks resulting from cyber-attacks and/or other technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, gaining unauthorized access to digital systems for purposes of misappropriating assets and causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service. Successful cyber-attacks against, or security breakdowns of, the Fund, the Advisor, or a custodian, transfer agent, or other affiliated or third-party service provider may adversely affect the Fund or its shareholders. Each of the Fund and the Advisor may have limited ability to prevent or mitigate cyber-attacks or security or technology breakdowns affecting the Fund's third-party service providers. While the Fund has established business continuity plans and systems designed to prevent or reduce the impact of cyber-attacks, such plans and systems are subject to inherent limitations.

**Investment Risk.** An investment in the Fund is subject to investment risk, including the possible loss of the entire principal amount that you invest.

**Large Shareholder Risk.** The Fund may have one or more large shareholders or a group of shareholders investing in classes of Fund shares indirectly through an account, platform or program sponsored by a financial institution. Investment and asset allocation decisions by such financial institutions regarding the account, platform or program through which multiple shareholders invest may result in subscription and redemption decisions that have a significant impact on the assets, expenses and trading activities of the Fund. Such a decision may cause the Fund to sell assets (or invest cash) at disadvantageous times or prices, increase or accelerate taxable gains or transaction costs and may negatively affect the Fund's NAV, performance, or ability to satisfy redemptions in a timely manner.

**Market Risk.** Your investment in Fund shares represents an indirect investment in the REIT shares and other real estate securities owned by the Fund. The value of these securities, like other investments, may move up or down, sometimes rapidly and unpredictably. Your Fund shares at any point in time may be worth less than what you invested, even after taking into account the reinvestment of Fund dividends and withdrawals.

**Non-Diversification Risk.** As a "non-diversified" investment company, the Fund can invest in fewer individual companies than a diversified investment company. As a result, the Fund is more susceptible to any single political, regulatory or economic occurrence and to the financial condition of individual issuers in which it invests. The Fund's relative lack of diversity may subject investors to greater risk of loss than a fund that has a diversified portfolio.

**Other Investment Companies Risk.** To the extent the Fund invests a portion of its assets in investment companies, including open-end funds, closed-end funds, exchange-traded funds ("ETFs") and other types of pooled investment funds, those assets will be subject to the risks of the purchased investment funds' portfolio securities, and a shareholder in the Fund will bear not only his or her proportionate share of the Fund's expenses, but also indirectly the expenses of the purchased investment funds. Shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment funds. Risks associated with investments in closed-end funds also generally include market risk, leverage risk, risk of market price discount from NAV, risk of anti-takeover provisions and non-diversification. In addition, restrictions under the Investment Company Act of 1940 ("1940 Act") may limit the Fund's ability to invest in other investment companies to the extent desired.

**Preferred Securities Risk.** There are various risks associated with investing in preferred securities. These risks include deferral and omission of withdrawals; credit risk; subordination to bonds and other debt securities in a company's capital structure; interest rate risk; prepayment and extension risk; call, reinvestment and income risk; liquidity risk; limited voting rights; and special redemption rights.

**Real Estate Market Risk.** Since the Fund concentrates its assets in companies engaged in the real estate industry, your investment in the Fund will be closely linked to the performance of the real estate markets. Property values may fall due to increasing vacancies or declining rents resulting from unanticipated economic, legal, cultural or technological developments. Real estate company prices also may drop because of the failure of borrowers to pay their loans and poor management, and residential developers, in particular, could be negatively impacted by falling home prices, slower mortgage origination and rising construction costs.

**REIT Risk.** REITs generally are dependent upon management skills and may not be diversified. REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. In addition, REITs could possibly fail to qualify for favorable tax treatment under applicable tax law. Various factors may also adversely affect a borrower's or a lessee's ability to meet its obligations to the REIT. In the event of a default by a borrower or lessee, the REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments.

**Regulatory Risk.** The U.S. government has proposed and adopted multiple regulations that could have a long-lasting impact on the Fund and on the mutual fund industry in general. The Department of Labor's ("DOL") final rule on conflicts of interest on fiduciary investment advice, as well as the Securities and Exchange Commission's ("SEC") final rules and amendments to modernize reporting and disclosure and to develop and implement a Liquidity Risk Management Program for open-end investment companies could, among other things, restrict and/or increase the cost of the Fund's ability to engage in transactions, impact flows into the Fund and/or increase overall expenses of the Fund. In addition, Congress, various exchanges and regulatory and self-regulatory authorities, both domestic and foreign, have undertaken reviews of options and futures trading in light of market volatility. Among the actions that have been taken or proposed to be taken are new limits and reporting requirements for speculative positions, new or more stringent daily price fluctuation limits for futures and options transactions, and increased margin requirements for various types of futures transactions. While the full extent of all of these regulations is still unclear, these regulations and actions may adversely affect the instruments in which the Fund invests and its ability to execute its investment strategy. Similarly, regulatory developments in other countries may have an unpredictable and adverse impact on the Fund.

**Foreign (Non-U.S.) Securities Risk.** Risks of investing in foreign securities, which can be expected to be greater for investments in emerging markets, include currency risks, future political and economic developments and possible imposition of foreign withholding or other taxes on income or proceeds payable on the securities. In addition, there may be less publicly available information about a foreign issuer than about a domestic issuer, and foreign issuers may not be subject to the same accounting, auditing and financial recordkeeping standards and requirements as domestic issuers.

**Small- and Medium-Sized Companies Risk.** Real estate companies in the industry tend to be small- to medium-sized companies in relation to the equity markets as a whole. There may be less trading in a smaller company's stock, which means that buy and sell transactions in that stock could have a larger impact on the stock's price than is the case with larger company stocks. Smaller companies also may have fewer lines of business so that changes in any one line of business may have a greater impact on a smaller company's stock price than is the case for a larger company. Further, smaller company stocks may perform differently in different cycles than larger company stocks. Accordingly, real estate company shares can, and at times will, perform differently than large company stocks.

## Dimensional Fund Advisors Risks

**Credit Risk.** Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus, impact the Inflation-Protected Portfolio's performance. Government agency obligations have different levels of credit support and, therefore, different degrees of credit risk. Securities issued by agencies and instrumentalities of the U.S. Government that are supported by the full faith and credit of the United States, such as the Federal Housing Administration and Ginnie Mae, present little credit risk. Other securities issued by agencies and instrumentalities sponsored by the U.S. Government, that are supported only by the issuer's right to borrow from the U.S. Treasury, subject to certain limitations, and securities issued by agencies and instrumentalities sponsored by the U.S. Government that are sponsored by the credit of the issuing agencies, such as Freddie Mac and Fannie Mae, are subject to a greater degree of credit risk. U.S. government agency securities issued or guaranteed by the credit of the agency may still involve a risk of non-payment of principal and/or interest.

**Cyber Security Risk.** The Portfolio's and its service providers' use of internet, technology and information systems may expose the Portfolio to potential risks linked to cyber security breaches of those technological or information systems. Cyber security breaches, amongst other things, could allow an unauthorized party to gain access to proprietary information, customer data, or fund assets, or cause the Portfolio and/or its service providers to suffer data corruption or lose operational functionality.

**Derivatives Risk.** Derivatives are instruments, such as futures and foreign currency forward contracts, whose value is derived from that of other assets, rates or indices. The use of derivatives for non-hedging purposes may be considered to carry more risk than other types of investments. When the Portfolio uses derivatives, the Portfolio will be directly exposed to the risks of those derivatives. Derivative instruments are subject to a number of risks including counterparty, liquidity, interest rate, market, credit and management risks, and the risk of improper valuation. Changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index, and the Portfolio could lose more than the principal amount invested.

**Emerging Markets Risk.** Numerous emerging market countries have a history of, and continue to experience serious, and potentially continuing, economic and political problems. Stock markets in many emerging market countries are relatively small, expensive to trade in and generally have higher risks than those in developed markets. Securities in emerging markets also may be less liquid than those in developed markets and foreigners are often limited in their ability to invest in, and withdraw assets from, these markets. Additional restrictions may be imposed under other conditions. Frontier market countries generally have smaller economies or less developed capital markets and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries.

**Equity Market Risk.** Even a long-term investment approach cannot guarantee a profit. Economic, market, political, and issuer-specific conditions and events will cause the value of equity securities, and the Portfolio that owns them, to rise or fall. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

**Foreign Securities and Currencies Risk.** Foreign securities prices may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. Investors holding these securities may also be exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar or that a foreign government will convert, or be forced to convert, its currency to another currency, changing its value against the U.S. dollar). The Portfolio does not hedge foreign currency risk.

**Income Risk.** Income risk is the risk that falling interest rates will cause the Inflation-Protected Portfolio's income to decline because, among other reasons, the proceeds from maturing short-term securities in its portfolio may be reinvested in lower-yielding securities.

**Interest Rate Risk.** Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. In general, fixed income securities with longer maturities are more sensitive to changes in interest rates.

**Inflation-Protected Securities Tax Risk.** Any increase in the principal amount of an inflation-protected security may be included for tax purposes in the Portfolio's gross income, even though no cash attributable to such gross income has been received by the Portfolio. In such event, the Portfolio may be required to make annual gross withdrawals to shareholders that exceed the cash it has otherwise received. In order to pay such withdrawals, the Portfolio may be required to raise cash by selling its investments. The sale of such investments could result in capital gains to the Portfolio and additional capital gain withdrawals to shareholders. In addition, adjustments during the taxable year for deflation to an inflation-indexed bond held by the Portfolio may cause amounts previously distributed to shareholders in the taxable year as income to be characterized as a return of capital.

**Inflation-Protected Securities Interest Rate Risk.** Inflation-protected securities may react differently from other fixed income securities to changes in interest rates. Because interest rates on inflation-protected securities are adjusted for inflation, the values of these securities are not materially affected by inflation expectations. Therefore, the value of inflation-protected securities are anticipated to change in response to changes in "real" interest rates, which represent nominal (stated) interest rates reduced by the expected impact of inflation. Generally, the value of an inflation-protected security will fall when real interest rates rise and will rise when real interest rates fall.

**Liquidity Risk.** Liquidity risk exists when particular portfolio investments are difficult to purchase or sell. To the extent that the Inflation-Protected Portfolio holds illiquid investments, the Portfolio's performance may be reduced due to an inability to sell the investments at opportune prices or times. Liquid portfolio investments may become illiquid or less liquid after purchase by the Inflation-Protected Portfolio due to low trading volume, adverse investor perceptions and/or other market developments. Liquidity risk includes the risk that the Inflation-Protected Portfolio will experience significant net redemptions at a time when it cannot find willing buyers for its portfolio securities or can only sell its portfolio securities at a material loss. Liquidity risk can be more pronounced in periods of market turmoil.

**Market Risk.** Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities, and the Inflation-Protected Portfolio that owns them, to rise or fall

**Risks of Investing for Inflation Protection.** Because the interest and/or principal payments on an inflation-protected security are adjusted periodically for changes in inflation, the income distributed by the Inflation-Protected Portfolio may be irregular. Although the U.S. Treasury guarantees to pay at least the original face value of any inflation-protected securities the Treasury issues, other issuers may not offer the same guarantee. Also, inflation-protected securities, including those issued by the U.S. Treasury, are not protected against deflation. As a result, in a period of deflation, the principal and income of inflation-protected securities held by the Portfolio will decline and the Portfolio may suffer a loss during such periods. While inflation-protected securities are expected to be protected from long-term inflationary trends, short-term increases in inflation may lead to a decline in the Portfolio's value. For example, if interest rates rise due to reasons other than inflation, the Portfolio's investment in these securities may not be protected to the extent that the increase is not reflected in the securities' inflation measures. In addition, positive adjustments to principal generally will result in taxable income to the Portfolio at the time of such adjustments (which generally would be distributed by the Portfolio as part of its taxable dividends), even though the principal amount is not paid until maturity. The current market value of inflation-protected securities is not guaranteed and will fluctuate.

**Securities Lending Risk.** Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, the Portfolio may lose money and there may be a delay in recovering the loaned securities. The Portfolio could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral. Securities lending also may have certain adverse tax consequences.

**Small Company Risk.** Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

**Value Investment Risk.** Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause the Portfolio to at times underperform equity funds that use other investment strategies.

## PGIM Investments (PGIM Global Total Return Fund) Risks

**Credit Risk.** This is the risk that the issuer, the guarantor or the insurer of a fixed-income security, or the counterparty to a contract may be unable or unwilling to make timely principal and interest payments or to otherwise honor its obligations. Additionally, the securities could lose value due to a loss of confidence in the ability of the issuer, guarantor, insurer or counterparty to pay back debt. The longer the maturity and the lower the credit quality of a bond, the more sensitive it is to credit risk.

**Debt Obligations Risk.** Debt obligations are subject to credit risk, market risk and interest rate risk. The Fund's holdings, share price, yield and total return may also fluctuate in response to bond market movements. The value of bonds may decline for issuer-related reasons, including management performance, financial leverage and reduced demand for the issuer's goods and services. Certain types of fixed-income obligations also may be subject to "call and redemption risk," which is the risk that the issuer may call a bond held by the Fund for redemption before it matures and the Fund may lose income.

**Derivatives Risk.** Derivatives involve special risks and costs and may result in losses to the Fund. The successful use of derivatives requires sophisticated management, and, to the extent that derivatives are used, the Fund will depend on the subadviser's ability to analyze and manage derivatives transactions. The prices of derivatives may move in unexpected ways, especially in abnormal market conditions. Some derivatives are "leveraged" and therefore may magnify or otherwise increase investment losses to the Fund. The Fund's use of derivatives may also increase the amount of taxes payable by shareholders. Other risks arise from the potential inability to terminate or sell derivatives positions. A liquid secondary market may not always exist for the Fund's derivatives positions. In fact, many over-the-counter derivative instruments will not have liquidity beyond the counterparty to the instrument. Over-the-counter derivative instruments also involve the risk that the other party will not meet its obligations to the Fund.

The US Government and foreign governments have adopted (and may adopt further) regulations governing derivatives markets, including mandatory clearing of certain derivatives, margin and reporting requirements. The ultimate impact of the regulations remains unclear. Additional regulation of derivatives may make derivatives more costly, limit their availability or utility, or otherwise adversely affect their performance or disrupt markets.

**Foreign Securities Risk.** The Fund's investments in securities of foreign issuers or issuers with significant exposure to foreign markets involve additional risk. Foreign countries in which the Fund may invest may have markets that are less liquid, less regulated and more volatile than US markets. The value of the Fund's investments may decline because of factors affecting the particular issuer as well as foreign markets and issuers generally, such as unfavorable government actions, and political or financial instability. Lack of information may also affect the value of these securities.

**US Government and Agency Securities Risk.** US Government and agency securities are subject to market risk, interest rate risk and credit risk. Not all US Government securities are insured or guaranteed by the full faith and credit of the US Government; some are only insured or guaranteed by the issuing agency, which must rely on its own resources to repay the debt. Connecticut Avenue Securities issued by Fannie Mae and Structured Agency Credit Risk issued by Freddie Mac carry no guarantee whatsoever and the risk of default associated with these securities would be borne by the Fund. The maximum potential liability of the issuers of some US Government securities held by the Fund may greatly exceed their current resources, including their legal right to support from the US Treasury. It is possible that these issuers will not have the funds to meet their payment obligations in the future. In addition, the value of US Government securities may be affected by changes in the credit rating of the US Government.

**Interest Rate Risk.** The value of your investment may go down when interest rates rise. A rise in rates tends to have a greater impact on the prices of longer term or duration securities. When interest rates fall, the issuers of debt obligations may prepay principal more quickly than expected, and the Fund may be required to reinvest the proceeds at a lower interest rate. This is referred to as "prepayment risk." When interest rates rise, debt obligations may be repaid more slowly than expected, and the value of the Fund's holdings may fall sharply. This is referred to as "extension risk." The Fund may face a heightened level of interest rate risk since the US Federal Reserve Board has ended its quantitative easing program and may continue to raise rates. The Fund may lose money if short-term or long-term interest rates rise sharply or in a manner not anticipated by the subadviser.

**Liquidity Risk.** The Fund may invest in instruments that trade in lower volumes and are less liquid than other investments. Liquidity risk exists when particular investments made by the Fund are difficult to purchase or sell. Liquidity risk also includes the risk that the Fund may make investments that may become less liquid in response to market developments or adverse investor perceptions. If the Fund is forced to sell these investments to pay redemption proceeds or for other reasons, the Fund may lose money. In addition, when there is no willing buyer and investments cannot be readily sold at the desired time or price, the Fund may have to accept a lower price or may not be able to sell the instrument at all. The reduction in dealer market-making capacity in the fixed-income markets that has occurred in recent years also has the potential to reduce liquidity. An inability to sell a portfolio position can adversely affect the Fund's value or prevent the Fund from being able to take advantage of other investment opportunities.

**Junk Bonds Risk.** High-yield, high-risk bonds have predominantly speculative characteristics, including particularly high credit risk. Junk bonds tend to be less liquid than higher-rated securities. The liquidity of particular issuers or industries within a particular investment category may shrink or disappear suddenly and without warning. The non-investment grade bond market can experience sudden and sharp price swings and become illiquid due to a variety of factors, including changes in economic forecasts, stock market activity, large sustained sales by major investors, a high profile default or a change in the market's psychology.

**Market Risk.** Securities markets may be volatile and the market prices of the Fund's securities may decline. Securities fluctuate in price based on changes in an issuer's financial condition and overall market and economic conditions. If the market prices of the securities owned by the Fund fall, the value of your investment in the Fund will decline.

**Mortgages and Mortgage-Related Securities Risk.** When the Fund purchases mortgages or mortgage-related securities, it is subject to certain additional risks. Declines in the value of property backing these securities will negatively affect the quality of these securities and could reduce the ability of the issuer to sell the property to satisfy its outstanding obligations. The value of the property can be negatively affected by a number of factors, including changes in the neighborhood, factors affecting the particular property or the real estate market generally and poor property maintenance. Rising interest rates tend to extend the duration of mortgages and mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, the Fund may exhibit additional volatility if it holds mortgages or mortgage-related securities. This is known as extension risk. In addition, mortgages and mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of the Fund because it will have to reinvest that money at the lower prevailing interest rates. Mortgage-related securities are also subject to the risk that the borrower may fail to make scheduled sinking fund payments or may default and that collateral for the mortgage may be inadequate or the terms of the mortgage may be revised. There may also be delays in receiving interest payments and in realizing collateral for these instruments. Finally, there is the potential risk that illiquidity in the market for mortgage-related securities may make it difficult for the Fund to dispose of these instruments or may seriously reduce their sale price.

**Non-diversification Risk.** The Fund is non-diversified for purposes of the Investment Company Act of 1940 (the "1940 Act"). This means that the Fund may invest a greater percentage of its assets in the securities of a single company or other issuer than a diversified fund. Investing in a non-diversified fund involves greater risk than investing in a diversified fund because a loss resulting from the decline in value of any one security may represent a greater portion of the total assets of a non-diversified fund.

**Emerging Markets Risk.** The risks of foreign investments are greater for investments in or exposed to emerging markets. Emerging market countries typically have economic and political systems that are less fully developed, and can be expected to be less stable, than those of more developed countries. For example, the economies of such countries can be subject to rapid and unpredictable rates of inflation or deflation. Low trading volumes may result in a lack of liquidity and price volatility. Emerging market countries may have policies that restrict investment by non-US investors, or that prevent non-US investors from withdrawing their money at will. Countries with emerging markets can be found in regions such as Asia, Latin America, Eastern Europe and Africa.

The Fund may invest in some emerging markets through trading structures or protocols that subject it to risks such as those associated with illiquidity, custody of assets, different settlement and clearance procedures and asserting legal title under a developing legal and regulatory regime to a greater degree than in developed markets or even in other emerging markets.

**Currency Risk.** The Fund's net asset value could decline as a result of changes in exchange rates, which could adversely affect the Fund's investments in currencies, or in securities that trade in, and receive revenues related to, currencies, or in derivatives that provide exposure to currencies. Certain foreign countries may impose restrictions on the ability of issuers of foreign securities to make payment of principal and interest or dividends to investors located outside the country, due to blockage of foreign currency exchanges or otherwise.

**Economic and Market Events Risk.** Events in the US and global financial markets, including actions taken by the US Federal Reserve or foreign central banks to stimulate or stabilize economic growth, may at times result in unusually high market volatility, which could negatively impact performance. Reduced liquidity in credit and fixed income markets could adversely affect issuers worldwide.

**Risk of Increase in Expenses.** Your actual cost of investing in the Fund may be higher than the expenses shown in the expense table for a variety of reasons. For example, expense ratios may be higher than those shown if average net assets decrease. Net assets are more likely to decrease and Fund expense ratios are more likely to increase when markets are volatile. Active and frequent trading of Fund securities can increase expenses.

## Schwab Risks

**Concentration Risk.** To the extent that the fund's or the index's portfolio is concentrated in the securities of issuers in a particular market, industry, group of industries, sector or asset class (including the real estate industry, as described above), the fund may be adversely affected by the performance of those securities, may be subject to increased price volatility and may be more vulnerable to adverse economic, market, political or regulatory occurrences affecting that market, industry, group of industries, sector or asset class.

**Credit Risk.** The fund is subject to the risk that a decline in the credit quality of a portfolio investment could cause the fund to lose money or underperform. The fund could lose money if the issuer or guarantor of a portfolio investment fails to make timely principal or interest payments or otherwise honor its obligations.

**Derivatives Risk.** The fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. The fund's use of derivatives could reduce the fund's performance, increase the fund's volatility and could cause the fund to lose more than the initial amount invested. In addition, investments in derivatives may involve leverage, which means a small percentage of assets invested in derivatives can have a disproportionately large impact on the fund.

**Equity Risk.** The prices of equity securities rise and fall daily. These price movements may result from factors affecting individual companies, industries or the securities market as a whole. In addition, equity markets tend to move in cycles which may cause stock prices to fall over short or extended periods of time.

**Investment Style Risk.** The fund is an index fund. Therefore, the fund follows the securities included in the index during upturns as well as downturns. Because of its indexing strategy, the fund does not take steps to reduce market exposure or to lessen the effects of a declining market. In addition, because of the fund's expenses, the fund's performance may be below that of the index.

**Interest Rate Risk.** The fund's investments in fixed-income securities are subject to the risk that interest rates rise and fall over time. As with any investment whose yield reflects current interest rates, the fund's yield will change over time. During periods when interest rates are low, the fund's yield (and total return) also may be low. Changes in interest rates also may affect the fund's share price: a rise in interest rates could cause the fund's share price to fall. The longer the fund's portfolio duration, the more sensitive to interest rate movements its share price is likely to be. A change in a central bank's monetary policy or improving economic conditions, among other things, may result in an increase in interest rates. The fund is currently subject to heightened levels of interest rate risk because of the continued economic recovery, along with the fact that the Federal Reserve Board ended its quantitative easing program in 2014, and has begun, and may continue, to raise interest rates.

**Large-Cap Company Risk.** Large-cap companies are generally more mature and the securities issued by these companies may not be able to reach the same levels of growth as the securities issued by small- or mid-cap companies.

**Liquidity Risk.** The fund may be unable to sell certain securities, such as illiquid securities, readily at a favorable time or price, or the fund may have to sell them at a loss.

**Market Capitalization Risk.** Securities issued by companies of different market capitalizations tend to go in and out of favor based on market and economic conditions. During a period when securities of a particular market capitalization fall behind other types of investments, the fund's performance could be impacted.

**Market Risk.** Financial markets rise and fall in response to a variety of factors, sometimes rapidly and unpredictably. As with any investment whose performance is tied to these markets, the value of an investment in the fund will fluctuate, which means that an investor could lose money over short or long periods.

**Market Trading Risk.** Although fund shares are listed on national securities exchanges, there can be no assurance that an active trading market for fund shares will develop or be maintained. If an active market is not maintained, investors may find it difficult to buy or sell fund shares.

**Mid-Cap Company Risk.** Mid-cap companies may be more vulnerable to adverse business or economic events than larger, more established companies and the value of securities issued by these companies may move sharply.

**Mortgage-Backed and Mortgage Pass-Through Securities Risk.** Certain of the mortgage-backed securities in which the fund may invest are not backed by the full faith and credit of the U.S. government and there can be no assurance that the U.S. government would provide financial support where it was not obligated to do so. Mortgage-backed securities tend to increase in value less than other debt securities when interest rates decline, but are subject to similar or greater risk of decline in market value during periods of rising interest rates. Transactions in mortgage pass-through securities often occur through TBA transactions, as described in the "Principal investment strategies" section above. Default by or bankruptcy of a counterparty to a TBA transaction could expose the fund to possible losses.

**Non-U.S. Issuer Risk.** The fund may invest in U.S.-registered, dollar-denominated bonds of non-U.S. corporations, governments, agencies and supra-national entities to the extent such bonds are included in the fund's index. The fund's investments in bonds of non-U.S. issuers may involve certain risks that are greater than those associated with investments in securities of U.S. issuers. These include risks of adverse changes in foreign economic, political, regulatory and other conditions; the imposition of economic sanctions or other government restrictions; differing accounting, auditing, financial reporting and legal standards and practices; differing securities market structures; and higher transaction costs. These risks may be heightened in connection with bonds issued by non-U.S. corporations and entities in emerging markets.

**Portfolio Turnover Risk.** The fund may engage in frequent trading of its portfolio securities in connection with its tracking of the index, primarily due to the fund rolling over its positions in TBAs as it tracks the portion of the index represented by mortgage-backed securities. A higher portfolio turnover rate may result in increased transaction costs, which may lower the fund's performance. A higher portfolio turnover rate can also result in an increase in taxable capital gains distributions to the fund's shareholders.

**Prepayment and Extension Risk.** Certain of the fund's investments are subject to the risk that the securities may be paid off earlier or later than expected. Either situation could cause the fund to hold securities paying lower-than-market rates of interest, which could hurt the fund's yield or share price

**Real Estate Investment Risk.** Due to the composition of the index, the fund concentrates its investments in real estate companies and companies related to the real estate industry. As such, the fund is subject to risks associated with the direct ownership of real estate securities and an investment in the fund will be closely linked to the performance of the real estate markets. These risks include, among others: declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds or other limits to accessing the credit or capital markets; defaults by borrowers or tenants, particularly during an economic downturn; and changes in interest rates.

**REITs Risk.** In addition to the risks associated with investing in securities of real estate companies and real estate related companies, REITs are subject to certain additional risks. Equity REITs may be affected by changes in the value of the underlying properties owned by the trusts. Further, REITs are dependent upon specialized management skills and cash flows, and may have their investments in relatively few properties, or in a small geographic area or a single property type. Failure of a company to qualify as a REIT under federal tax law may have adverse consequences to the fund. In addition, REITs have their own expenses, and the fund will bear a proportionate share of those expenses.

**Sampling Index Tracking Risk.** The fund may not fully replicate the index and may hold securities not included in the index. As a result, the fund is subject to the risk that the investment adviser's investment management strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. Because the fund uses a sampling approach it may not track the return of the index as well as it would if the fund purchased all of the securities in the index.

**Securities Lending Risk.** Securities lending involves the risk of loss of rights in, or delay in recovery of, the loaned securities if the borrower fails to return the security loaned or becomes insolvent.

**Small-Cap Company Risk.** Securities issued by small-cap companies may be riskier than those issued by larger companies, and their prices may move sharply, especially during market upturns and downturns.

**Tracking Error Risk.** As an index fund, the fund seeks to track the performance of its index, although it may not be successful in doing so. The divergence between the performance of the fund and the index, positive or negative, is called "tracking error." Tracking error can be caused by many factors and it may be significant.

**Shares of the Fund May Trade at Prices Other Than NAV.** Fund shares may be bought and sold in the secondary market at market prices. Although it is expected that the market price of the shares of the fund will approximate the fund's NAV, there may be times when the market price and the NAV vary significantly. An investor may pay more than NAV when buying shares of the fund in the secondary market, and an investor may receive less than NAV when selling those shares in the secondary market. The market price of fund shares may deviate, sometimes significantly, from NAV during periods of market volatility.

## SSGA Risks

**Currency Risk.** The value of the Fund's assets may be affected favorably or unfavorably by currency exchange rates, currency exchange control regulations, and delays, restrictions or prohibitions on the repatriation of foreign currencies. Foreign currency exchange rates may have significant volatility, and changes in the values of foreign currencies against the U.S. dollar may result in substantial declines in the values of the Fund's assets denominated in foreign currencies.

**Depositary Receipts Risk.** Investments in depositary receipts may be less liquid and more volatile than the underlying securities in their primary trading market. If a depositary receipt is denominated in a different currency than its underlying securities, the Fund will be subject to the currency risk of both the investment in the depositary receipt and the underlying security. Holders of depositary receipts may have limited or no rights to take action with respect to the underlying securities or to compel the issuer of the receipts to take action. The prices of depositary receipts may differ from the prices of securities upon which they are based. To the extent the Fund invests in depositary receipts based on securities included in the Index, such differences in prices may increase index tracking risk.

**Emerging Markets Risk.** Risks of investing in emerging markets include, among others, greater political and economic instability, greater volatility in currency exchange rates, less developed securities markets, possible trade barriers, currency transfer restrictions, a more limited number of potential buyers and issuers, an emerging market country's dependence on revenue from particular commodities or international aid, less governmental supervision and regulation, unavailability of currency hedging techniques, differences in auditing and financial reporting standards, and less developed legal systems. There is also the potential for unfavorable action such as expropriation, nationalization, embargo, and acts of war. The securities of emerging market companies may trade less frequently and in smaller volumes than more widely held securities. Market disruptions or substantial market corrections may limit very significantly the liquidity of securities of certain companies in a particular country or geographic region, or of all companies in the country or region. The Fund may be unable to liquidate its positions in such securities at any time, or at a favorable price, in order to meet the Fund's obligations. These risks are generally greater for investments in frontier market countries, which typically have smaller economies or less developed capital markets than traditional emerging market countries.

**Equity Investing Risk.** The market prices of equity securities owned by the Fund may go up or down, sometimes rapidly or unpredictably. The value of a security may decline for a number of reasons that may directly relate to the issuer and also may decline due to general industry or market conditions that are not specifically related to a particular company. In addition, equity markets tend to move in cycles, which may cause stock prices to fall over short or extended periods of time.

**Financial Sector Risk.** Financial services companies are subject to extensive governmental regulation which may limit both the amounts and types of loans and other financial commitments they can make, the interest rates and fees they can charge, the scope of their activities, the prices they can charge and the amount of capital they must maintain. Profitability is largely dependent on the availability and cost of capital funds and can fluctuate significantly when interest rates change or due to increased competition. In addition, deterioration of the credit markets generally may cause an adverse impact in a broad range of markets, including U.S. and international credit and interbank money markets generally, thereby affecting a wide range of financial institutions and markets. Certain events in the financial sector may cause an unusually high degree of volatility in the financial markets, both domestic and foreign, and cause certain financial services companies to incur large losses. Securities of financial services companies may experience a dramatic decline in value when such companies experience substantial declines in the valuations of their assets, take action to raise capital (such as the issuance of debt or equity securities), or cease operations. Credit losses resulting from financial difficulties of borrowers and financial losses associated with investment activities can negatively impact the sector. Insurance companies may be subject to severe price competition. Adverse economic, business or political developments could adversely affect financial institutions engaged in mortgage finance or other lending or investing activities directly or indirectly connected to the value of real estate.

**Fluctuation of Net Asset Value, Share Premiums and Discounts Risk.** As with all exchange-traded funds, Fund Shares may be bought and sold in the secondary market at market prices. The trading prices of Fund Shares in the secondary market may differ from the Fund's daily net asset value per share and there may be times when the market price of the shares is more than the net asset value per share (premium) or less than the net asset value per share (discount). This risk is heightened in times of market volatility or periods of steep market declines.

**Geographic Focus Risk.** The performance of a fund that is less diversified across countries or geographic regions will be closely tied to market, currency, economic, political, environmental, or regulatory conditions and developments in the countries or regions in which the fund invests, and may be more volatile than the performance of a more geographically-diversified fund.

**Indexing Strategy/Index Tracking Risk.** The Fund is managed with an indexing investment strategy, attempting to track the performance of an unmanaged index of securities, regardless of the current or projected performance of the Index or of the actual securities comprising the Index. This differs from an actively-managed fund, which typically seeks to outperform a benchmark index. As a result, the Fund's performance may be less favorable than that of a portfolio managed using an active investment strategy. The structure and composition of the Index will affect the performance, volatility, and risk of the Index and, consequently, the performance, volatility, and risk of the Fund. While the Adviser seeks to track the performance of the Index (i.e., achieve a high degree of correlation with the Index), the Fund's return may not match the return of the Index. The Fund incurs a number of operating expenses not applicable to the Index, and incurs costs in buying and selling securities. In addition, the Fund may not be fully invested at times, generally as a result of cash flows into or out of the Fund or reserves of cash held by the Fund to meet redemptions. The Adviser may attempt to replicate the Index return by investing in fewer than all of the securities in the Index, or in some securities not included in the Index, potentially increasing the risk of divergence between the Fund's return and that of the Index.

**Liquidity Risk.** Lack of a ready market or restrictions on resale may limit the ability of the Fund to sell a security at an advantageous time or price or at all. Illiquid securities may trade at a discount from comparable, more liquid investments and may be subject to wide fluctuations in market value. Illiquidity of the Fund's holdings may limit the ability of the Fund to obtain cash to meet redemptions on a timely basis. In addition, the Fund, due to limitations on investments in any illiquid securities and/or the difficulty in purchasing and selling such investments, may be unable to achieve its desired level of exposure to a certain market or sector.

**Market Risk.** The Fund's investments are subject to changes in general economic conditions, and general market fluctuations and the risks inherent in investment in securities markets. Investment markets can be volatile and prices of investments can change substantially due to various factors including, but not limited to, economic growth or recession, changes in interest rates, changes in the actual or perceived creditworthiness of issuers, and general market liquidity. The Fund is subject to the risk that geopolitical events will disrupt securities markets and adversely affect global economies and markets.

**Non-Diversification Risk.** As a "non-diversified" fund, the Fund may hold a smaller number of portfolio securities than many other funds. To the extent the Fund invests in a relatively small number of issuers, a decline in the market value of a particular security held by the Fund may affect its value more than if it invested in a larger number of issuers. The value of Fund Shares may be more volatile than the values of shares of more diversified funds.

**Non-U.S. Securities Risk.** Non-U.S. securities (including depositary receipts) are subject to political, regulatory, and economic risks not present in domestic investments. There may be less information publicly available about a non-U.S. entity than about a U.S. entity, and many non-U.S. entities are not subject to accounting, auditing, legal and financial report standards comparable to those in the United States. Further, such entities and/or their securities may be subject to risks associated with currency controls; expropriation; changes in tax policy; greater market volatility; differing securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. Securities traded on foreign markets may be less liquid (harder to sell) than securities traded domestically. Foreign governments may impose restrictions on the repatriation of capital to the U.S. In addition, to the extent that the Fund buys securities denominated in a foreign currency, there are special risks such as changes in currency exchange rates and the risk that a foreign government could regulate foreign exchange transactions. In addition, to the extent investments are made in a limited number of countries, events in those countries will have a more significant impact on the Fund. Investments in depositary receipts may be less liquid and more volatile than the underlying shares in their primary trading market.

**Technology Sector Risk.** Market or economic factors impacting technology companies and companies that rely heavily on technological advances could have a major effect on the value of the Fund's investments. The value of stocks of technology companies and companies that rely heavily on technology is particularly vulnerable to rapid changes in technology product cycles, rapid product obsolescence, government regulation and competition, both domestically and internationally, including competition from foreign competitors with lower production costs. Stocks of technology companies and companies that rely heavily on technology, especially those of smaller, less-seasoned companies, tend to be more volatile than the overall market. Technology companies are heavily dependent on patent and intellectual property rights, the loss or impairment of which may adversely affect profitability. Additionally, companies in the technology sector may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel.

**Unconstrained Sector Risk.** The Fund may invest a substantial portion of its assets within one or more economic sectors or industries, which may change from time to time. Greater investment focus on one or more sectors or industries increases the potential for volatility and the risk that events negatively affecting such sectors or industries could reduce returns, potentially causing the value of the Fund's shares to decrease, perhaps significantly.

**Valuation Risk.** Some portfolio holdings, potentially a large portion of the Fund's investment portfolio, may be valued on the basis of factors other than market quotations. This may occur more often in times of market turmoil or reduced liquidity. There are multiple methods that can be used to value a portfolio holding when market quotations are not readily available. The value established for any portfolio holding at a point in time might differ from what would be produced using a different methodology or if it had been priced using market quotations. Portfolio holdings that are valued using techniques other than market quotations, including "fair valued" securities, may be subject to greater fluctuation in their valuations from one day to the next than if market quotations were used. In addition, there is no assurance that the Fund could sell or close out a portfolio position for the value established for it at any time, and it is possible that the Fund would incur a loss because a portfolio position is sold or closed out at a discount to the valuation established by the Fund at that time. Investors who purchase or redeem Fund Shares on days when the Fund is holding fair-valued investments may receive fewer or more shares or lower or higher redemption proceeds than they would have received if the Fund had not fair-valued the holding(s) or had used a different valuation methodology.

## Vanguard Risks

**Income fluctuations.** The Fund's quarterly income distributions are likely to fluctuate considerably more than the income distributions of a typical bond fund. In fact, under certain conditions, the Fund may not have any income to distribute. Income fluctuations associated with changes in interest rates are expected to be low; however, income fluctuations associated with changes in inflation are expected to be high. Overall, investors can expect income fluctuations to be high for the Fund.

**Interest Rate Risk.** Which is the chance that the value of a bond will fluctuate because of a change in the level of interest rates. Although inflation-indexed bonds seek to provide inflation protection, their prices may decline when interest rates rise and vice versa. Because the Fund's dollar-weighted average maturity is expected to be 5 years or less, interest rate risk is expected to be low for the Fund. Because ETF Shares are traded on an exchange, they are subject to additional risks:

**Trading Risk.** The Fund's ETF Shares are listed for trading on Nasdaq and are bought and sold on the secondary market at market prices. Although it is expected that the market price of an ETF Share typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more or less than NAV when you buy ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares. Although the Fund's ETF Shares are listed for trading on Nasdaq, it is possible that an active trading market may not be maintained. Trading of the Fund's ETF Shares may be halted by the activation of individual or market wide trading halts (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of the Fund's ETF Shares may also be halted if (1) the shares are delisted from Nasdaq without first being listed on another exchange or (2) Nasdaq officials determine that such action is appropriate in the interest of a fair and orderly market or for the protection of investors.

# APPENDIX C - GLOSSARY OF DEFINED TERMS

**Defined Terms.** Terms used in this Program Description 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 KY Saves 529 established by an Account Owner for a Beneficiary.

**Account Owner or you:** An individual 18 years or older, an emancipated minor (as determined by Kentucky 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:** Sections 164A.300 to 164A.380 of Title XIII of the Kentucky Revised Statutes Annotated, 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 KY Saves 529, to receive the benefit of an Account.

**Board:** The KHEAA Board of Directors, which acts as administrator and trustee of KY Saves 529.

**Code:** Internal Revenue Code of 1986, as amended. References to various Sections of the Code throughout this Program Description 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.

**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.

**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 KY Saves 529 to transfer money from a bank or other financial institution to an Account in KY Saves 529.

**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 post-secondary 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 Program, establishing the obligations of each and prepared in accordance with the provisions of KY Saves 529.

**Exchange-traded-funds (ETFs):** ETFs are funds that trade like other publicly traded securities and are designed to track an index. Similar to shares of an index mutual fund, each share of an ETF represents partial ownership in an underlying portfolio of securities intended to track a market index. Unlike shares of a mutual fund, the shares of an ETF are listed on a national securities exchange and trade in the secondary market at market prices that change throughout the day.

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

**Fees:** The Underlying Funds, Program Management Fee, and any other fees, costs, expenses, and charges associated with KY Saves 529.

**IRS:** Internal Revenue Service.

**Investment Options:** The Year of Enrollment Options, Asset Allocation Options, or Capital Preservation Option available to Account Owners in KY Saves 529. The Guaranteed Option is closed to new contributions in.

**Investment Managers:** American Funds, Baird Advisors, BlackRock, Cohen & Steers Capital Management, Inc. (Cohen & Steers), Dimensional Fund Advisors (DFA), NexBank, PGIM Investments LLC (PGIM Investments), Charles Schwab Investment Management, Inc. (Schwab), State Street Global Advisors (SSGA), and TIAA-CREF Life Insurance Company (TIAA).

**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.

**KAPT:** Kentucky's Affordable Prepaid Tuition program. KAPT is a 529 Plan that is closed to new Accounts.

**KHEAA:** Kentucky Higher Education Assistance Authority.

**KY Saves 529:** The Qualified Tuition Program offered by the Commonwealth of Kentucky – Kentucky Educational Savings Plan Trust.

**Kentucky or State:** The Commonwealth of Kentucky.

**Management Agreement:** An agreement between KHEAA and ACSR to provide KY Saves 529 with program management, investment consulting, recordkeeping, administrative services, and marketing services. The Management Agreement between KHEAA and ACSR is now effective and will terminate in 2027, or earlier as provided in the Management Agreement. The Management Agreement may be extended for an additional eight (8) year term.

**Maximum Account Balance:** The maximum aggregate balance of all accounts for the same Beneficiary in Qualified Tuition Programs sponsored by the Commonwealth of Kentucky, as established by the Board from time to time, 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 Account Balance is $350,000.

**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.

**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 Withdrawal to an ABLE Account another Qualified Tuition Program that is not sponsored by the Commonwealth of Kentucky in accordance with the Code.

**Program:** KY Saves 529.

**Program Administrators:** The State, KHEAA, the Board, any other agency of the State (including their respective affiliates and agents), the Program Manager (including its affiliates and agents), or the Investment Managers (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.

**Program Description:** This document, which is intended to provide substantive disclosure of the terms and conditions of an investment in KY Saves 529, including the attached Appendices and any Supplements distributed from time to time.

**Program Management Fee:** The Program Management Fee as described under ***Fees*** on page 25.

**Program Management Services:** Investment consulting, recordkeeping and administrative services, marketing and other program management duties provided to KY Saves 529 by ACSR, as an independent contractor.

**Program Manager:** ACRS has been engaged by KHEAA to provide the Program Management Services, as an independent contractor, on behalf of KY Saves 529.

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

**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 KY Saves 529 to transfer money, on a regular and predetermined basis, from a bank or other financial institution to an Account in KY Saves 529.

**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 Withdrawal:** 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, KHEAA, the Board, and any other agency of the State (including their respective affiliates and agents).

**Successor Account Owner:** The person named in the Enrollment Form or otherwise in writing to KY Saves 529 by the Account Owner, who may exercise the rights of the Account Owner under KY Saves 529 if the Account Owner dies or is declared legally incompetent. The Successor Account Owner may be the Beneficiary if the Beneficiary is 18 years or older.

**Supplement:** An addendum to the Program Description, issued from time to time.

**Total Annual Asset-Based Fee:** The sum of the Underlying Fund Fee, the Program Management, and the State Service Fee as described under ***Fees*** on page 25.

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

**Underlying Funds:** The mutual funds, exchange traded funds and other investment products 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 Program:** 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 Program is separate from the Program and not affiliated with the Program Administrators.

**Vested Participation Agreement:** A Participation Agreement that (i) meets certain requirements pursuant to KRS 164.330and (ii) allows the Beneficiary to qualify for state resident tuition rates at Kentucky Eligible Educational Institutions.

**We, our or us:** KY Saves 529 and the Program Administrators, as applicable.

# PARTICIPATION AGREEMENT

**In this section, we ask you to indemnify the Program 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 Program Description and this Participation Agreement.**

## Indemnity

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

- I am opening an Account in the Program based upon my statements, agreements, representations, warranties, and covenants as set forth in the Program Description and the Enrollment Form.
- I, through the Enrollment Form and the Program Description, indemnify and hold harmless the Program 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 acknowledgments, representations, or warranties in the Program Description or the Enrollment Form, or any failure by me to fulfill any covenants or agreements in the Program Description, or the Enrollment Form.

## Representations, Warranties and Acknowledgments

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

1. I have received, read, and understand the terms and conditions of the Program Description and Enrollment Form and any additional information provided to me by the Program Administrators with respect to KY Saves 529.
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 KY Saves 529 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 Program 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 Program Description may not discuss tax consequences and other aspects of KY Saves 529 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 Program 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 KY Saves 529 and the Program Description.
9. I understand that KY Saves 529 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 Program Description, 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 KY Saves 529 may not be suitable, and that KY Saves 529 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 KY Saves 529 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 KY Saves 529 promptly of any material changes in such information.
13. The value of my Account depends upon the performance of the Investment Options. 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, except to the extent of FDIC insurance available on the Capital Preservation Option, 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 Board 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 Program 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 KY Saves 529 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 KY Saves 529 will be considered the provision of an investment advisory service.
19. Except as described in this Program Description, I will not assign or transfer any interest in my Account. I understand that, except as provided under Kentucky law, any attempt to assign or transfer that interest is void.
20. I acknowledge that KY Saves 529 intends to qualify for favorable federal tax treatment under the Code. Because this qualification is vital to KY Saves 529, KHEAA may modify KY Saves 529 or amend this Program Description at any time if KHEAA 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 KY Saves 529.
21. I understand that my Account(s), including assets and records, may be transferred to a different program manager, and/ or investment manager at KHEAA's direction in the event of a change in Program Manager or Investment Manager.
22. The Program 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 Program 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 Program Administrators, individually and collectively, are not:
    a. liable for a failure of KY Saves 529 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 KY Saves 529, the Program Description 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 Kentucky law, Kentucky residency is not established for the Beneficiary merely because I have designated him or her as the Beneficiary of the Account.

26. **Arbitration. This is a pre-dispute arbitration clause. Any controversy or claim arising out of or relating to the Program or the Program Description, or the breach, termination, or validity of this Program or the Enrollment Form, may be submitted to arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules (except that if Program Manager, or an Investment Manager is a party to the arbitration, it may elect that arbitration will instead be subject to the Code of Arbitration Procedure of the Financial Industry Regulatory Treasurer), both of which are made part of this Agreement, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.**

**In connection with any arbitration, I understand that:**

**I am giving up important rights under state law, including the right to sue in court and the right to a trial by jury, except as provided by the rules of the arbitration forum in which the claim is filed;**

1. **arbitration awards are generally final and binding; my ability to have a court reverse or modify an arbitration award is very limited;**
2. **my ability to obtain documents, witness statements, and other discovery is generally more limited in arbitration than in court proceedings;**
3. **the potential cost of arbitration may be more or less than the cost of litigation;**
4. **the arbitrators do not have to explain the reason(s) for their award, unless in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least twenty (20) days prior to the first scheduled hearing date;**
5. **the panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry;**
6. **the rules of the arbitration forum may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court; and**
7. **the rules of the arbitration forum are incorporated by reference into this Participation Agreement and are available by contacting the Program.**

**To the extent permitted by applicable law: (1) the terms and conditions of the agreement between me and the Program and Kentucky law will be applied by the arbitrator(s) without regard to conflict of laws principles; (2) the place of arbitration will be Frankfort, Kentucky; and (3) the arbitrator(s) is not empowered to award consequential or punitive damages under any circumstances, whether statutory or common law in nature, including treble damages by statute. I may have other rights under FINRA's Code of Arbitration Procedure.**

**I cannot bring a putative or certified class action to arbitration, or seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; who is a member of a putative class who has opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) the person is excluded from the class by the court. A failure to enforce this arbitration provision does not constitute a waiver of any of the Program Administrator's rights under the Program Description or the Enrollment Form or my Account except to the extent set forth in this Arbitration Section.**

27. By opening an Account, I am submit (on behalf of myself and my Beneficiary) to the exclusive jurisdiction of courts in Kentucky for all legal proceedings arising out of or relating to my Account. KHEAA or the Program Manager may apply to a court at any time for judicial settlement of any matter involving my Account. If KHEAA 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 Program 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.
28. The Program Description 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 Program Administrators, all of whom can rely upon and enforce my representations and obligations contained in the Program Description and the Enrollment Form.
29. My statements, representations, warranties, and covenants will survive the termination of my Account.

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KY Saves 529
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Boston, MA 02205-6014

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**Email**
clientservice@kysaves.com

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KY Saves 529 (KY Saves 529) is administered by the Kentucky Higher Education Assistance Authority. Ascensus College Savings Recordkeeping Services, LLC, the Program Manager, and its affiliates, have overall responsibility for the day-to-day operations, including investment consulting, recordkeeping, administrative, and marketing services. KY Saves 529's Investment Options invest in mutual funds, ETFs and other investments. Investments in KY Saves 529 are not insured by the FDIC (except to the extent of FDIC insurance available on the Capital Preservation Option). Units of the Investment Options are municipal securities and the value of units will vary with market conditions.

Investment returns will vary depending upon the performance of the Investment Options you choose. Except to the extent of FDIC insurance available for the Capital Preservation Option, depending on market conditions, you could lose all or a portion of your money by investing in KY Saves 529. Account Owners assume all investment risks as well as responsibility for any federal and state tax consequences.

The Upromise Program is a program offered by Upromise, Inc. and is separate from KY Saves 529. Specific terms and conditions apply. Participating companies, contribution levels, terms and conditions are subject to change. Upromise, Inc. is not affiliated with the Program Manager.



**Not FDIC-Insured (except to the extent of FDIC insurance available on the Capital Preservation Option). No Bank, State or Federal Guarantee. May Lose Value.**

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