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Estate Planning Benefits of 529 Plans

- Reduce current and future tax liability
- Pass on wealth to children, grandchildren and future generations
- Fully control assets even though assets are separate from your estate



Scholars Choice 
EDUCATION SAVINGS PLAN BY COLLEGEINVEST®

Scholars Choice®: A flexible, tax-advantaged tool... to help you pay for school (and more)

At any age, learning can be a great adventure.

Formal education is often a huge part of the experience. But these days, sending a child to private school, a teenager to a flagship state university – or even yourself back to school – can be dauntingly expensive.

Considering college alone, families spent \$28,026 to cover the cost of the 2022–23 academic year, which represents an 11 % increase from the prior year. In fact, the costs of obtaining a college education in the U.S. have ballooned relative to overall inflation. Average college tuition and fees have increased by 1358% since 1978, while the Consumer Price Index (CPI) is up 389%.^{1,2}

That's how – over the years – adventures in learning turned into challenges in paying. It's no wonder that many families struggle to pay and student debt has also been soaring.

So if you're looking for a way to help a loved one pay for higher education with estate planning and tax advantages for you, a 529 plan – like Scholars Choice – may be just the plan you need.

When you give the gift of education, you can gain significant tax benefits

Saving for college, graduate school, vocational training, apprenticeship programs, or even K-12 public, private, or religious schools³ can be more attainable with the tax-advantaged benefits of a 529 savings plan. Withdrawals for K-12 tuition expenses at a public, private or religious elementary, middle, or high school; registered apprenticeship programs; and student loan repayments can be withdrawn free from federal taxes, see the Plan Description for limitations. For Colorado taxpayers, withdrawals for K-12 tuition expenses and student loan repayments will be treated as non-qualified withdrawals subject to Colorado state income tax and Colorado's deduction recapture provisions. The Scholars Choice Education Savings Plan is a great place to start. State tax treatment of withdrawals for these expenses is determined by the state where you file state income tax and may create a taxable event if you reside outside of Colorado. With Scholars Choice, grandparents can help their family save for the rising cost of college while retaining control of their assets and reducing their tax bill. That applies to anyone else who wants to give the gift of education as well.

Specifically, when you contribute to a 529 plan, you'll be helping your loved one pay for school while removing money from your taxable estate. This will help you minimize your tax liability and preserve even more of your estate as a legacy for your family.

There's a lot to like about the Scholars Choice Education Savings Plan

Scholars Choice is a tax-advantaged 529 plan designed to make consistently saving for education expenses easy, convenient and affordable. As a Scholars Choice account owner you can:

Avoid federal taxes on withdrawals used to pay for qualified education expenses

Gain additional state tax benefits, where applicable

Maintain control of your assets, regardless of the beneficiary's age

Transfer the account to yourself or another qualified family member of any age

This pay-for-school tool is highly doable...for nearly everyone!

Scholars Choice allows affordable minimum contributions, high maximum limits, with no income restrictions on who can invest. In fact, anyone – parents, grandparents, relatives, even friends of the family – can open accounts for the benefit of any beneficiary. You can even open an account for yourself and change the beneficiary at any time to another qualified family member. Turn the page to dig into the details.

529 plan is...

- A tax-advantaged education-savings account
- Named after a section of the Internal Revenue Code
- Similar to a Roth IRA account but used for education instead of retirement
- Designed to cover the cost of tuition and related qualified education expenses

Three big advantages for grandparents and gift-givers

529 plans – like Scholars Choice – are particularly popular with grandparents and other gift-givers who want to invest in a child's future. That's because they offer three (plus) important benefits: control, flexibility and tax advantages. Here's what we mean:

1. Total control

As the 529 account owner, you maintain control of the assets (not the grandchild or beneficiary), even though they are no longer considered part of your taxable estate. You make the decisions – including how money will be invested in the plan – and when it will be withdrawn. You may also change beneficiaries for any reason. For example, say your original beneficiary decides not to attend college. You can choose a new beneficiary who is a member of the original beneficiary's family without tax consequences.

What if there isn't another qualified beneficiary? You can use the money for any purpose, although earnings will be subject to applicable federal and state income taxes as well as a 10% additional federal tax, unless a specified exception applies (see bottom of page 6).

2. Flexible spending options

529 plans offer an extensive list of approved education-related expenses, which translates to a great deal of freedom for you and your student. In addition to traditional public and private four-year universities, beneficiaries can choose from many eligible institutions, including trade and vocational schools, community colleges, graduate programs, foreign institutions, and online programs. What if there are funds left in the 529 plan after graduation? Again, the account owner stays in control. You can designate another beneficiary without tax consequences. You can even use the assets yourself – tax free, for qualified education-related expenses. What's more, you can now roll unused funds into the beneficiary's Roth IRA without incurring federal income tax or penalties (but may incur CO income tax and penalties; restrictions apply).⁴

3. Powerful tax breaks

As mentioned, Scholars Choice offers several tax advantages to account owners – particularly when it comes to estate planning. Contributions to 529 plans are considered completed gifts, which means current assets and future earnings are excluded from your taxable estate for federal estate tax purposes. There's more:

Generous contribution limits

You may contribute up to an annual limit of \$18,000 (\$36,000 per couple), free from federal gift taxes.

Gifts of \$500,000 or more can be made to each beneficiary in a single year, using one's Lifetime Gift Tax Exclusion, or Lifetime Unified Credit, which currently stands at over \$27 million.⁵

Accelerated gifting (unique to 529 plans)

You can make five years' worth of tax-free gifts in one year, but only once every five years. That means you can contribute up to \$90,000 at once (\$180,000 for joint filers), helping to boost the balance in your student's account while simultaneously minimizing potential estate taxes. Talk to your tax professional for additional details regarding this exemption.⁶

Multiple accounts

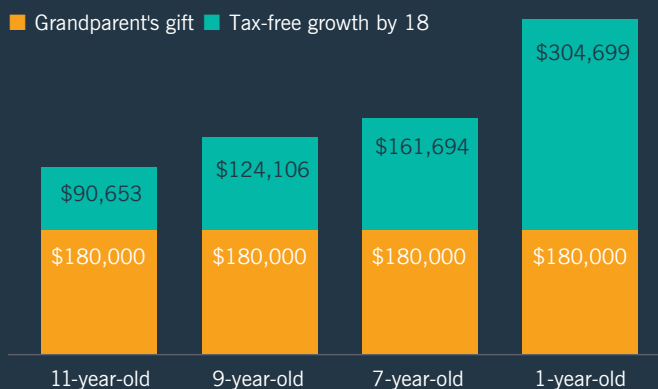
You may own and fund as many 529 accounts for as many beneficiaries as you like, subject to funding limits. Be sure to check the Plan Description for details.⁷

Expanded gifting opportunities

Other individuals may also contribute to your 529 accounts and remove assets from their own estates.

Accelerated gifting: Speed funding for education, power-saving for estate taxes

\$720K total gifted and the amount removed from the couple's taxable estate



Is there more than one potential student in your life? That's good news for estate planning. There is no limit to how many accelerated gifts you can choose to bestow on grandchildren (or anyone else). Consider Bob and Jane Brown. The Browns want to help their four grandchildren pay for the educations of their dreams – while reducing estate taxes. As shown in this illustration, by contributing \$180,000 to each child's 529 account today, the Browns can potentially remove \$720,000 from their taxable estate. At the same time, those larger accelerated contributions have even greater potential to grow tax-free over time, thanks to the magic of compounding.

Illustration assumes an annual investment return of 6%. This example does not represent the performance of any particular investment. Different assumptions will result in outcomes different from this example. Your results may be more or less than the figures shown. Investment losses could affect the relative tax-deferred investing advantage. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors. These figures do not reflect any management fees or expenses that would be paid by a 529 account owner. Such costs would lower performance. This chart is shown for illustrative purposes only. **Past performance is no guarantee of future results.**

How to pay Q&A

Make the most of your Scholars Choice Plan (while avoiding costly tax mistakes)

There are some frequently asked questions when it comes to smart 529 saving and spending—especially when it comes to estate planning, qualified spending and taxes. You might be wondering about them, too. That said, be sure to work with your financial professional and/or tax professional before making decisions that could impact your tax liability.

Q. Can I use Required Minimum Distributions (RMDs) for 529 Plans?

Yes. Nearly all retirement accounts are subject to the RMD rule, including IRAs, 401(k), 403(b) and 457(b) accounts, and Keogh plans. If you do not need all or part of your required minimum distribution, you can fund a 529 account for your grandchild or anyone else. You can establish 529 accounts for multiple children and divide your RMDs between them or change the beneficiary and retain the tax benefits.

Q. Can I use 529s for K-12 education costs?

Yes. As a result of the Tax Cuts and Jobs Act of 2017, 529 savings plans aren't just for college expenses anymore. Families with children in grades K-12 can now take federal tax-free withdrawals of up to \$10,000 per year to pay for public, private, religious elementary, or secondary school tuition.³ However, state tax treatment of withdrawals used for K-12 tuition is determined by the state where you file state income tax and may create a taxable event if you reside outside of Colorado.

Q. How do 529 plans compare with trust funds as an education saving tool?

Irrevocable trusts can be complex, costly and restrictive. When compared to trusts, 529s offer a greater degree of flexibility and potentially more advantageous wealth transfer options. 529s allow account holders to contribute comparable amounts of money, but allow you to control your investments and your beneficiaries – all while growing your money tax-free and potentially lowering your estate taxes.

Q. Will my opening a 529 plan account impact my beneficiary's ability to obtain more federal financial aid?

Grandparent-owned 529s are not included in the federal financial aid asset calculations. Those calculations are limited to the income and assets of both student and parents.⁸

Q. Can I make a withdrawal from my 529 plan account that is not used for qualified education expenses?

You can, but there are tax implications. If you take money from your 529 plan account and use it for something other than “qualified” education expenses, the earnings portion of a non-qualified withdrawal is subject to tax and penalty.

Example 1: Tax treatment of non-qualified withdrawals

- *withdrawal amount is \$30,000*
- *from an account which grew to \$150,000 on \$100,000 in contributions*
- *because non-qualified withdrawals are “pro-rata,” the earnings portion of the withdrawal is treated as the same percentage as the earnings portion on the overall account, which is one-third, or \$10,000*
- *two-thirds of the withdrawal is return of principal – free from any tax or penalty*
- *only one-third, or \$10,000, of the withdrawal is subject to tax – and the 10% federal penalty*

Q. Who is taxed when a non-qualified withdrawal is made from a 529 plan account?

Non-qualified withdrawals from a 529 plan account are taxed at the ordinary income tax rate of the distributee – either the beneficiary or the owner. So, if the beneficiary is in a lower tax bracket, you may choose to have the check made payable to them – instead of yourself, as account owner – thereby lowering the tax burden.

Example 2: Tax treatment of non-qualified withdrawals

- *withdrawal amount is \$30,000*
- *from an account which grew to \$150,000 on \$100,000 in contributions*
- *the earnings portion of the withdrawal would be one-third, or \$10,000*
- *account owner is in the highest tax bracket*
- *if the beneficiary's income tax rate is 10%, then the federal tax would be \$1,000, and the 10% federal penalty would be an additional \$1,000, for a total of \$2,000 (State income tax may apply)*

Q. Do taxes and penalties apply if I need to make a non-qualified withdrawal for something like medical expenses?

A 529 plan account withdrawal used to pay medical expenses of a disabled beneficiary is exempt from the normal federal penalty. Disability of the beneficiary is one of four exceptions to the 10% federal penalty. (The other three exceptions are death of the beneficiary, scholarship and military school attendance.) So, while standard taxes would apply to the earnings portion of such a withdrawal, the 10% federal penalty would not.

Example 3: Tax treatment of non-qualified withdrawals

- *Bill started a 529 account for his son with \$100,000. It grew to \$150,000 – a \$50,000 earnings gain.*
- *Meanwhile, Bill becomes disabled and needs \$30,000 for medical expenses. Bill can take money from the account for himself if he:*
 - ◊ *Changes the account beneficiary from his son to himself*
 - ◊ *Pays ordinary income taxes on the \$30,000 withdrawal*
 - ◊ *In this case, Bill is not subject to the additional 10% penalty tax since his expenses are qualified.*
 - ◊ *If the money were for a non-qualified purpose, say to pay for a vacation, Bill would have owed an additional 10% tax penalty beyond his ordinary tax rate.*

Q. Does the 529 five-year forward-gifting provision use one's Lifetime Unified Credit?

Actually, taking advantage of the 529 5-year forward gifting provision can keep your Unified Credit intact.⁶

Example 4: Gifting after a liquidity event

- *Jana and Rich have three married children, six married grandchildren, and nine great-grandchildren*
- *They sell their company for \$10 million*
- *They contribute \$180,000 to a 529 account for each child/spouse, grandchild/spouse, and each great-grandchild (27 individuals)*
- *Using the 5-year forward-gifting provision, Jana and Rich can remove over \$4 million from their estate while keeping their Unified Credit intact: \$180,000 x 27*
- *There is no gift tax consequence, as long as they do not make additional gifts to the same beneficiaries over the five years*

It's not just an education savings plan, it's a plan for possibilities

When it comes to life and education choices, there are a gazillion possibilities, aren't there? Luckily, a 529 education savings plan, like Scholars Choice, can help you cover most of them! Here's a summary of all that Scholars Choice can offer – to you and your student.

Scholars Choice: Features & benefits at a glance

FEATURES	BENEFITS
 <p>Tax-advantaged investing</p>	<ul style="list-style-type: none"> • Tax-deferred compounding of contributions and earnings • Tax-free withdrawals for qualified education expenses⁹ • Tax-deductible contributions for Colorado taxpayers¹⁰
 <p>Broad range of investment choices</p>	<ul style="list-style-type: none"> • Enrollment year, target allocation or individual fund portfolio options • Leading investment managers with highly-rated underlying funds
 <p>Gifting and estate planning opportunities</p>	<ul style="list-style-type: none"> • Contributions (completed gifts) and investment gains removed from taxable estate • Gifting: Up to \$36,000 per beneficiary (filing joint) each year free from gift taxes • Accelerated gifting: Five years of tax-free gifts in a single year – up to \$180,000 per beneficiary from joint filers and \$90,000 from individuals¹¹
 <p>Account owner control and flexibility</p>	<ul style="list-style-type: none"> • Account owner retains full control over assets • Ability to change beneficiaries or transfer unused assets to eligible family members • Covers any qualified expense at accredited schools throughout the U.S. and abroad, including vocational and trade schools¹² • Minimal impact on financial aid eligibility when owned by parents • Assets within 529 plans may be protected from bankruptcy; please review the Plan Description for specifics • Unused funds may be rolled into the beneficiary's Roth IRA without incurring federal income tax or penalties (but may incur CO income tax and penalties; restrictions apply)⁴
 <p>Ease of Use</p>	<ul style="list-style-type: none"> • No income limits on contributors • No age limits on beneficiaries or contributors • Affordable: Low, \$25 minimum contribution • High contribution limits – \$500,000 per beneficiary • Contributions can be made conveniently through payroll direct deposit or automatic transfers from a bank account

Pay-for-school possibilities: qualified expenses include...

- Thousands of qualified educational institutions all over the world
- K-12 tuition¹³
- College undergraduate and beyond
- Apprenticeship programs¹³
- Tuition & fees
- Room & board
- Books & supplies
- Special services
- Computers & related equipment
- Student loan payments¹³
- Trade or vocational schools

Expert 529 and investment management capabilities

The Scholars Choice Education Savings Plan (the “Plan”) combines the capabilities of two world-class financial organizations, TIAA and Nuveen. TIAA¹⁴, a pioneer in the 529 industry since 1998, brings demonstrated experience in managing every aspect of a successful 529 program.

Nuveen, investment manager of TIAA, offers capabilities that span public and private markets, over five decades of leadership in responsible investing and a 125-year proven track record through unpredictable market cycles and economic environments.¹⁵

Learn more about Scholars Choice:

- **Ask:** Your financial professional!
- **Visit:** scholars-choice.com
- **Call:** 888.5.SCHOLAR (888.572.4652) (toll-free Monday through Friday 9:00 am to 10:00 pm ET)
- **Write:** Scholars Choice, P.O. Box 219372, Kansas City, MO 64121

Financial professionals: For account questions, contact the Scholars Choice service center at 888.572.4652. For sales and marketing questions, contact Nuveen at 800.752.8700, Monday to Friday, 8:00 am to 7:00 pm ET.

1 Source: SallieMae “How America Pays For College 2023”

2 Source: Vettafi Advisor Perspectives, <https://www.advisorperspectives.com/dshort/updates/2023/09/13/household-incomes-2022-the-value-of-higher-education>

3 Withdrawals for K-12 tuition expenses at a public, private or religious elementary, middle, or high school; registered apprenticeship programs; and student loan repayments can be withdrawn free from federal taxes, see the Plan Description for limitations. State tax treatment of withdrawals for these expenses is determined by the state where you file state income tax. For Colorado taxpayers, withdrawals for K-12 tuition expenses and student loan repayments will be treated as non-qualified withdrawals subject to Colorado state income tax and Colorado’s deduction recapture provisions.

4 See the Plan Description for details and note: Colorado authorities have determined that a rollover from a 529 plan account to a Roth IRA by Colorado taxpayers will be treated as a non-qualified rollover and will be subject to Colorado state income tax and Colorado’s deduction recapture provisions. Account Owners and Beneficiaries should consult with a qualified tax professional before rolling over funds into a Roth IRA.

5 The Maximum Contribution Limit for the Colorado-sponsored 529 plans. Contributions in excess of the annual Gift Tax Exclusion (\$18,000 for individuals; \$36,000 for joint filers) – or the Section 529 5-year “Forward-Gifting” provision limits (\$90,000 for individuals; \$180,000 for joint filers) – would be deducted from the Gifter’s Lifetime Unified Credit. The 2024 federal tax law applies the estate tax to any amount above \$13.61 million, which, when indexed for inflation, allows individuals to pass on \$13.61 million and joint filers to transfer twice that amount without paying a penny of tax.

6 Taking into consideration contributions and the effect of compounding, assets placed into a 529 Savings Plan are considered removed from the donor’s estate for tax purposes. An exception to this rule is if the Account Owner passes away and is listed as the Designated Beneficiary on the account. In this instance, the value of the account will be included in the account owner’s taxable estate. If the Donor dies before the start of the fifth year, a portion of the contribution must be added back to the Donor’s estate for tax purposes. The information above is general in nature and is for illustrative purposes. It does not provide tax or estate planning advice for your personal circumstances. Please consult your tax advisor if you have questions pertaining to your personal estate plan.

7 Note: Federal law does not specifically address the tax treatment of a transfer of ownership of a 529 account. You may want to consult a tax adviser to fully understand any potential tax implications.

8 The FAFSA Simplification Act, passed by Congress as part of the Consolidated Appropriations Act of 2021, includes several changes intended to simplify the financial aid application process including a shorter and more user-friendly Free Application for Federal Student Aid (FAFSA), which was slated to become available in late December 2023. Other provisions include new rules for determining federal aid eligibility for the 2024-2025 award year. Visit [Studentaid.gov](https://studentaid.gov) for more information.

9 Earnings on federal non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Colorado tax deductions may be subject to recapture in certain additional circumstances such as rollovers to another state’s 529 plan, or withdrawals used to pay elementary or secondary school tuition (“K-12 Tuition Expenses”), or qualified education loan repayments (“Qualified Education Loan Expenses”) as described in the Plan Description. State tax benefits for non-resident Colorado taxpayers may vary. Tax and other benefits are contingent on meeting other requirements. Please consult your tax professional about your particular situation.

10 Rollovers from an out-of-state qualified state tuition program to a Colorado qualified state tuition program may qualify for Colorado’s income tax deduction for contributions.

11 No additional gifts can be made to the same beneficiary over a five-year period. If the donor does not survive the five years, a portion of the gift is returned to the taxable estate.

12 To search for accredited schools, visit studentaid.gov.

13 Withdrawals for tuition expenses at a public, private or religious elementary, middle, or high school, registered apprenticeship programs, and student loans can be withdrawn free from federal taxes; however, state tax treatment is determined by the state in which you file state tax. You should talk to a qualified advisor about how tax provisions affect your circumstances.

14 TIAA-CREF Tuition Financing, Inc. (TFI) is the education savings division of TIAA.

15 Nuveen traces its history back to 1898 and TIAA was founded in 1918.

The Scholars Choice Education Savings Plan is offered by the State of Colorado. TIAA-CREF Tuition Financing, Inc. is the Plan Manager and Nuveen Securities, LLC is the Distributor.

The TIAA group of companies does not provide legal or tax advice. Please consult your legal or tax advisor. There are various risks associated with an investment in the Scholars Choice Education Savings Plan; principal loss is possible. The Scholars Choice Education Savings Plan’s Investment Portfolios are subject to the risks of the underlying fund(s) in which they invest and other risks, as described in the Plan Description.

Before investing, carefully consider the investment objectives, risks, charges and expenses of the Scholars Choice Education Savings Plan, including whether the investor’s or Designated Beneficiary’s home state offers any state tax or other benefits that are only available for investment in such state’s qualified tuition program. Other state benefits may include financial aid, scholarship funds, and protection from creditors. For this and other information that should be read carefully, please request a Plan Description at 888-5-SCHOLAR (888-572-4652) or visit scholars-choice.com.

Participation in the Scholars Choice Education Savings Plan does not guarantee that the account’s assets will be adequate to cover future tuition or other higher education expenses, or that contributions and the investment return on contributions, if any, will be adequate to cover future tuition and other eligible education expenses or that a Designated Beneficiary will be admitted to or permitted to continue to attend any eligible educational institution. Contributions to an Account and the investment earnings, if any, are not guaranteed or insured.

All investments involve risk, including the possible loss of principal.

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