

# Learning Quest<sup>®</sup> Education Savings Program

## A 529 College Savings Plan

**In this newsletter you'll find important information about changes coming soon to your account.**

Effective July 14, 2017, the Learning Quest 529 College Savings Program will implement some exciting changes. These changes include an extended glide path, new names for the age-based portfolio options, and new underlying accounts for cash allocations and direct investments.

These changes will be automatic; you do not need to take any action. In addition, these changes will not count against the two investment exchanges per calendar year allowed by the Internal Revenue Service.

More detailed information about these changes, including updated allocations, fees and performance charts will be updated in The Guide and Participation Agreement available on July 14, 2017. To request an updated Guide, call us at 1-888-903-3863 or visit [Schwab.com/LearningQuest](http://Schwab.com/LearningQuest).

# Summary of Changes

**You'll see three main changes coming soon to the portfolios:**

## An Expanded Glide Path

Our age-based tracks gradually move your investments from equity-focused holdings to more bond-focused holdings. Traditionally, equity holdings offer the potential for greater returns, but also greater risk potential. Alternatively, bonds traditionally offer lower return potential, but also lower risk. To make your progression along the age-based track more gradual, we are adding more portfolios within the tracks. We are also expanding the glide path from four to seven steps as the beneficiary approaches college age.

## New Names to Reflect Stock Investments

We've simplified the names of the age-based portfolios to reflect their equity allocations. The corresponding static portfolio names will also be changing to reflect the new naming convention.

## Replacement of American Century U.S. Government Money Market

Allocations formerly going to the American Century U.S. Government Money Market underlying fund will now be divided into a new Ultra Short Bond Account and a new Cash and Cash Equivalents Account. In addition, investments in the static Money Market Portfolio will be exchanged into a new Cash and Cash Equivalents Portfolio.

# Expanded Glide Path

The following table shows the risk tracks and the progression, including the new steps, of the portfolios within each of the age brackets.

| Age of Beneficiary | Aggressive Track          | Moderate Track            | Conservative Track        |
|--------------------|---------------------------|---------------------------|---------------------------|
| 0-4 years          | 90% Equity Portfolio<br>↓ | 70% Equity Portfolio<br>↓ | 60% Equity Portfolio<br>↓ |
| 5-7 years          | 80% Equity Portfolio<br>↓ | 60% Equity Portfolio<br>↓ | 50% Equity Portfolio<br>↓ |
| 8-10 years         | 70% Equity Portfolio<br>↓ | 50% Equity Portfolio<br>↓ | 40% Equity Portfolio<br>↓ |
| 11-13 years        | 60% Equity Portfolio<br>↓ | 50% Equity Portfolio<br>↓ | 30% Equity Portfolio<br>↓ |
| 14-15 years        | 50% Equity Portfolio<br>↓ | 40% Equity Portfolio<br>↓ | 30% Equity Portfolio<br>↓ |
| 16-17 years        | 40% Equity Portfolio<br>↓ | 30% Equity Portfolio<br>↓ | 20% Equity Portfolio<br>↓ |
| 18-19 years        | 30% Equity Portfolio<br>↓ | 20% Equity Portfolio<br>↓ | 10% Equity Portfolio<br>↓ |
| 20+ years          | 20% Equity Portfolio      | 10% Equity Portfolio      | Short-Term Portfolio      |

## What These Changes Mean to You

For age-based tracks, to determine your new portfolio, see the chart below. Specifically, if you are currently invested in any age-based track, your investments will transition to a new portfolio, depending on your current risk track and the beneficiary's age as of June 30, 2017. This transition may result in a change to your equity, bond and cash allocations.

### Schwab Learning Quest

| Age-Based Risk Track | Current Portfolio | Age of Beneficiary | New Portfolio | Total Expense Ratio % |
|----------------------|-------------------|--------------------|---------------|-----------------------|
| <b>Conservative</b>  | Conservative      | 0-4                | 60% Equity    | 0.77%                 |
|                      |                   | 5-7                | 50% Equity    | 0.73%                 |
|                      |                   | 8-10               | 40% Equity    | 0.66%                 |
|                      | Very Conservative | 11-13              | 30% Equity    | 0.60%                 |
|                      |                   | 14-15              | 20% Equity    | 0.53%                 |
|                      |                   | 18-19              | 10% Equity    | 0.46%                 |
|                      |                   | 20+                | Short-Term    | 0.39%                 |
| <b>Moderate</b>      | Moderate          | 0-4                | 70% Equity    | 0.81%                 |
|                      |                   | 5-7                | 60% Equity    | 0.77%                 |
|                      |                   | 8-10               | 50% Equity    | 0.73%                 |
|                      | Conservative      | 11-13              | 40% Equity    | 0.66%                 |
|                      |                   | 14-15              | 30% Equity    | 0.60%                 |
|                      | Very Conservative | 16-17              | 20% Equity    | 0.53%                 |
|                      |                   | 18-19              | 10% Equity    | 0.46%                 |
| Short-Term*          | 20+               | 10% Equity         | 0.46%         |                       |
|                      | <b>Aggressive</b> | Very Aggressive    | 0-4           | 90% Equity            |
| 5-7                  |                   |                    | 80% Equity    | 0.84%                 |
| Aggressive           |                   | 8-10               | 70% Equity    | 0.81%                 |
| Moderate             |                   | 11-13              | 60% Equity    | 0.77%                 |
| Conservative         |                   | 14-15              | 50% Equity    | 0.73%                 |
|                      |                   | 16-17              | 40% Equity    | 0.66%                 |
| Short-Term Plus*     |                   | 18-19              | 30% Equity    | 0.60%                 |
|                      | 20+               | 20% Equity         | 0.53%         |                       |

\*Please see updated Guide for additional details.

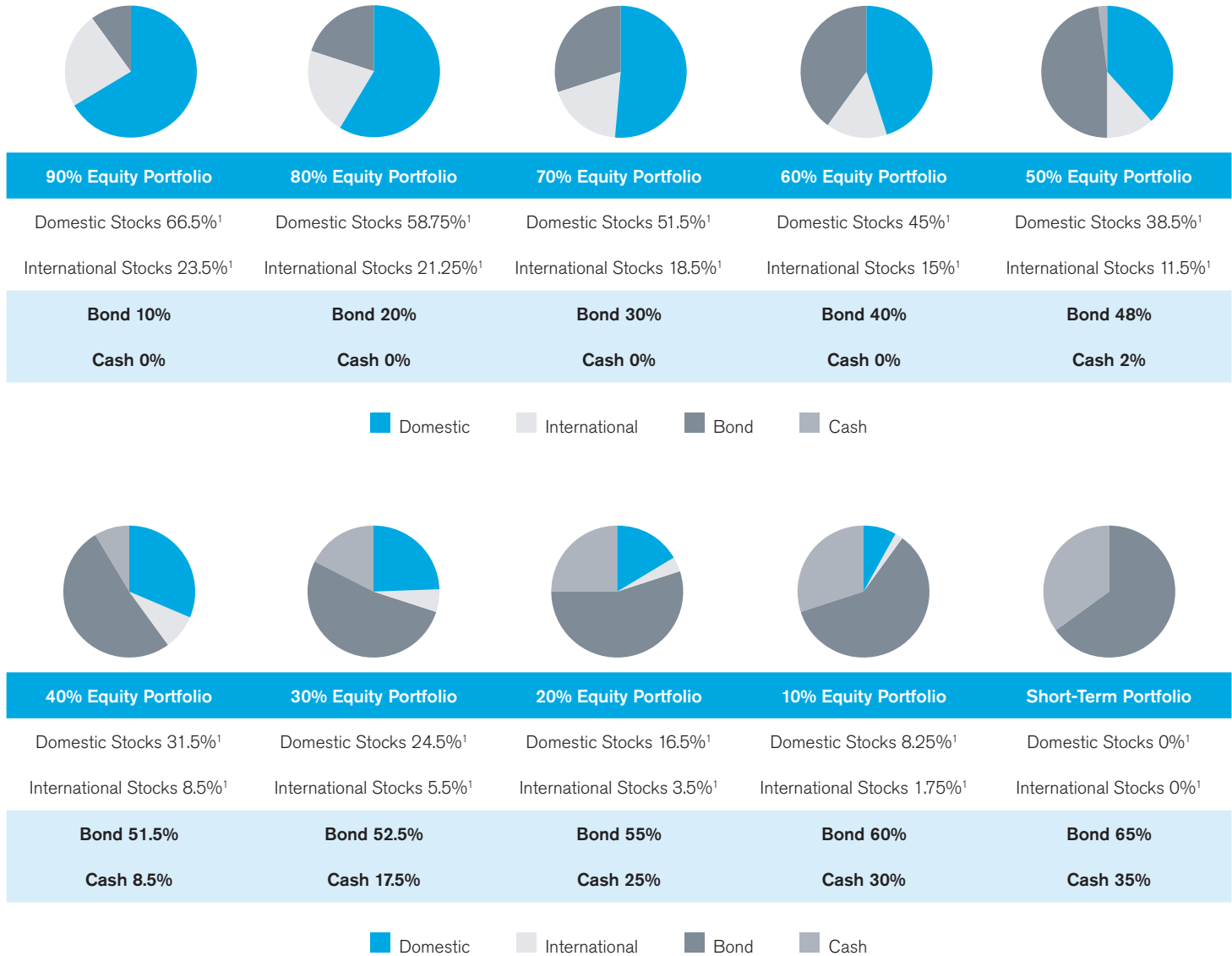
**\*Important Note:** On July 14, 2017 if your account beneficiary is 18 or older and is invested in the age-based Short Term or Short-Term Plus portfolios, your account will be moved to the Static Short-Term or Short-Term Plus portfolio where it will remain unless a request is made to changes the investment direction, as allowed by the IRS.

# New Portfolio Names to Reflect Stock Investments

To simplify the naming structure, we've updated the names of the portfolios used in the age-based tracks and the corresponding static portfolios to reflect their equity allocations.

You will only see name changes if you are invested in the static portfolios.

The pie charts below illustrate the allocations for each portfolio used in the age-based tracks.



## Static Portfolio Name Changes

| Current Portfolio Name | New Portfolio Name |
|------------------------|--------------------|
| Short-Term             | Short-Term         |
| Short-Term Plus        | 20% Equity         |
| Very Conservative      | 30% Equity         |
| Conservative           | 50% Equity         |
| Moderate               | 60% Equity         |
| Aggressive             | 70% Equity         |
| Very Aggressive        | 90% Equity         |

# Replacement of American Century U.S. Government Money Market

## Money Market Allocation

Two changes relating to the Money Market underlying fund are being made. First, targeted allocations within both the age-based tracks and the corresponding static portfolios that formerly were invested into the American Century U.S. Government Money Market underlying fund will now be invested in a new Ultra Short Bond Account and a new Cash and Cash Equivalents Account, as set forth in the table on page 7.

For a complete list of underlying allocations see table on page 7.

Second, investments in the static Money Market Portfolio will be exchanged into a new Cash and Cash Equivalents Portfolio.

All of these exchanges will be made on July 14, 2017.

## New Underlying Accounts

The Cash and Cash Equivalents Portfolio will be managed very similarly to the current Money Market Portfolio. Specifically, like the Money Market Portfolio, the Cash and Cash Equivalents Portfolio will be a very conservative portfolio that seeks to preserve principal while earning the highest level of income within that goal. This account will invest in high-quality, short-term debt securities issued by banks, corporations and the U.S. Government, as well as state and local governments. Any dividends earned by the Cash and Cash Equivalents Account will be reinvested into the portfolio.

The Cash and Cash Equivalents Portfolio will not, however, strive for a stable net asset value (NAV) like a money market is required to do. In addition, the underlying fund expense for the Cash and Cash Equivalents Portfolio will be 0.10% compared to 0.23% for the current Money Market Fund. Please note that if you are invested in the current static Money Market Portfolio, you will see an exchange from the Money Market Portfolio to the Cash and Cash Equivalents Portfolio on your Account Summary after the exchange is completed on July 17, 2017. The value of your account will not change due to this exchange, although the units and price may change.

The Ultra Short Bond Account will be a conservative portfolio that seeks to earn the highest level of current income while preserving the value of your investment. This account will invest most of its assets in high-quality, short-term debt securities issued by banks, corporations and the U.S. Government, as well as state and local governments.

## Timeline of Key Dates to Remember

After the close of business on July 13, 2017, affected investments will automatically transition to the new investment option(s) as described above. Additionally, your contribution allocations will be updated and future contributions will be invested according to the new allocations. You are able to change the allocation instructions for new contributions at any time with no annual restrictions.

*While we implement these changes, you will not be able to initiate or request any transactions, including withdrawals or investment option changes, nor will you be able to initiate or request other changes to your account between 4:00 pm, Eastern Time Thursday July 13, 2017 and 8:00 am, Eastern Time Monday July 17, 2017 online. However, you will be able to transact by phone up to 4:00 pm, Eastern Time Friday July 14, 2017. These transactions will be processed on Monday July 17 with net asset value of Friday July 14, 2017. **Should you wish to adjust your account before or after this period, you may do so as part of your two annual changes allowed by the IRS.***

| Key Dates     | Action  |
|---------------|---|
| July 13, 2017 | Transaction and other account-change requests are processed as usual until 4:00 pm Eastern Time. Requests received between 4:00 pm, Eastern Time on July 13, 2017 and 4:00 pm, Eastern Time on July 14, 2017 will be processed on July 17, 2017 using portfolio net asset values as of July 14, 2017.   |
| July 14, 2017 | Account assets are transferred from existing portfolios to new portfolios, as outlined in the Glide Path table above.   |
| July 14, 2017 | Recurring contributions (automatic investments) scheduled for July 14, 2017 and transactions or other account change requests received by mail after 4:00 pm, Eastern Time on July 13, 2017 are processed under the new allocations using portfolio net asset values as of July 14, 2017.   |
| July 17, 2017 | Schwab.com/LearningQuest will be updated to reflect the changes. A new Guide and Participation Agreement will be available by visiting Schwab.com/LearningQuest or call Schwab at 1-888-903-3863.   |
| July 17, 2017 | All transactions will show on the quarterly statement, but confirmations will only be sent to shareholders who had changes to their portfolio allocations. If you only experienced a name change to your portfolio, you will not receive a confirmation. You may log into your account at Schwab.com/LearningQuest on or after July 17, 2017 to review in detail. |

### We're Here to Help

Please review your account and ensure it aligns with your college savings goals and risk tolerance. If you have questions on these changes or would like to discuss options, please call Schwab at 1-888-903-3863.

# Underlying Portfolio Holdings

## Underlying Holdings of the Age-Based Portfolios

As of July 14, 2017.

| Holdings   | 90% Equity <sup>1</sup> Portfolio | 80% Equity Portfolio | 70% Equity <sup>1</sup> Portfolio | 60% Equity <sup>1</sup> Portfolio | 50% Equity <sup>1</sup> Portfolio | 40% Equity Portfolio | 30% Equity <sup>1</sup> Portfolio | 20% Equity <sup>1</sup> Portfolio | 10% Equity Portfolio | Short-Term <sup>1</sup> Portfolio |
|--|-----------------------------------|----------------------|-----------------------------------|-----------------------------------|-----------------------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|-----------------------------------|
| American Century Growth Fund                                   | 15.50%                            | 13.50%               | 11.75%                            | 10.75%                            | 9.25%                             | 7.75%                | 6.00%                             | 4.00%                             | 2.00%                | 0.00%                             |
| American Century Equity Growth Fund                            | 17.50%                            | 15.50%               | 13.75%                            | 13.00%                            | 0.00%                             | 0.00%                | 0.00%                             | 0.00%                             | 0.00%                | 0.00%                             |
| American Century Income & Growth Fund                          | 0.00%                             | 0.00%                | 0.00%                             | 0.00%                             | 11.25%                            | 9.00%                | 7.50%                             | 5.00%                             | 2.50%                | 0.00%                             |
| American Century Value Fund                                    | 15.50%                            | 13.50%               | 11.75%                            | 10.75%                            | 9.25%                             | 7.75%                | 6.00%                             | 4.00%                             | 2.00%                | 0.00%                             |
| American Century Heritage Fund                                 | 5.50%                             | 5.00%                | 4.25%                             | 3.00%                             | 2.50%                             | 2.00%                | 1.50%                             | 1.00%                             | 0.75%                | 0.00%                             |
| American Century Mid Cap Value                                 | 5.50%                             | 5.00%                | 4.25%                             | 3.00%                             | 2.50%                             | 2.00%                | 1.50%                             | 1.00%                             | 1.00%                | 0.00%                             |
| Vanguard Small-Cap Index Fund                                  | 4.00%                             | 3.50%                | 3.00%                             | 2.00%                             | 1.75%                             | 1.50%                | 1.00%                             | 0.75%                             | 0.00%                | 0.00%                             |
| American Century Real Estate Fund                              | 3.00%                             | 2.75%                | 2.75%                             | 2.50%                             | 2.00%                             | 1.50%                | 1.00%                             | 0.75%                             | 0.00%                | 0.00%                             |
| <b>Domestic Stock Total</b>                                    | <b>66.50%</b>                     | <b>58.75%</b>        | <b>51.50%</b>                     | <b>45.00%</b>                     | <b>38.50%</b>                     | <b>31.50%</b>        | <b>24.50%</b>                     | <b>16.50%</b>                     | <b>8.25%</b>         | <b>0.00%</b>                      |
| Vanguard Total International Stock Index Fund                  | 17.50%                            | 15.50%               | 13.25%                            | 10.00%                            | 7.00%                             | 5.00%                | 3.00%                             | 2.00%                             | 1.00%                | 0.00%                             |
| American Century Global Growth Fund                            | 6.00%                             | 5.75%                | 5.25%                             | 5.00%                             | 4.50%                             | 3.50%                | 2.50%                             | 1.50%                             | 0.75%                | 0.00%                             |
| <b>International Stock Total</b>                               | <b>23.50%</b>                     | <b>21.25%</b>        | <b>18.50%</b>                     | <b>15.00%</b>                     | <b>11.50%</b>                     | <b>8.50%</b>         | <b>5.50%</b>                      | <b>3.50%</b>                      | <b>1.75%</b>         | <b>0.00%</b>                      |
| Baird Core Plus Bond Fund                                      | 3.25%                             | 6.75%                | 10.25%                            | 11.75%                            | 13.50%                            | 12.75%               | 11.75%                            | 11.75%                            | 13.50%               | 15.00%                            |
| Vanguard Total Bond Market Index Fund                          | 3.50%                             | 6.75%                | 10.25%                            | 12.00%                            | 13.75%                            | 12.75%               | 12.00%                            | 12.00%                            | 13.50%               | 15.25%                            |
| Ultra Short Bond Account                                       | 0.00%                             | 0.00%                | 0.00%                             | 5.00%                             | 8.00%                             | 14.00%               | 17.50%                            | 20.00%                            | 22.50%               | 25.00%                            |
| American Century Short Duration Inflation Protection Bond Fund | 2.00%                             | 4.00%                | 6.00%                             | 7.00%                             | 8.00%                             | 7.50%                | 7.00%                             | 7.00%                             | 6.00%                | 5.00%                             |
| American Century International Bond Fund                       | 1.25%                             | 2.50%                | 3.50%                             | 4.25%                             | 4.75%                             | 4.50%                | 4.25%                             | 4.25%                             | 4.50%                | 4.75%                             |
| <b>Bond Total</b>  | <b>10.00%</b>                     | <b>20.00%</b>        | <b>30.00%</b>                     | <b>40.00%</b>                     | <b>48.00%</b>                     | <b>51.50%</b>        | <b>52.50%</b>                     | <b>55.00%</b>                     | <b>60.00%</b>        | <b>65.00%</b>                     |
| Cash and Cash Equivalents Account                              | 0.00%                             | 0.00%                | 0.00%                             | 0.00%                             | 2.00%                             | 8.50%                | 17.50%                            | 25.00%                            | 30.00%               | 35.00%                            |
| <b>Cash and Cash Equivalents Total</b>                         | <b>0.00%</b>                      | <b>0.00%</b>         | <b>0.00%</b>                      | <b>0.00%</b>                      | <b>2.00%</b>                      | <b>8.50%</b>         | <b>17.50%</b>                     | <b>25.00%</b>                     | <b>30.00%</b>        | <b>35.00%</b>                     |
| <b>Total</b>   | <b>100%</b>                       | <b>100%</b>          | <b>100%</b>                       | <b>100%</b>                       | <b>100%</b>                       | <b>100%</b>          | <b>100%</b>                       | <b>100%</b>                       | <b>100%</b>          | <b>100%</b>                       |

<sup>1</sup> Also available as a static option.

Generally, as interest rates rise, the value of the securities held in the fund will decline. The opposite is true when interest rates decline. There is no guarantee that the investment portfolios will achieve their investment objectives. The value of your Learning Quest account will vary, and a gain or loss may occur when you withdraw money from your account.

**Before investing, carefully consider the plan's investment objectives, risks, charges and expenses. This information and more about the plan can be found in the Learning Quest Guide and Participation Agreement, available from Charles Schwab & Co., Inc., at [Schwab.com/LearningQuest](http://Schwab.com/LearningQuest) or 1-888-903-3863, and should be read carefully before investing. If you are not a Kansas taxpayer, consider before investing whether your or the beneficiary's home state offers a 529 Plan that provides its taxpayers with state tax and other benefits not available through this plan.**

*As with any investment, it is possible to lose money by investing in this plan. The value of your Learning Quest account may fluctuate, and it is possible for the value of your account to be less than the amount you invested.*

*Learning Quest accounts are serviced by Charles Schwab & Co., Inc. The Learning Quest 529 Education Savings Program is managed by American Century Investment Management, Inc.*

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**Administered by Kansas State Treasurer Jake LaTurner**  
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