COLLEGE SAVINGS PROGRAM BY COLLEGEINVEST®

LEGG MASON GLOBAL ASSET MANAGEMENT

Required Minimum Distributions (RMDs)

A 529 AS AN OPTION FOR REQUIRED MINIMUM DISTRIBUTIONS

In general, when people reach age 70½, they are required to start taking Required Minimum Distributions (RMDs) from most IRA and retirement plan accounts or face penalties — even if the distribution is not needed to cover current expenses. Using the income to fund a 529 account can keep it from becoming part of your taxable income as it earns in the future.

A 529 plan can help you:

- Give the gift of education to children or grandchildren
- Keep control over assets, so funds can be tapped at any time if a sudden need arises[1]
- Grow assets tax-deferred and pay no state or federal income taxes when using the funds to pay qualified education expenses for the beneficiary

Determining what to do with Required Minimum Distributions

All RMDs are taxed as income, but what to do next depends on your particular situation. If the funds are not needed for expenses, putting all or a portion of the distribution in a 529 account may be a tax-savvy way to keep the funds in a tax-deferred investment. The chart on the right illustrates the benefits of tax deferral on an investment.

Tax-deferred returns make a difference

Tax-deferred returns on 529 plans vs. Taxable investments (Growth of $10,000)

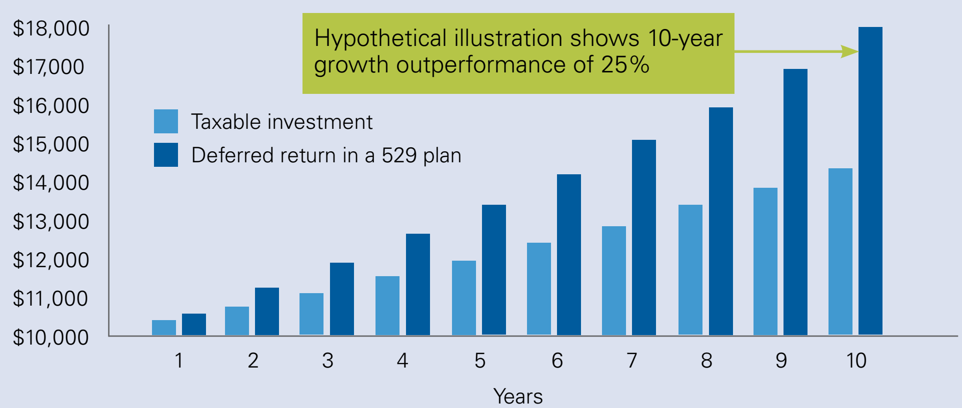

Chart shows hypothetical 6% growth over 10 years, with and without taxes. Taxes assumed at a 39% rate. This is a hypothetical example only and does not represent any specific investment product. Actual investments may include fees, charges and other expenses that would affect an investment's return. It assumes no distributions are made during these periods. However, lower maximum tax rates on capital gains and dividends would make the investment return for the taxable investment more favorable. Changes in tax rates and tax treatment of investment earnings may impact the comparative results. Investment return and principal value will fluctuate so an investment, when redeemed, may be worth more or less than the original cost. Actual returns will vary. Withdrawals of earnings from a tax-deferred account may be subject to ordinary income tax, and early withdrawals can be subject to a 10% IRS penalty charge and/or surrender charges. Taxes are assessed annually on taxable accounts. Investors should consider their own personal goals, time horizon and tax bracket when making investment decisions.

Source: www.savingforcollege.com.

For illustrative purposes only. Rate of return not guaranteed.

[1] The earnings portion of any 529 assets withdrawn and not used for Qualified Expenses would be subject to federal income taxes, any applicable state and local income taxes, and an additional 10% federal penalty. Taking required minimum distributions from an IRA may be a taxable event.

Why Scholars Choice?

Multi-manager – Offers a wide variety of investment options, tapping into the proven expertise of the proprietary specialist investment managers — plus non-proprietary manager Thornburg Investment Management.

Actively managed – Allocated to actively managed underlying funds exclusively.

Low fees – The second-lowest asset-based fees among all actively managed advisor-sold plans.[3]

The Scholars Choice 529 Plan is available nationwide through your financial professional.

Learn more:
www.scholars-choice.com

[3] Source: Strategic Insight, "529 College Savings Quarterly Data Update – Second Quarter 2020."

An investor should consider the Program's investment objectives, risks, charges and expenses before investing. The Program Disclosure Statement and Participation Agreement (www.scholars-choice.com/pds) contains more information and should be read carefully before investing. If an investor and/or an investor's beneficiary are not Colorado taxpayers, they should consider before investing whether their home states offer 529 plans that provide state tax and other benefits such as financial aid, scholarship funds and protection from creditors that are only available to state taxpayers investing in such plans.

Investments in the Scholars Choice College Savings Program are not insured by the FDIC or any other government agency and are not deposits or other obligations of any depository institution. Investments are not guaranteed by the State of Colorado, CollegeInvest, QS Investors, LLC, Legg Mason Investor Services, LLC, or Franklin Resources, Inc., or its affiliates and are subject to risks, including loss of principal amount invested.

Franklin Resources, Inc., its affiliates, and its employees are not in the business of providing tax or legal advice to taxpayers. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties or complying with any applicable tax laws or regulations. Tax-related statements, if any, may have been written in connection with the "promotion or marketing" of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

State Administrator, Trustee & Issuer
CollegeInvest®

Investment Manager
QS Investors