

# LOUISIANA'S SECTION 529A PLAN

## THE LOUISIANA ABLE ACCOUNT PROGRAM

### DISCLOSURE BOOKLET

# LOSFA

*A Program Under the Board of Regents*



# LA ABLE

Louisiana's 529A Saving Plan for  
Persons with Disabilities

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**PROGRAM MANAGERS:**  
LOUISIANA TUITION TRUST AUTHORITY  
LOUISIANA STATE TREASURER

April 25, 2017

**NOTE:** This program is designed to help qualified disabled persons and their families to save for qualified disability expenses. This program is not intended to be used, nor should it be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. Taxpayers may wish to seek tax advice from an independent tax advisor based on their own particular circumstances.

# LOUISIANA'S ABLE ACCOUNT PROGRAM

## DISCLOSURE BOOKLET

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## INTRODUCTION

### DISCLOSURE

**This Student Tuition Assistance and Revenue Trust (START) Saving Program Disclosure Booklet Provides Important Information Concerning Certain Risks Relating To The Opening Of A Louisiana ABLE Program Account And The Terms And Conditions For Participating In The Louisiana ABLE Program. For This Reason, This Disclosure Booklet Must Be Read In Its Entirety Before Taking Any Action To Complete The ABLE Account Program Application. Please Read It Thoroughly Before You Open An Account And Keep It For Future Reference.**

### LA ABLE ACCOUNT ADMINISTRATOR

A LA ABLE Account must be opened by an individual who has the legal capacity and authority to act on behalf of another. For purposes of a LA ABLE Account, this person is the Account Administrator. The Account Administrator may be the Eligible Individual with a disability, or it may be a third person who has the legal authority to act on behalf of the Eligible Individual.

For purposes of the LA ABLE Program, the Account Owner and the beneficiary of the LA ABLE Account is the same individual.

Only the Account Administrator has the authority to change contact information, to change investment options, to request disbursements from a LA ABLE Account, and to perform any other actions with respect to the LA ABLE Account.

References in this document to “you” and “your” refer to the Account Owner and to the Account Administrator, if different.

### PRIVACY POLICY

Protecting the privacy of your personal information and that of the Eligible Individual with a disability is important to us. We respect the right to privacy and recognize our obligation to keep information about you and the Eligible Individual secure and confidential. We do not sell or share information about you or the Eligible Individual with outside marketers.

Federal law requires us to give you this notice about our privacy policy. The law also requires us to provide you with a copy of this notice each year that you are our customer. This Notice uses the term “nonpublic personal information.” This means personal information about you and the Eligible Individual that identifies you or the

Eligible Individual and that is not available from public sources.

We collect nonpublic personal information about the Eligible Individual for whom an ABLE Account is opened from the following sources:

- Information we receive from you on applications, correspondence, communications, and other forms;
- Information about your transactions with us or others with respect to your ABLE Program Account; and

We do not disclose any nonpublic personal information about you or the Eligible Individual except as permitted or required by law. (For example, we share such information with our contractors and agents, and to the Internal Revenue Service and the Social Security Administration as needed or required to administer your LA ABLE Account in accordance with law and your direction.)

We restrict access to nonpublic personal information about you and the Eligible Individual to our employees, contractors and agents who need to know the information in order to provide service to you. We maintain physical, electronic, and procedural safeguards in compliance with federal regulations to safeguard your nonpublic personal information.

### ACCURACY OF INFORMATION IN DISCLOSURE BOOKLET

The information set forth herein has been obtained from official sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Disclosure Booklet nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Louisiana ABLE Account Program or the Louisiana Tuition Trust Authority and the Louisiana State Treasurer (**Program Managers**) since the date hereof.

### ACKNOWLEDGEMENT OF TERMS AND CONDITIONS

This ABLE Account Program Disclosure Booklet contains the Terms and Conditions applicable to a LA ABLE Account and the Participation Agreement. A completed ABLE Account Program Application includes an acknowledgement that you agree to be bound by the terms and conditions of this Disclosure Booklet, including the Participation Agreement. This Disclosure Booklet, the Participation Agreement, and your ABLE Account Application constitute the entire agreement between you and the Louisiana Tuition Trust Authority (**LATTA**). The Account Administrator, by signing the Account

Application, and LATTA, by accepting it, have entered into an agreement for a Louisiana ABLE Account Program account administered by LATTA, subject to the Terms and Conditions and Disclosures in this Disclosure Booklet and the Participation Agreement.

### **ADMINISTRATION**

The ABLE Account Program is administered by LATTA, a statutory board created by the laws of the State of Louisiana. Under the direction of LATTA and the Louisiana Board of Regents, the Louisiana Office of Student Financial Assistance (“LOSFA”) manages the program on a day-to-day basis. In accordance with the Louisiana Administrative Procedure Act, LATTA has promulgated rules to implement the ABLE Account Program and promulgates amendments to the rules from time to time.

### **AUTHORIZED REPRESENTATIVES**

No dealer, broker, salesperson or other person has been authorized by the ABLE Account Program or LATTA to give any information or to make any representations other than those contained in this Disclosure Booklet and, if given or made, such other information or representations must not be relied upon as having been authorized by the ABLE Account Program or LATTA.

### **BOOKLET AVAILABILITY**

This Disclosure Booklet is available as public information on the ABLE Account Program’s Web site at <http://www.able.osfa.la.gov>.

### **DEFINITIONS**

Capitalized words and terms not otherwise defined in the Disclosure Booklet have the meanings ascribed to such words and terms in the *Glossary* in Appendix B.

### **GOVERNING LAWS**

This Disclosure Booklet of the Louisiana ABLE Account Program, as implemented by LSA-R.S. 17:3081 *et seq.* (**Act**), is designed to be a “qualified ABLE Program” as that term is defined in the Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014 (the ABLE Act). The ABLE Account Program Disclosure Booklet, including the Participation Agreement, is governed by the laws of the United States, the laws of the State of Louisiana, and the Rules and Regulations adopted by LATTA. Any amendments to the federal or state statutes, rules or regulations governing the Louisiana ABLE Account Program will amend the Agreement and the operation of the Louisiana ABLE Account Program.

### **NOT AN OFFER TO SELL OR BUY**

This Disclosure Booklet does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of LA ABLE Program Accounts by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. LA ABLE Account Program accounts have not been registered with or approved by the United States Securities and Exchange Commission or any state securities commission.

### **OFFERING MATERIALS**

This Disclosure Booklet has been identified by Louisiana’s ABLE Account Program as the Offering Materials intended to provide substantive disclosure of the terms and conditions of an investment in Louisiana’s ABLE Account Program.

### **OTHER STATES’ ABLE PROGRAMS**

IRC Section 529a qualified ABLE programs offered by other states may offer tax or other benefits to taxpayers or residents of those states that are not available under Louisiana’s ABLE Account Program. If you live outside of Louisiana, you should consider the ABLE Account offered by your home state or the state where you are employed prior to making a decision to open an account in the LA ABLE Account Program.

### **PARTICIPATION AGREEMENTS**

The Participation Agreement that is included in Appendix A of this Disclosure Booklet is a contract between LATTA and an Account Administrator. Those portions of the Disclosure Booklet concerning the LA ABLE Account Program and the terms applicable to LA ABLE accounts, as modified from time to time, are incorporated by reference into the Participation Agreement. Statements contained in this Disclosure booklet which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

## **OVERVIEW OF KEY FEATURES**

### **PURPOSE**

The Louisiana ABLE Account Program was created by the Louisiana Legislature, through adoption of Act 93 of the 2004 Regular Session, to implement the Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014 (the ABLE Act). The ABLE Account Program is Louisiana’s Qualified ABLE Program under Section 529a of the Internal Revenue Code of 1986, as amended from time to time (**IRC**).

The LA ABLE Account Program is designed to allow an Eligible Individual to save for his Qualified Disability Expenses (QDEs). (See the *What are Qualified Disability Expenses?* section, below.) The ABLE Account Program treats Deposits in a tax-favored manner under the provisions of IRC Section 529a.

### WHAT ARE QUALIFIED DISABILITY EXPENSES?

Qualified Disability Expenses include:

- Education;
- Housing;
- Transportation;
- Employment training and Support
- Assistive Technology and Related Services;
- Personal Support Services;
- Health, Prevention, and Wellness;
- Financial Management and Administrative Services;
- Legal Fees;
- Expenses for Oversight and Monitoring;
- Funeral and Burial Expenses;
- Other expenses which may be identified by the Internal Revenue Service.

### ELIGIBLE INDIVIDUAL

An Eligible Individual is a person who, for a given tax year, meets one of the following requirements:

- the individual is entitled to benefits based on blindness or disability under title II or XVI of the Social Security Act, and such blindness or disability occurred before the date on which the individual attained age 26; or
- a disability certification with respect to such individual is filed with the secretary for such taxable year.

The Eligible Individual with a disability must have one of the following disabilities AND must have and provide a copy of a signed diagnosis from a qualifying physician:

- a. Developmental Disorders:
  1. Autistic Spectrum Disorder
  2. Asperger's Disorder
  3. Developmental and Learning Disabilities
- b. Intellectual Disability:  
May be reported as mild, moderate, or severe intellectual disability
- c. Psychiatric Disorders:
  1. Schizophrenia
  2. Major depressive disorder

3. Post-traumatic stress disorder (PTSD)
4. Anorexia nervosa
5. Attention deficit/hyperactivity disorder (AD/HD)
6. Bipolar disorder

d. Nervous Disorders:

1. Blindness
2. Deafness
3. Cerebral Palsy
4. Muscular Dystrophy
5. Spina Bifida
6. Juvenile-onset Huntington's disease
7. Multiple Sclerosis
8. Severe sensorineural hearing loss
9. Congenital cataracts

e. Congenital Anomalies:

1. Chromosomal abnormalities including Down Syndrome and Osteogenesis imperfecta
2. Xeroderma pigmentosum
3. Spinal muscular atrophy
4. Fragile X syndrome
5. Edwards syndrome

f. Respiratory Disorders:

Cystic Fibrosis

g. Other:

1. Tetralogy of Fallot
2. Hypoplastic left heart syndrome
3. End-stage liver disease
4. Juvenile-onset rheumatoid arthritis
5. Sickle cell disease
6. Hemophilia
7. Any other disability not listed

The Eligible Individual will be required to provide certain Protected Health Information for IRS reporting purposes. This information will only be available to those staff members of LOSFA who work on the LA ABLE account and to the IRS/SSA when required to be reported.

The Eligible Individual will be required to specify the general category of disability which pertains to him from the list above.

### DEPOSITS AND INVESTMENTS

All Deposits to a LA ABLE Account are voluntary. An Account Administrator must select the investment option into which he wants all funds to be deposited at the time he opens a LA ABLE Account. LA ABLE Account Program investments offer Variable Earnings.

Moneys Deposited for investment in a special account within the state Treasury until the Trade Date, when they



are invested by the State Treasurer in one or more mutual funds managed by The Vanguard Group. The particular Vanguard fund or funds in which an investment option invests are selected by the Louisiana State Treasurer and may change over time. As a LA ABLE Account Administrator, you will own an interest in the LA ABLE Account Program, but you will not own shares of the underlying Vanguard funds.

### DOCUMENTS IN GOOD ORDER

To process any transaction or request related to a LA ABLE Account, any documentation pertinent to the transaction or request must be provided when required and properly, fully, and accurately completed. LATTA may refuse to accept an Account Application or to process a transaction based upon the Account Administrator's failure to provide adequate documentation or to meet certain conditions set forth in the Terms and Conditions of this Disclosure Booklet and/or in the rules and regulations adopted by LATTA.

### LA ABLE ACCOUNT

Upon LATTA's acceptance of an Account Application, an individual LA ABLE Account will be established in the name and for the benefit of the Account Owner. Funds may be disbursed from a LA ABLE Account for the purpose of paying the Qualified Disability Expenses (QDEs) of the Eligible Individual. If funds are disbursed for reasons other than the payment of QDEs, the Account Owner may incur tax penalties.

### NO GUARANTEE AS TO RETURN OR SUITABILITY

Neither LATTA, LOSFA, the Louisiana State Treasurer nor the State of Louisiana guarantee the moneys that are invested in Variable Earnings funds. Deposits to Variable Earnings funds that are invested by the LA ABLE Account Program in funds of The Vanguard Group are neither guaranteed nor insured by The Vanguard Group, the FDIC, or any other entity. The value of your LA ABLE Account will depend on market conditions and the performance of the underlying funds in the investment(s) you select. Data showing the performance of the LA ABLE Account Program investments is presented in charts in Appendix E. **INVESTMENTS IN VARIABLE EARNINGS FUNDS CAN GO UP OR DOWN IN VALUE, AND YOU COULD LOSE MONEY BY INVESTING IN THESE FUNDS.**

### INVESTMENT MANAGEMENT

All Deposits to the LA ABLE Account Program are invested on behalf of the program by the Louisiana State Treasurer. The Variable Earnings funds are managed by The Vanguard Group, which is under contract to the

Louisiana State Treasurer and LATTA. (See *Equity Investments* below for more information.) The current contract between The Vanguard Group, the Louisiana State Treasurer and LATTA for the investment of LA ABLE Account Program funds is set to expire on April 25, 2020, with an option to renew for an additional two years, after which time a new contract will be negotiated with an equity manager selected by the State Treasurer.

### OBLIGATION OF LATTA

After an Account Application has been accepted and Deposits are being made according to the Terms and Conditions of the Agreement, LATTA will Disburse funds to the Account Administrator up to the Current Value of the LA ABLE Account, to pay for the Qualified Disability Expenses of the Eligible Individual.

### OPENING A LA ABLE ACCOUNT

In order to participate in the ABLE Account Program, a prospective Account Administrator must complete a LA ABLE Account Program Account Application. Submission of an Account Application is acceptance of the terms and conditions of the LA ABLE Account Program as set forth in this Disclosure Booklet, including the Participation Agreement, and the Application. The LA ABLE Account Program is subject to applicable federal and state statutory requirements and the program rules. The rules may be obtained from LOSFA or accessed at the information center on LOSFA's Web site: <http://www.able.osfa.la.gov>.

An Eligible Individual may have only one IRC Section 529a account from which he benefits. If an Eligible Individual has an ABLE account in another state, or if the individual has another LA ABLE Program Account from he is to benefit, no other account can be opened for his benefit.

### WHO MAY OPEN A LA ABLE ACCOUNT?

Louisiana ABLE Accounts are available to eligible U.S. citizens and legal residents of the State of Louisiana with a valid Social Security number who:

- Developed the onset of his/her blindness or disability before the date on which he became 26 years old; and
- Is entitled to benefits such as Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) based on blindness or disability under Title II or XVI of the Social Security Act or is the subject of a disability certification filed with the IRS for 2016 (calendar year).

A LA ABLE Account may be opened by or on behalf of an Eligible Individual who is a Louisiana citizen and meets the following citizenship requirements:

- Is a United States citizen; or
- Is a permanent resident of the United States as defined by the U.S. Citizenship and Immigration Services (USCIS) or its successor and provide copies of USCIS documentation with the submission of the owner's agreement; or
- Is lawfully residing in the United States and have a valid Social Security number.

If the Eligible Individual is not capable of handling his own affairs due to his age or other legal incapacity to contract, an Account Administrator may open an account on behalf of the Eligible Individual. The Account Administrator must be authorized by law or by authentic act to administer the account on behalf of the Account Administrator.

An Account Administrator who is not the Eligible Individual will be required to provide documentation to LOSFA evidencing that person has the legal right to act on behalf of the Eligible Individual as follows:

- If a parent, a copy of the Eligible Individual's birth certificate;
- If an adoptive parent, documentation evidencing the adoption of the Eligible Individual;
- If a custodian, court documents evidencing the appointment of the custodian by a court of law;
- If designated by the Eligible Individual to administer his affairs, documentation evidencing such designation.
- Signing the Account Application is your agreement to the terms and conditions of the Participation Agreement.

### **HOW TO OPEN A LA ABLE ACCOUNT**

The Account Administrator must complete a paper application or complete the application online at the ABLE Account Program's Web site at <http://www.able.osfa.la.gov>. You must have and provide a copy of a signed diagnosis from a qualifying physician before an account will be approved.

In addition to providing a copy of a signed diagnosis from a qualifying physician, an Account Administrator who applies to open an account on behalf of an Eligible Individual will be required to provide documentation evidencing he has the legal right to act on behalf of the Eligible Individual as set forth above. (See *Who May Open a LA ABLE Account.*)

An Account Application is available from the LA ABLE Account Program (See *Contact Us* in Appendix C.) or may be downloaded from the ABLE Account Program's Web site at <http://www.able.osfa.la.gov>.

### **RESTRICTIONS AND LIMITATIONS**

#### **DISBURSEMENTS AND REFUNDS**

Disbursements and Refunds are restricted. (See the *Disbursements* and *Refunds* sections below for more information.) On the date a LA ABLE Account is opened, the Eligible Individual must be a Louisiana Resident, as defined in §507 of the LA ABLE Account Program rules.

A LA ABLE Account Administrator may request disbursements no more than twice monthly. A minimum of \$200.00 or more may be requested and must be in whole dollar increments and may be no more than the account balance. A request for a disbursement that is less than \$200 will only be honored if it is equal to the total account balance and the intent is to close the LA ABLE Program Account.

Disbursements from a LA ABLE Account are made for payment of the Eligible Individual's Qualified Disability Expenses. The Account Administrator is responsible for maintaining all receipts to evidence funds were withdrawn from a LA ABLE Account for the Qualified Disability Expenses of the Eligible Individual. The Internal Revenue Service has the right to verify that funds withdrawn from a LA ABLE Account have been used for the purpose intended.

#### **MAXIMUM TOTAL ACCOUNT VALUE**

The total value of a LA ABLE Account cannot exceed the Maximum Allowable Account Balance, which is \$500,000.00.

#### **SELECTION OF INVESTMENT FUNDS**

Account Administrators may select one or more investment funds for each new Deposit to a LA ABLE Account.

Account Administrators may change the investments for existing funds in a LA ABLE Account no more than two times during any calendar year.

#### **SUITABILITY**

Neither LATT, LOSFA, the Louisiana State Treasurer nor The Vanguard Group make any representations regarding the suitability of the Variable Earnings funds to any particular investor. Other types of investments and other types of savings vehicles may be more appropriate,

depending upon your personal circumstances. Please consult your tax or investment adviser for more information.

### **TRANSFERABILITY**

A LA ABLE Account is generally nontransferable except in the event of the transfer of ownership in the event of a rollover. (See the *Rollover* section below for further information.)

### **TAX BENEFITS AND CONSEQUENCES**

Significant tax consequences, both positive and negative, are connected with participation in the LA ABLE Account Program. The LA ABLE Account Program has been created by the state under the assumption that the program is tax-exempt and that the earnings generated by the investment of Deposits are tax-exempt as a result of the program being designated a “Qualified ABLE Program” in accordance with IRC Section 529a. In addition to the federal and state income tax consequences, there are gift tax consequences that should be considered upon the opening of a LA ABLE Account on behalf of an Eligible Individual and the making of Deposits to that account. Federal and state tax law benefits are available for an Account Administrator who opens a LA ABLE Account, including: federal tax deferral for earnings on Deposits; and earnings are State and federal tax-free when used toward the Qualified Disability Expenses of an Eligible Individual. Please consult your tax or investment adviser for more information. (See the *Tax and Other Considerations* section below for more information.)

### **TERM OF THE PARTICIPATION AGREEMENT**

The term of the Participation Agreement shall commence when accepted by LATTA and continue until the LA ABLE Account is terminated pursuant to the terms of the Participation Agreement.

## **DISCLOSURES, TERMS, AND CONDITIONS**

### **ABANDONED LA ABLE ACCOUNTS**

1. Abandoned LA ABLE Accounts will be treated in accordance with R.S. 9:151 et seq., as amended, the Louisiana Uniform Unclaimed Property Act.
2. If a LA ABLE Account is determined abandoned, it will be terminated and its funds turned over to the Louisiana State Treasurer for deposit in the Bond Security and Redemption Fund where they will be held in trust pending a claim.

## **ACCOUNT ADMINISTRATORS**

3. A LA ABLE Account may be opened by or on behalf of an Eligible Individual who is a Louisiana citizen and meets the following citizenship requirements:

- Is a United States citizen; or
- Is a permanent resident of the United States as defined by the U.S. Citizenship and Immigration Services (USCIS) or its successor and provide copies of USCIS documentation with the submission of the owner's agreement; or
- Is lawfully residing in the United States and have a valid Social Security number.

If the Eligible Individual is not capable of handling his own affairs due to his age or legal incapacity to contract, an Account Administrator may open an account on behalf of the Eligible Individual. The Account Administrator must be authorized by law or by authentic act to administer the account on behalf of the Account Administrator.

An Account Administrator who is not the Eligible Individual will be required to provide documentation to LOSFA evidencing that person has the legal right to act on behalf of the Eligible Individual as follows:

- If a parent, a copy of the Eligible Individual's birth certificate;
- If an adoptive parent, documentation evidencing the adoption of the Eligible Individual;
- If a custodian, court documents evidencing the appointment of the custodian by a court of law;
- If designated by the Eligible Individual to administer his affairs, documentation evidencing such designation.

### **AUTHORIZATIONS AND CERTIFICATIONS BY ACCOUNT ADMINISTRATOR**

4. By executing and submitting the Account Application, the Account Administrator certifies that he/she has read and understands the ABLE Account Program Disclosure Booklet and agrees to the terms and conditions of the Participation Agreement. You should retain this Disclosure Booklet for your records.

5. By executing and submitting the Account Application, the Account Administrator authorizes LATTA to report certain information concerning himself and/or the Eligible Individual to the Internal Revenue Service and/or to the Social Security Administration as required by law. Social Security Numbers will be used for purposes of federal and state income tax reporting and to provide mandatory monthly reports to the Social Security Administration.

6. At the time of signing the Account Application, the Account Administrator certifies that the Eligible Individual is a U.S. Citizen, is a permanent resident of the United States or is lawfully residing in the United States and has a valid social security number, and that he is a Louisiana Resident(s).

7. The Account Administrator acknowledges, understands, and agrees that any moneys invested in Variable Earnings funds are invested at his risk and any losses of principal shall be borne solely by him.

8. You agree to and acknowledge the following indemnity:

“You are opening a LA ABLE Account based upon your statements, agreements, representations, warranties, and covenants as set forth in the Account Application and this Disclosure Booklet. You agree to indemnify and hold harmless the State, LATTA, the Louisiana State Treasurer, the ABLE Account Program, any other agency of the State, and any other counsel, adviser, or consultant retained by, or on behalf of, those entities and any employee, officer, official, or agent of those entities from and against any and all loss, damage, liability, penalty, tax, or expense, including costs of reasonable attorneys’ fees, which they shall incur by reason of, or in connection with, any misstatement or misrepresentation that is made by you, any breach by you of the acknowledgements, representations, or warranties in the Account Application, this Disclosure Booklet, or the Participation Agreement or any failure by you to fulfill any covenants or agreements in the Participation Agreement. Your statements, representations, warranties, and covenants will survive the termination of your LA ABLE Account.”

9. LATTA may conclusively rely upon and so long as it acts in good faith, shall not be liable for taking or omitting to take any action in reliance upon any order from the Account Administrator or any other notice, request, consent, certificate or other instrument or paper or electronic transmission believed by LATTA to be genuine and to have been properly executed. Any order or notification from the Account Administrator shall be provided in writing on an original document or, if provided by LATTA, via electronic transmission or, at LATTA’s discretion, may be provided by a copy thereof reproduced through photocopying, facsimile transmission or electronic transmission. For this purpose, LATTA may (but is not required to) give the same effect to a verbal instruction as it gives to a written instruction, and LATTA’s action in doing so shall be protected to the same extent as if such verbal instructions were, in fact, written instructions. LATTA shall not be obligated to determine the accuracy or propriety of any such directions and shall be fully protected in acting in accordance therewith. If instructions are received that, in the opinion of LATTA, are unclear or are not given in accordance with the Participation Agreement, LATTA shall not be required to

act on the instructions and shall not be liable for any resultant loss.

10. You agree that any failure by LATTA to act or delay beyond time limits prescribed by law or permitted by this Agreement is excused if caused by the Account Administrator’s negligence, interruption of communication facilities, suspension of payments by another financial institution, war, emergency conditions or other circumstances beyond the control of LATTA, provided LATTA exercises due diligence as the circumstances require.

11. The Account Administrator agrees that in the event LATTA is served with levies, attachments, summons, subpoenas, court orders or other legal processes which name any Account Administrator as debtor or otherwise, LATTA shall be entitled to rely upon the representations, warranties and statements made in such legal process. The Account Administrator agrees that LATTA may respond to such legal process in its own discretion without regard to jurisdiction. The Account Administrator agrees to hold harmless and indemnify LATTA for any losses, expenses and costs, including attorney fees, incurred by LATTA as a result of responding to such legal processes.

### COMPLIANCE WITH LAW

12. The ABLE Account Program is established in accordance with the Act, and is a Qualified ABLE Program under Section 529a of the Internal Revenue Code. Its purpose is to provide the Account Administrator an opportunity to save for the Qualified Disability Expenses of an Eligible Individual. Notwithstanding anything in this Disclosure Booklet to the contrary, the terms and conditions applicable to your LA ABLE Account will be interpreted and/or amended to comply with the requirements of IRC Section 529a and applicable regulations.

13. From time to time, there may be changes to federal or state laws or regulations that may directly or indirectly affect the terms and conditions of the LA ABLE Account Program and this Disclosure Booklet. Unless applicable law provides otherwise, LATTA may amend the terms of this Disclosure Booklet from time to time to comply with changes in the law or regulations or if LATTA determines it is in the LA ABLE Account Program’s best interest to do so. However, LATTA will not retroactively modify existing terms and conditions applicable to a LA ABLE Account in a manner adverse to you or the Eligible Individual except to the extent necessary to assure compliance with applicable state and federal laws or regulations or to preserve the favorable tax treatment to you, the Eligible Individual or the LA ABLE Account Program.

14. The Participation Agreement and LA ABLE Accounts are governed by the laws and regulations of the

United States, the laws of the State of Louisiana, and LATTA's rules and regulations. The Participation Agreement is entered into between the Account Administrator and LATTA in the State of Louisiana. If any part of the Participation Agreement is determined by applicable law to be invalid or unenforceable, the remaining provisions shall remain in full force and effect. The Account Administrator agrees that any amendments to applicable state or federal statutes and regulations shall automatically amend the Terms and Conditions of the Participation Agreement.

### **COURT JURISDICTION**

**15.** Any action arising under the Participation Agreement shall be brought in the Parish of East Baton Rouge, State of Louisiana.

### **DEATH OF THE ELIGIBLE INDIVIDUAL**

**16.** Upon the death of an Eligible Individual, funds remaining in a LA ABLE Account may be used for outstanding Qualified Disability Expenses of the Eligible Individual, including burial expenses.

**17.** Any funds remaining in the account after all Qualified Disability Expenses have been paid are subject to a legal claim by the state in an amount up to "the amount equal to the total medical assistance paid for the designated beneficiary after the establishment of the account, net of any premiums paid from the account or paid by or on behalf of the beneficiary to a Medicaid Buy-In program under any State Medicaid plan established under title XIX of the Social Security Act, shall be distributed to such State upon filing of a claim for payment by such State." (Internal Revenue Code Section 529a.)

### **DEPOSITS**

**18.** A Deposit of at least ten dollars (\$10) must be made within 180 days from the date of the letter of notification approving the LA ABLE Account. A lump sum Deposit may not exceed the Maximum Allowable Account Balance. If the required Deposit is not made within the time allowed, the Agreement shall automatically terminate and shall be null and void.

**19.** An account owner can save up to \$14,000 per year or with help from family and friends. You may not deposit more than this in a LA ABLE Account in any calendar year unless the funds represent a Rollover from another IRC Section 529a ABLE account or from another LA ABLE Account.

**20.** Deposit options include monthly payments made directly to LATTA (including lump sum) or by Automatic Bank Deposits (ACH) from a checking or savings account. The Account Administrator may change the

monthly Deposit amount or the payment method at any time by notifying LATTA.

**21.** As long as the balance in an account does not meet or exceed \$100,000, the funds will not be counted as a resource for purposes of determining eligibility for SSI. In addition, if an account does meet or exceed \$100,000, SSI will only be suspended; it will not be permanently canceled. Once the balance in the account goes below this \$100,000 threshold, the SSI benefits can be reinstated. You will receive a notification from LATTA in the event the account balance nears this \$100,000 threshold.

**22.** LATTA, at any time and without prior notice and at its discretion, may refuse any Deposit, limit the amount which may be Deposited, accept all or any part of a Deposit or return all or any part of any Deposit. Deposits shall not be deemed accepted until deposited and until check payments have cleared the financial institution upon which they are drawn. Deposits shall only be made in U.S. currency.

**23.** LATTA reserves the right to post all Deposits, including Deposits of cash, not later than midnight of the third business day after receipt of the funds, and LATTA shall not be liable for damage resulting from the exercise of this right. Any item received on a Saturday, Sunday or legal holiday shall be deemed received on the next business day.

**24.** If at any time the value of a LA ABLE Account exceeds the Maximum Allowable Account Balance of \$500,000, no further Deposits will be accepted.

**25.** Dishonored Deposits made by check and ACH transaction are subject to the following procedures and penalties.

- Upon the return of a check for insufficient funds, the check will be resubmitted for payment. If the check is returned for insufficient funds a second time, LATTA will return the check to the Account Administrator. Any credits made to the Account Administrator's balance prior to the return of the check will be reversed and any fees charged to the ABLE Account Program because of the return for insufficient funds shall be deducted and reflected on the next LA ABLE ACCOUNT statement.
- The Account Administrator shall forfeit any increase in the value of the LA ABLE Account subsequent to the trade date over the amount Deposited.

**26.** Upon the return of a check as a result of the issuance of a stop payment order by the Account Administrator, LATTA will return the check to the Account Administrator. Any credits made to the LA ABLE Account balance prior to the return of the check will be

reversed and reflected on the next LA ABLE Account statement.

**27.** Automatic bank debits (ACH) may be authorized by the Account Administrator for automatic Deposits. Such authorization shall continue in effect until LATTA receives a written revocation signed by the Account Administrator at least ten (10) business days in advance of the scheduled transfer.

**28.** If LATTA receives notice of an actual or potential adverse claim to a LA ABLE Account or the funds therein, LATTA may, at its discretion, refuse to Disburse or Refund any money from the LA ABLE Account until receipt of notice that such adverse claim has been resolved.

### **DISBURSEMENTS**

**29.** Funds Deposited into a LA ABLE Account shall be Disbursed at the request of the Account Administrator to the Account Administrator. The Account Administrator is required to indicate whether the Disbursement will be used to pay the housing expenses of the Eligible Individual.

**30.** LATTA is required to report the balance of a LA ABLE Account at the beginning and at the end of each month to the Social Security Administration. As a result, Disbursements should be requested as they are needed to pay the Qualified Disability Expenses of the Eligible Individual.

**31.** The Account Administrator must designate the amount to be Disbursed. Disbursements may be requested no more than twice per month and shall not be for an amount less than \$200 unless the total LA ABLE Account balance is less than \$200 and the intent is to close the LA ABLE Account.

**32.** It is the responsibility of the Account Administrator to keep records of the expenses paid with LA ABLE Account funds. The IRS has the right to request documentation providing that LA ABLE Account funds were used for the Qualified Disability Expenses of the Eligible Individual.

**33.** Disbursements shall be assigned a Trade Date of one (1) business day after the business day of receipt of the request.

### **EQUITY INVESTMENTS**

**34.** By their nature, Variable Earnings (equity and bond) investments are volatile and subject to losses, particularly when the investment is made for a short period of time. Generally, equities appreciate in value over time; however, there is no assurance that the moneys so invested

will grow in value or even maintain their value. Moneys invested in LA ABLE Accounts ARE NOT GUARANTEED.

**35.** Investing in one of the Variable Earnings funds provided by the LA ABLE Account Program and managed by The Vanguard Group involves certain risks, including the possibility that you may lose money over short or even long periods of time. The value of the LA ABLE Account may increase or decrease over time based on the performance of the investment fund(s) you select. It is possible that, at any given time, the value of your LA ABLE Account may be less than the total amount contributed. Neither LATTA, the State Treasurer, nor the LA ABLE Account Program makes any guarantee of, or has any legal obligations to ensure, a particular level of investment return. An investment in a Variable Earnings fund provided by the LA ABLE Account Program and managed by The Vanguard Group is not a bank deposit, and it is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

**36.** The Variable Earnings funds offered by the LA ABLE Account Program include underlying mutual funds managed by The Vanguard Group. The Vanguard Group publishes a prospectus for each of its funds which discloses the fund's objectives, policies, past performance and risks. Data indicating the performance of the LA ABLE Account Program's investments managed by The Vanguard Group is presented in charts in Appendix E. You should read the prospectus for the fund in which you are interested. (See Appendix C, *Contact Us* below for Vanguard's contact information.)

**37.** Deposits to Variable Earnings investment funds shall be assigned a Trade Date based on the method of Deposit and the date of receipt. Deposits by check or electronic funds transfer through the Automated Clearing House Network (automatic bank debit) shall be assigned a Trade Date of three (3) business days after the business day during which they are received. Deposits made by other electronic funds transfer shall be assigned a Trade Date of one (1) business day after the business day during which they were received. Deposits received on weekends and holidays will be considered received on the next business day.

### **FEES AND CHARGES**

**38.** Although authorized to assess certain fees, LATTA has not approved the imposition of fees for managing the LA ABLE Account Program. Administrative costs of LATTA or LOSFA or the Louisiana State Treasurer have been assumed by the State of Louisiana and paid from funds appropriated for that purpose.

**39.** The LA ABLE Account Program is charged an investment management fee on the moneys it invests in mutual funds managed by The Vanguard Group. Currently,

this fee, known as the underlying fund expense ratio, varies with each mutual fund. Currently, the maximum fee is 0.16% (or \$160 per \$1,000 invested) per year. This fee is subject to change at any time without notice. These fees are deducted prior to the valuation of the funds' net asset value, thereby reducing the value of the LA ABLE Account Program's investments, which reduces the return to Account Administrators. (See the *Fee and Cost Tables* in Appendix-D for more information.)

40. Checks and electronic funds transfers through the Automated Clearing House Network (ACH) (or automatic bank debit) received for Deposit are invested by the state treasurer prior to the Trade Date. All earnings from such investments are the property of the state and are deposited a special fund within the State Treasury. Monies in this fund are used to cover trading losses caused by returned checks, rejected ACH transactions and other transactional losses.

### SELECTION OF INVESTMENT FUNDS; DESIGNATION OF DEPOSITS

41. The ABLE Account Program provides Account Administrators with multiple investment choices that provide varying return potential and varying risks and that are designed to afford an opportunity to choose the fund(s) that best meet the Account Administrator's objectives for financing the costs of postsecondary education for the Eligible Individual and that best fits the Account Administrator's risk tolerance. The available funds are explained in detail in this Disclosure Booklet under the heading "INVESTMENTS." A prospective Account Administrator should consult a financial advisor if he is uncertain as to which fund(s) to select or if he desires to evaluate his individual financial circumstances. Neither the LATTA, LOSFA, the Louisiana State Treasurer, nor Vanguard can provide financial advice or counseling to Account Administrators, to other contributors to Accounts, or to Beneficiaries about any of the available fund(s).

42. When an Account Administrator establishes a LA ABLE Account, he or she must select one or more fund(s) in which to invest deposits. If more than one fund is selected, the Account Administrator must designate what percentage of each Deposit is to be invested in each selected fund, provided each percentage must be in whole digits and the total of all percentages must equal one hundred percent (100%). An Account Administrator may change the designation for future Deposits at any time by completing the appropriate form online at <http://www.able.osfa.la.gov>, or submitting it by mail to P.O. Box 91202, Baton Rouge, LA, 70821-9202.

### INVESTMENTS

43. This section of the Disclosure Booklet describes the seven (7) funds that are currently available for the LA

ABLE Account Program. The State Treasurer routinely monitors these funds. Based on its evaluation of the funds, the State Treasurer may change the current funds offered in the future.

44. The Vanguard funds available for the LA ABLE Account Program are selected by the Louisiana State Treasurer and may change over time. The LA ABLE Account owner will own an interest in the LA ABLE Account Program, but he will not own shares of the Underlying Vanguard Fund(s).

45. Investments in these funds are not guaranteed, and some or all the money invested in a LA ABLE Account may be lost. Neither the State of Louisiana, LATTA, LOSFA, the LA ABLE Account Program, nor the Louisiana State Treasurer are responsible for any losses resulting from investments in Variable Earnings. Read the entirety of this document for additional disclaimers.

#### **46. Vanguard Federal Money Market Fund (VMFXX)**

- **Investment Objective:** The Fund seeks to provide current income while maintaining liquidity and a stable share price of \$1.
- **Investment Strategy:** The Fund invests primarily in high-quality, short-term money market instruments. Under normal circumstances, at least 80% of the Fund's assets are invested in securities issued by the U.S. government and its agencies and instrumentalities. Although these securities are high-quality, most of the securities held by the Fund are neither guaranteed by the U.S. Treasury nor supported by the full faith and credit of the U.S. government. To be considered high quality, a security must be determined by Vanguard to present minimal credit risk based in part on a consideration of maturity, portfolio diversification, portfolio liquidity, and credit quality. The Fund maintains a dollar-weighted average maturity of 60 days or less and a dollar-weighted average life of 120 days or less.

Under the new money market reforms, government money market funds are required to invest at least 99.5% of their total assets in cash, government securities, and/or repurchase agreements that are collateralized solely by government securities or cash (collectively, government securities). The Fund generally invests 100% of its assets in government securities and therefore will satisfy the 99.5% requirement for designation as a government money market fund.

#### **47. Vanguard Short-Term Bond Index Fund Admiral Shares (VBIRX)**

- **Investment Objective:** The Fund seeks to track the performance of a market-weighted bond

index with a short-term dollar-weighted average maturity.

- **Investment Strategy:** The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. 1-5 Year Government/Credit Float Adjusted Index. This Index includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities between 1 and 5 years and are publicly issued. The Fund invests by sampling the Index, meaning that it holds a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally does not exceed 3 years.

#### 48. Vanguard Intermediate-Term Bond Index Fund Admiral Shares (VBILX)

- **Investment Objective:** The Fund seeks to track the performance of a market-weighted bond index with an intermediate-term dollar-weighted average maturity.
- **Investment Strategy:** The Fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. 5-10 Year Government/Credit Float Adjusted Bond Index. This Index includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities between 5 and 10 years and are publicly issued. The Fund invests by sampling the Index, meaning that it holds a range of securities that, in the aggregate, approximate the full index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

#### 49. Vanguard LifeStrategy® Growth Fund (VASGX)

- **Investment Objective:** The Fund seeks to provide capital appreciation and some current income.
- **Investment Strategy:** The Fund invests in other Vanguard mutual funds according to a fixed formula that reflects an allocation of approximately 80% of the Fund's assets to common stocks and 20% to bonds. The targeted percentage of the Fund's assets allocated to each

of the underlying funds is: Vanguard Total Stock Market Index Fund 48%, Vanguard Total International Stock Index Fund 32%, Vanguard Total Bond Market II Index Fund 14%, and Vanguard Total International Bond Index Fund 6%. The Fund's indirect stock holdings are a diversified mix of U.S. and foreign large-, mid-, and small-capitalization stocks. The Fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize foreign currency exposure).

#### 50. Vanguard LifeStrategy® Moderate Growth Fund (VSMGX)

- **Investment Objective:** The Fund seeks to provide capital appreciation and a low to moderate level of current income.
- **Investment Strategy:** The Fund invests in other Vanguard mutual funds according to a fixed formula that reflects an allocation of approximately 60% of the Fund's assets to common stocks and 40% to bonds. The target percentage of the Fund's assets allocated to each of the underlying funds is: Vanguard Total Stock Market Index Fund 36%, Vanguard Total Bond Market II Index Fund 28%, Vanguard Total International Stock Index Fund 24%, and Vanguard Total International Bond Index Fund 12%. The Fund's indirect stock holdings are a diversified mix of U.S. and foreign large-, mid-, and small-capitalization stocks. The Fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize foreign currency exposure).

#### 51. Vanguard LifeStrategy® Conservative Growth Fund (VSCGX)

- **Investment Objective:** The Fund seeks to provide current income and low to moderate capital appreciation.
- **Investment Strategy:** The Fund invests in other Vanguard mutual funds according to a fixed formula that reflects an allocation of approximately 60% of the Fund's assets to bonds and 40% to common stocks. The targeted percentage of the Fund's assets allocated to each of the underlying funds is: Vanguard Total Bond Market II Index Fund 42%, Vanguard Total



Stock Market Index Fund 24%, Vanguard Total International Bond Index Fund 18%, and Vanguard Total International Stock Index Fund 16%. The Fund's indirect bond holdings are a diversified mix of short-, intermediate- and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize foreign currency exposure). The Fund's indirect stock holdings are a diversified mix of U.S. and foreign large-, mid-, and small-capitalization stocks.

**52. Vanguard LifeStrategy® Income Fund (VASIX)**

- **Investment Objective:** The Fund seeks to provide current income and some capital appreciation.
- **Investment Strategy:** The Fund invests in other Vanguard mutual funds according to a fixed formula that reflects an allocation of approximately 80% of the Fund's assets to bonds and 20% to common stocks. The targeted percentage of the Fund's assets allocated to each of the underlying funds is: Vanguard Total Bond Market II Index Fund 56%, Vanguard Total International Bond Index Fund 24%, Vanguard Total Stock Market Index Fund 12%, and Vanguard Total International Stock Index Fund 8%. The Fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize foreign currency exposure). The Fund's indirect stock holdings are a diversified mix of U.S. and foreign large-, mid-, and small-capitalization stocks.

**INVESTMENTS**

**- CHANGES BY ACCOUNT ADMINISTRATOR**

**53.** For assets existing in a LA ABLE Account, Account Administrators may change the investment selection only twice during each calendar year. For example, if an Account Administrator changed the existing investment selection from the Vanguard LifeStrategy® Conservative Growth Fund (VSCGX) to Vanguard Intermediate-Term Bond Index Fund Admiral Shares (VBILX) on March 1, 2017, and then changed it to Vanguard LifeStrategy® Income Fund (VASIX) on October 1, 2017, the investments could not be changed again until January 1, 2018. A change in investment selection that requires the sale of units in a mutual fund shall be assigned a Trade Date of one (1) business day

after the business day of the receipt of a complete request.

**INVESTMENT RISKS**

**54.** Neither The Vanguard Group, Inc. nor any government agency, including the FDIC, Federal Reserve, the State of Louisiana, the LA ABLE Account Program, the State Treasurer, LOSFA nor LATTA insures moneys invested in the LA ABLE Account Program.

**55. Funds May Not Meet Objectives.** There is no guarantee that moneys invested will meet their objectives. Funds invested are not deposits or obligations of, or guaranteed by, any depository institution.

**56.** Primary risks associated with the Vanguard money market and mutual funds are described below.

**57. Vanguard Federal Money Market Fund (VMFXX)**

The Fund is designed for investors with a low tolerance for risk; however, the Fund is subject to the following risks, which could affect the Fund's performance:

- **Income risk:** The chance that the Fund's income will decline because of falling interest rates. Because the Fund's income is based on short-term interest rates—which can fluctuate significantly over short periods—income risk is expected to be high.
- **Manager risk:** The chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.
- **Credit risk:** The chance that the issuer of a security will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline. Credit risk should be very low for the Fund because it invests primarily in securities that are considered to be of high quality.

You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

**An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

### 58. Vanguard Short-Term Bond Index Fund Admiral Shares (VBIRX)

The Fund is designed for investors with a low tolerance for risk, but you could still lose money by investing in it. The Fund is subject to the following risks, which could affect the Fund's performance:

- **Interest rate risk:** The chance that bond prices will decline because of rising interest rates. Interest rate risk should be low for the Fund because it invests primarily in short-term bonds, whose prices are much less sensitive to interest rate changes than are the prices of long-term bonds.
- **Income risk:** The chance that the Fund's income will decline because of falling interest rates. Income risk is generally high for short-term bond funds, so investors should expect the Fund's monthly income to fluctuate.
- **Credit risk:** The chance that a bond issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Credit risk should be low for the Fund because it purchases only bonds that are of investment-grade quality.
- **Index sampling risk:** The chance that the securities selected for the Fund, in the aggregate, will not provide investment performance matching that of the Fund's target index. Index sampling risk for the Fund should be low.
- **Liquidity risk:** The chance that the Fund may not be able to sell a security in a timely manner at a desired price.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

### 59. Vanguard Intermediate-Term Bond Index Fund Admiral Shares (VBILX)

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range. The Fund is subject to the following risk, which could affect the Fund's performance:

- **Interest rate risk:** The chance that bond prices will decline because of rising interest rates. Interest rate risk should be moderate for the Fund because it invests primarily in intermediate-term bonds, whose prices are less sensitive to interest rate changes than are the prices of long-term bonds.
- **Income risk:** The chance that the Fund's income will decline because of falling interest rates. Income risk is generally moderate for intermediate-term bond funds, so investors

should expect the Fund's monthly income to fluctuate accordingly.

- **Credit risk:** The chance that a bond issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Credit risk should be low for the Fund because it purchases only bonds that are of investment-grade quality.
- **Index sampling risk:** The chance that the securities selected for the Fund, in the aggregate, will not provide investment performance matching that of the Fund's target index. Index sampling risk for the Fund should be low

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

### 60. Vanguard LifeStrategy® Growth Fund (VASGX)

The Fund is subject to the risks associated with the stock and bond markets, any of which could cause an investor to lose money. However, because stocks usually are more volatile than bonds and because the Fund invests most of its assets in stocks, the Fund's overall level of risk should be moderate to high.

- With a target allocation of approximately 80% of its assets in stocks, the Fund is proportionately subject to **stock market risk**, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund is also subject to the following risks associated with investments in foreign stocks: **country/regional risk**, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions; and **currency risk**, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Country/regional risk and currency risk are especially high in emerging markets.
- With a target allocation of approximately 20% of its assets in bonds, the Fund is proportionately subject to bond risks, including the following: **interest rate risk**, which is the chance that bond prices will decline because of rising interest rates; **credit risk**, which is the chance that the issuer of a security will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline, thus reducing the underlying fund's return; and **income risk**, which is the chance that an underlying fund's income will decline

because of falling interest rates. If an underlying fund holds securities that are callable, the underlying fund's income may decline because of *call risk*, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupon rates or interest rates before their maturity dates. An underlying fund would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the underlying fund's income. The Fund is also subject to the following risks associated with investments in currency-hedged foreign bonds: *country/regional risk*, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value and/or liquidity of securities issued by foreign governments, government agencies, or companies; and *currency hedging risk*, which is the chance that the currency hedging transactions entered into by the underlying international bond fund may not perfectly offset the fund's foreign currency exposure.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**61. Vanguard LifeStrategy® Moderate Growth Fund (VSMGX)**

The Fund is subject to the risks associated with the stock and bond markets, any of which could cause an investor to lose money. However, because fixed income securities such as bonds usually are less volatile than stocks and because the Fund invests a significant portion of its assets in fixed income securities, the Fund's overall level of risk should be moderate.

- With a target allocation of approximately 60% of its assets in stocks, the Fund is proportionately subject to *stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund is also subject to the following risks associated with investments in foreign stocks: *country/regional risk*, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions; and *currency risk*, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Country/regional risk and currency risk are especially high in emerging markets.

- With a target allocation of approximately 40% of its assets in bonds, the Fund is proportionately subject to bond risks, including the following: *interest rate risk*, which is the chance that bond prices will decline because of rising interest rates; *credit risk*, which is the chance that the issuer of a security will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline, thus reducing the underlying fund's return; and *income risk*, which is the chance that an underlying fund's income will decline because of falling interest rates. If an underlying fund holds securities that are callable, the underlying fund's income may decline because of *call risk*, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupon rates or interest rates before their maturity dates. An underlying fund would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the underlying fund's income. The Fund is also subject to the following risks associated with investments in currency-hedged foreign bonds: *country/regional risk*, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value and/or liquidity of securities issued by foreign governments, government agencies, or companies; and *currency hedging risk*, which is the chance that the currency hedging transactions entered into by the underlying international bond fund may not perfectly offset the fund's foreign currency exposure.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**62. Vanguard LifeStrategy® Conservative Growth Fund (VSCGX)**

The Fund is subject to the risks associated with the stock and bond markets, any of which could cause an investor to lose money. However, because fixed income securities such as bonds usually are less volatile than stocks and because the Fund invests more than half of its assets in fixed income securities, the Fund's overall level of risk should be low to moderate.

- With a target allocation of approximately 60% of its assets in bonds, the Fund is proportionately subject to bond risks, including the following: *interest rate risk*, which is the chance that bond prices will decline because of rising interest

rates; *credit risk*, which is the chance that the issuer of a security will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline, thus reducing the underlying fund's return; and *income risk*, which is the chance that an underlying fund's income will decline because of falling interest rates. If an underlying fund holds securities that are callable, the underlying fund's income may decline because of *call risk*, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupon rates or interest rates before their maturity dates. An underlying fund would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the underlying fund's income. The Fund is also subject to the following risks associated with investments in currency-hedged foreign bonds: *country/regional risk*, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value and/or liquidity of securities issued by foreign governments, government agencies, or companies; and *currency hedging risk*, which is the chance that the currency hedging transactions entered into by the underlying international bond fund may not perfectly offset the fund's foreign currency exposure.

- With a target allocation of approximately 40% of its assets in stocks, the Fund is proportionately subject to *stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund is also subject to the following risks associated with investments in foreign stocks: *country/regional risk*, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions; and *currency risk*, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Country/regional risk and currency risk are especially high in emerging markets.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

### **63. Vanguard LifeStrategy® Income Fund (VASIX)**

The Fund is subject to the risks associated with the stock and bond markets, any of which could cause an investor to lose money. However, because fixed income securities such as bonds usually are less volatile than stocks and because the Fund invests most of its assets in fixed income securities, the Fund's overall level of risk should be relatively low.

- With a target allocation of approximately 80% of its assets in bonds, the Fund is proportionately subject to bond risks, including the following: *interest rate risk*, which is the chance that bond prices will decline because of rising interest rates; *credit risk*, which is the chance that the issuer of a security will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline, thus reducing the underlying fund's return; and *income risk*, which is the chance that an underlying fund's income will decline because of falling interest rates. If an underlying fund holds securities that are callable, the underlying fund's income may decline because of *call risk*, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupon rates or interest rates before their maturity dates. An underlying fund would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the underlying fund's income. The Fund is also subject to the following risks associated with investments in currency-hedged foreign bonds: *country/regional risk*, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value and/or liquidity of securities issued by foreign governments, government agencies, or companies; and *currency hedging risk*, which is the chance that the currency hedging transactions entered into by the underlying international bond fund may not perfectly offset the fund's foreign currency exposure.
- With a target allocation of approximately 20% of its assets in stocks, the Fund is proportionately subject to *stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

## TERMINATION OF AN LA ABLE ACCOUNT

- 64.** The Account Administrator may terminate an ABLE Account at any time.
- 65.** In the event the person for whose benefit the account was opened is no longer an Eligible Individual, the LA ABLE Account Administrator shall either terminate the LA ABLE Account or transfer the account to another Eligible Individual who is also a Member of the Family of the original Eligible Individual within 60 days of the determination that the original Eligible Individual is no longer qualified.
- 66.** If LATTA determines that funds have been disbursed for expenses other than Qualified Disability Expenses of the Eligible Individual, LATTA may require the return of the funds to the LA ABLE Account. If funds are not returned to the account within 60 days of a request to do so, LATTA, in its sole discretion, may refund any balance remaining and close the account.
- 67.** The LATA may terminate an account if no deposit of at least \$10 has been made within 180 days from the date of notification of approval of the account.
- 68.** The LATA may terminate an account if the Eligible Individual for whom the account was opened no longer meets the criteria to be an Eligible Individual and a new Eligible Individual is not named within 60 days.
- 69.** The LATA may terminate an owner's agreement if it finds that the account owner or beneficiary provided false or misleading information. Obtaining program benefits by providing false or misleading information may subject the Account Administrator and/or the Eligible Individual to criminal prosecution.

## LIMITATIONS

- 70.** There is no guarantee that any Eligible Individual's Qualified Disability Expenses will be covered in full by the proceeds of a LA ABLE Account.
- 71.** LATA does not guarantee any moneys in a LA ABLE Account.

## LOUISIANA ACHIEVING A BETTER LIFE EXPERIENCE FUND (FUND)

- 72.** Deposits made pursuant to the Participation Agreement are initially invested in the "Fund," which is a special statutory account in the State Treasury.
- 73.** Any claim for Disbursement or Refund of funds invested in the ABLE Fund shall be solely against the

Account Owner's portion of the assets of the Fund. No person shall have any claim against the state general fund or other funds or revenue sources of the State as a result of Deposits made pursuant to this Agreement or otherwise.

- 74.** Once invested, claims for Disbursement or Refund shall be solely against the Current Value of such LA ABLE Account on the business day after the business day of receipt of the Disbursement or Refund order.
- 75.** All Disbursements from the Fund for the ABLE Account Program are made by the State Treasurer on order of LATA.

## MANAGEMENT OF THE FUND

- 76.** The state Treasurer, a statewide elected official, is responsible for investing monies deposited in the ABLE accounts, and the LA ABLE Account Program is administered by LATA. The composition of LATA and the powers and duties of LATA are set forth in LSA-R.S. 17:3093. A list of the current members of LATA and a copy of its bylaws may be obtained by contacting LOSFA at 602 North Fifth Street, Baton Rouge, Louisiana 70802 or by accessing the Information Center on the ABLE Account Program's Web site: <http://www.able.osfa.la.gov>.

## REFUNDS

- 77.** All moneys in a LA ABLE Account that are Disbursed but are not used to pay Qualified Disability Expenses or are rolled over to a new LA ABLE Account who is not a Member of the Eligible Individual's family or rolled over to another qualified IRC Section 529a Qualified Tuition Program are considered to be Refunds (Non-Qualified Distributions) and will result in state and federal tax Penalties. The Account Administrator should consult with a qualified tax advisor prior to requesting a Refund.
- 78.** Refunds may be requested at any time. If the account has been open for less than 12 months, the amount of the refund will be equal to the deposits to or the current value of an account, whichever is less. If the account has been open for 12 or more months, the current value of an account. Refunds may result in state and federal tax liability. The Account Administrator should consult with a qualified tax advisor prior to requesting a Refund.

- 79.** The refund recipient can only be the account owner, his heirs, or his estate, and the Administrator shall designate the Refund Recipient when completing the Owner's Agreement.
- 80.** In the event a LA ABLE Account is terminated, the Account Owner shall receive a Refund if there is a balance

in the LA ABLE Account. Any earnings associated with such Refund may be subject to a Federal Additional Tax of ten percent (10%) in accordance with IRC Section 529a. The Account Administrator should seek advice from qualified tax professionals in such cases.

**81.** Upon termination of a LA ABLE Account, Refunds shall be assigned a Trade Date of one (1) business day after the business day of receipt of a complete request.

**82.** Payment of Refunds shall be made no later than thirty (30) days following the date the LA ABLE Account was terminated.

**83.** Partial Refund of a LA ABLE Account is not permitted.

**84.** A Refund of earnings from a LA ABLE Account to the Refund Recipient will be reported to the Internal Revenue Service and the Louisiana Department of Revenue for federal and state tax purposes.

**85.** Earnings included in a Refund may be assessed a Federal Additional Tax of ten percent (10%).

**86.** Exceptions to the Federal Additional Tax. There is 1 exception to the ten percent (10%) Federal Additional Tax imposed for any Refund on account of the death of the Eligible Individual.

**87.** In the event of the death of the designated Eligible Individual, the Account Administrator may exercise one or more of the following options to avoid the Federal Additional Tax. The Account Administrator may request payment of the Current Value of the LA ABLE Account to the designated Eligible Individual's estate, in which case the earnings portion will be subject to federal income tax and possibly state income tax on the earnings portion of the withdrawal, without imposition of the ten percent (10%) Federal Additional Tax on earnings. Alternatively, the Account Administrator can request a disbursement to pay any outstanding Qualified Disability Expenses of the Eligible Individual, including funeral expenses.

**88.** Principal that is Refunded and which was excluded from taxable income reported to the state for the year that the Deposit was made to the LA ABLE Account must be included in the Account Owner's income for state tax purposes for the year in which the Refund is received.

### **REPORTS, STATEMENTS AND AUDITS**

**89.** LATTA maintains a separate LA ABLE Account for each approved Account Application which shows the Current Value of the account. Each LA ABLE Account may have only one Account Administrator and one Eligible Individual; however, an Account Administrator may have multiple LA ABLE Accounts, each with a

different Eligible Individual. The same individual may be the Eligible Individual of only one LA ABLE Account.

**90.** LATTA shall provide each Account Administrator an annual LA ABLE Account statement by March 31<sup>st</sup> of each year reflecting all activities and balances of the previous calendar year and which sets forth the amount Deposited, the current number of units in the investment fund(s) purchased, the current value per unit, the amounts Disbursed or Refunded pursuant to the Participation Agreement and the Current Value of the LA ABLE Account.

**91.** An Account Administrator must report errors on the annual LA ABLE Account statement to LATTA within sixty (60) days from the date on the LA ABLE Account statement or the statement will be deemed correct.

**92.** Upon request of the Account Administrator, LATTA will provide a statement showing the Current Value of a LA ABLE Account. This information is also available on the Web site at <http://www.able.osfa.la.gov>. The Account Administrator may request a statement at any time, subject to any fees that LATTA may impose for requests in excess of one (1) per year.

**93.** The ABLE Account Program will report all Disbursements and Refunds from a LA ABLE Account to the IRS, the Louisiana Department of Revenue, the Account Administrator, the Eligible Individual, the Social Security Administration, and any other required persons, if any, to the extent required by federal, state or local law. Under federal law, LATTA will report to the IRS on IRS Form 1099-QA gross Disbursements and Refunds from a LA ABLE Account during the calendar year along with information regarding the earnings and basis (i.e., contributions/Deposits) portions of the amount distributed. By January 31 of the year following the distribution, the Account Administrator will receive a copy of such Form 1099-QA or an acceptable substitute statement. The Account Administrator should check with the Account Owner's tax advisors about the tax impact to the Account Owner of any Disbursements and Refunds from a LA ABLE Account and about what, if any, information must be reported on a tax return. Because it is the responsibility of the Account Administrator to determine whether Disbursements and Refunds from a LA ABLE Account result in federal and/or state tax liability and/or the ten percent (10%) Federal Additional Tax on earnings, Account Administrators should retain adequate records, invoices or other documents and information to support any exemption from federal and/or state taxes as well as any exemption from the ten percent (10%) Federal Additional Tax on earnings, as applicable.

**94.** LATTA is audited as required by state law. Copies of the audit reports and program financials are provided to the Governor, the President of the Senate and the Speaker of the House of Representatives. Copies of the audited

financial reports are available at <http://www.able.osfa.la.gov>.

## ROLLOVER DEPOSITS

### RESPONSIBILITIES AND POWERS OF LATTA AND STATE TREASURER

**95.** Upon receipt of a LA ABLE Account Program Account Application, all required supporting documentation, and determination that it meets the criteria for participation, LATTA will accept the Participation Agreement, establish a LA ABLE Account with the investment fund(s) designated by the Account Administrator and send the Account Administrator a letter of notification approving the LA ABLE Account.

**96.** LATTA may delay or waive enforcement of any of its rights under the Agreement without losing the right to enforce them at a later time. To the extent allowed by applicable law, LATTA may take other action not described in the Participation Agreement and, by so doing, will not lose its rights under the Participation Agreement.

**97.** LATTA or its authorized agent is authorized to contract with the Account Administrator for the establishment of a LA ABLE Account for the benefit of a named Eligible Individual. The amount Deposited into a LA ABLE Account is within the discretion of the Account Administrator, up to the maximum allowed per calendar year (\$14,000) and the Maximum Allowable Account Balance (\$500,000). Automatic bank debits and direct payments (including lump sums) are acceptable methods for making Deposits into a LA ABLE Account. LATTA DOES NOT GUARANTEE THAT AMOUNTS DEPOSITED INTO A LA ABLE ACCOUNT WILL BE SUFFICIENT TO PAY ALL OF THE QUALIFIED DISABILITY EXPENSES OF THE ELIGIBLE INDIVIDUAL.

**98.** The moneys received from an Account Administrator will be invested as directed by the Account Administrator in the LA ABLE Account Application or in any subsequent Investment Selection Form.

**99.** The Louisiana State Treasurer periodically submits a Fund investment policy to LATTA, a copy of which will be provided to an Account Administrator upon request.

**100.** The Louisiana State Treasurer has selected the mutual funds provided by The Vanguard Group.

**101.** The Louisiana State Treasurer provides oversight of The Vanguard Group, in accordance with the investment contract with The Vanguard Group. LATTA is responsible for the administration of the LA ABLE Account Program.

**102.** You can make Deposits to a LA ABLE Account Program account by transferring funds from another state's 529a Qualified ABLE Program. This transaction is known as a "Rollover." Not more than once every twelve (12) months, you may rollover assets from an account in another state's IRC 529a Qualified ABLE Program to a LA ABLE Account for the same Eligible Individual, without penalty or federal income tax consequences. You may also rollover funds from an account in another state's IRC 529a Qualified ABLE Program to a LA ABLE Account at any time without penalty or federal income tax consequences when you change Beneficiaries, provided that the new Eligible Individual is a Member of the Family of the previous Eligible Individual. The transfer of funds from another state's IRC 529a Qualified ABLE Program to a LA ABLE Account that does not meet these criteria may not qualify as a Rollover under IRC Section 529a, and may be subject to federal income tax, a Federal Additional Tax of ten percent (10%) of earnings, and possibly state tax. Please consult your tax or investment adviser for more information.

**103.** Incoming Rollovers can be direct or indirect. Direct Rollovers involve the transfer of money from one 529a Qualified ABLE Program directly to another. Indirect Rollovers involve the transfer of money from an account in another state's 529a Qualified ABLE Program to the Account Administrator, who then contributes the money to a LA ABLE Account. To avoid penalties and federal income tax consequences, money received by an Account Administrator from an indirect Rollover must be Deposited in a 529a Qualified ABLE Program account within sixty (60) days of the Refund. You should be aware that not all states permit direct Rollovers of funds from 529a Qualified ABLE Programs. Additionally, there may be state income tax consequences (and in some cases state-imposed penalties or fees) resulting from a rollover out of another state's 529a Qualified ABLE Program.

### ROLLOVERS TO ANOTHER 529A QUALIFIED ABLE PROGRAM

**104.** LA ABLE Accounts may be closed and the Current Value may be transferred to another state's 529a Qualified ABLE Program. This transaction is known as a Rollover. Not more than once every twelve (12) months, you may rollover assets from a LA ABLE Account to another state's 529a Qualified ABLE Program for the same Eligible Individual, without penalty or federal income tax consequences. You may also rollover funds from a LA ABLE Account to another state's 529a Qualified ABLE Program at any time without penalty or federal income tax consequences when you change Beneficiaries, provided that the new Eligible Individual is a Member of the Family of the prior Eligible Individual. The transfer of funds from a LA ABLE Account to another state's 529a Qualified ABLE Program that does not meet these criteria may not

qualify as a Rollover under IRC Section 529a and may be subject to federal income tax, a federal tax penalty of ten percent (10%) of earnings, and possibly state tax. Please consult your tax or investment adviser for more information.

### Successor Account Administrators

**105.** Account Administrators may designate a person to be the successor Account Administrator in the event of the Account Administrator's death. **Account Administrators should name at least one (1) alternate successor owner.**

**106.** In the event of the death of an Account Administrator who is not the Account Owner, the person designated as the successor Account Administrator in the Participation Agreement will become the Account Administrator. If no successor Account Administrator is named or if the successor Account Administrator predeceases the Account Administrator, the Account Owner shall become the Account Administrator.

**107.** If the Account Administrator and the Eligible Individual both die, any appointed Account Administrator's successor shall become the Account Administrator of the LA ABLE Account. If no Account Administrator's successor has been appointed, the LA ABLE Account will be closed and any refund will be paid to the Eligible Individual's estate, subject to a legal claim by the state in an amount up to "the amount equal to the total medical assistance paid for the designated beneficiary after the establishment of the account, net of any premiums paid from the account or paid by or on behalf of the beneficiary to a Medicaid Buy-In program under any State Medicaid plan established under title XIX of the Social Security Act, shall be distributed to such State upon filing of a claim for payment by such State." (Internal Revenue Code Section 529a.)

## TAX AND OTHER CONSIDERATIONS

### DISCLAIMER

**108.** The LA ABLE Account Program, LOSFA, LATTA and their employees do not provide financial, investment, legal or tax advice. The Account Administrator agrees to hold the LA ABLE Account Program, LOSFA, LATTA and their employees harmless from any liability incurred which arises from decisions made by the Account Administrator in connection with participation in the LA ABLE Account Program or under the terms of the Participation Agreement. Account Administrators should consult with qualified financial, legal or tax assistance professionals to determine tax liabilities in individual circumstances.

### FEDERAL TAX CONSIDERATIONS

**109.** This section takes a closer look at some of the

federal tax considerations you should be aware of when investing in the LA ABLE Account Program. However, the discussion is by no means exhaustive and is not meant as tax advice. [Please keep in mind that the IRS has issued only proposed regulations under IRC Section 529a; final regulations could affect the tax considerations mentioned in this section or require the terms of the LA ABLE Account Program to change.] In addition, the LA ABLE Account Program has not requested a private letter ruling from the IRS with regard to the status of the LA ABLE Account Program under IRC Section 529a. LATTA may, in its sole discretion, apply for such a ruling from the IRS.

**110.** The federal tax consequences associated with an investment in the LA ABLE Account Program can be complex. In addition, some states may impose penalties and/or taxes on investments in, or Disbursements or Refunds from, a Qualified ABLE Program offered by other states. Louisiana does not impose penalties and taxes for Refunds. These penalties and taxes may, in certain cases, result in an effective reduction or loss of some or all of the federal tax benefits discussed below. (See the "State Tax Considerations" section below for additional information.) You should consult a tax adviser regarding the application of federal tax laws to your particular circumstances.

### Federal Tax Treatment of Earnings

**111.** Any earnings on Deposits are tax-deferred, which means your LA ABLE Account assets grow free of current federal income tax and will not be included in taxable income when withdrawn for payment of Qualified Disability Expenses. (See the *Distributions* section below.)

### Federal Gift/Estate Tax

**112.** Deposits to the ABLE Account Program are considered completed gifts for federal tax purposes and, therefore, are potentially subject to federal gift tax; however, there are annual exclusions, which are periodically adjusted for inflation. Note that the maximum amount which can be contributed to LA ABLE Account is currently \$14,000. This is also the amount of the current annual gift tax exclusion.

**113.** If the Account Owner dies and funds remain in his LA ABLE Account, the Account Administrator may request a disbursement to pay any outstanding Qualified Disability Expenses, including funeral expenses. Any amount remaining after all Qualified Disability Expenses are paid is subject to a legal claim by the state in an amount up to "the amount equal to the total medical assistance paid for the designated beneficiary after the establishment of the account, net of any premiums paid from the account or paid by or on behalf of the beneficiary to a Medicaid Buy-In program under any State Medicaid plan established under title XIX of the Social Security Act, shall be distributed to such State upon filing of a claim for payment by such State." (Internal Revenue



Code Section 529a.) In the event that no claim is made by the state, the LA ABLE Account will be closed and the current value of the account will be refunded to the Account Owner's estate.

### **Transfers and Rollovers**

**114.** Certain transfers can be made without incurring income tax consequences or a Federal Additional Tax. A Rollover Deposit must be placed in another LA ABLE Account or an account of another Qualified ABLE Program within sixty (60) days. Changes in your Eligible Individual could potentially cause gift tax consequences to the Eligible Individual. Because gift tax issues are complex, you should consult with your tax adviser.

### **Disbursements from a LA ABLE Account**

#### **Generally**

**115.** Disbursements have two components: (1) principal, which is not taxable when distributed, and (2) earnings, if any, which may be subject to federal income taxation. The earnings portion is determined at calendar year-end based on IRS rules, and earnings are reported to the IRS and the taxable party on Form 1099-QA (or other applicable form). However, the Form 1099-QA does not report whether a payment out of a LA ABLE Account is a Disbursement (Qualified Distribution) or a Refund (Non-Qualified Distribution). 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.

### **Qualified Disability Expense Disbursements**

**116.** When money is withdrawn from an LA ABLE Account to pay for Qualified Disability Expenses, all of the LA ABLE Account's investment gains are distributed federally income tax-free.

### **Refunds (Non-Qualified Distributions) and the Federal Additional Tax**

**117.** There is 1 exception to the ten percent (10%) Federal Additional Tax imposed for any Refund on account of the death of the Eligible Individual.

**118.** In the event of the death of the designated Eligible Individual, the Account Administrator may exercise one or more of the following options to avoid the Federal Additional Tax. The Account Administrator may request payment of the Current Value of the LA ABLE Account to the designated Eligible Individual's estate, in which case the earnings portion will be subject to federal income tax and possibly state income tax on the earnings portion of the withdrawal, without imposition of the ten percent (10%) Federal Additional Tax on earnings. Alternatively,

the Account Administrator can request a disbursement to pay any outstanding Qualified Disability Expenses of the Eligible Individual, including funeral expenses.

### **Determination of Taxable Earnings**

**119.** The principal and earnings portion of Disbursements and Refunds for federal tax purposes are determined by a formula reflecting the proportion of Deposits made to the LA ABLE Account to the overall market value of the LA ABLE Account. If a Refund is subject to a Federal Additional Tax, the Federal Additional Tax is applied to the earnings portion. The taxpayer is responsible for calculating and reporting any Federal Additional Tax to the IRS.

### **Potential Future Changes in Federal Tax Law**

**120.** Note that the federal laws are subject to change through legislative process, and the information provided in the Disclosure Statement will change accordingly. Updates to this document will be provided; HOWEVER, a change in federal law will automatically amend the terms of the Participation Agreement, regardless of whether notification of changes to this document and the Participation Agreement are made before or after the federal tax law changes.

### **State Income Tax Exclusions**

**121.** Earnings credited to a LA ABLE Account that are subsequently Refunded by LATTA are taxable for Louisiana state income tax purposes and shall be reported by LATTA to the Account Administrator no later than January 31 of the year following the year the Refund was made, in accordance with applicable tax laws.

### **State Gift Tax**

**122.** For tax years beginning on January 1, 2005, Louisiana provides the same gift tax option provided under federal law and described in the *Federal Gift/Estate Tax* subsection under the *Federal Tax Considerations* section, above.

## **OTHER FEDERAL AND STATE ISSUES**

### **MEDICAID**

**123.** IRC Section 529a allows families to save for the Qualified Disability Expenses of an Eligible Individual without worrying about whether the savings in an account will be counted as an asset for purposes of determining eligibility for federal and state benefits programs such as Medicaid and Social Security.

**124.** The Louisiana ABLE Act provides the Current Value of a LA ABLE Account, and any contributions to

or distributions from a LA ABLÉ Account shall be disregarded for the purpose of determining eligibility to receive, or the amount of, any assistance or benefit authorized to be provided to or for the benefit of a designated beneficiary by a means-tested federal assistance program during any period during which the beneficiary maintains, makes contributions to, or receives distributions from an ABLÉ account.

**125.** As long as the balance in an account does not meet or exceed \$100,000, the funds will not be counted as a resource for purposes of determining eligibility for SSI. In addition, if an account does meet or exceed \$100,000, SSI will only be suspended; it will not be permanently canceled. Once the balance in the account goes below this \$100,000 threshold, the SSI benefits can be reinstated.

**126.** If the Account Owner dies and funds remain in his LA ABLÉ Account, the Account Administrator may request a disbursement to pay any outstanding Qualified Disability Expenses, including funeral expenses. Any amount remaining after all Qualified Disability Expenses are paid is subject to a legal claim by the state in an amount up to “the amount equal to the total medical assistance paid for the designated beneficiary after the establishment of the account, net of any premiums paid from the account or paid by or on behalf of the beneficiary to a Medicaid Buy-In program under any State Medicaid plan established under title XIX of the Social Security Act, shall be distributed to such State upon filing of a claim for payment by such State.” (Internal Revenue Code Section 529a.)

### **BANKRUPTCY AND RELATED MATTERS**

**127.** Federal law expressly excludes certain funds from an individual debtor’s bankruptcy estate (which funds, therefore, will not be available for withdrawal to such individual’s creditors), if the funds are contributed by the debtor to a Qualified ABLÉ Program Account. The bankruptcy protection for these Accounts is limited, however. The funds contributed will be protected if the Account Owner is the individual debtor’s child, stepchild, grandchild, or step grandchild for the taxable year in which the funds were placed in the Account, and only to the extent that such funds (i) are not pledged or promised to any entity in connection with any extension of credit; and (ii) are not Excess Contributions, subject to the following limits: contributions made to an Account more than 720 days before a federal bankruptcy filing are completely protected; contributions made to an Account during the period beginning 365 days through 720 days before a federal bankruptcy filing are protected up to \$6,225 (this amount changes and is typically set every three years by the Judicial Conference of the United States); and contributions made to an Account less than 365 days before a federal bankruptcy filing are not protected against creditor claims in federal bankruptcy

proceedings. Account Owners and Account Administrators, if not the Account Owner, should consult with a tax or investment advisor for more information concerning their circumstances.

### **REFUNDS - TAX CONSEQUENCES**

**128.** In the event an Account Administrator requests a refund of a LA ABLÉ Account, the Account will be terminated, and the moneys Deposited and the interest earned thereon will be Refunded. Earnings may be subject to a ten percent (10%) Federal Additional Tax. The Account Administrator should consult with a qualified tax professional to determine the proper treatment of Refunded funds for state and federal tax purposes.

### **SECURITIES CONSIDERATIONS**

**129.** LATTA has not heretofore requested a “no-action” letter from the U.S. Securities and Exchange Commission. It has not sought a ruling or advisory opinion from the Louisiana Securities Commission as to whether ABLÉ Account Program Participation Agreements constitute securities.

### **TERMINATION OF LA ABLÉ ACCOUNTS**

**130.** The Participation Agreement may be terminated at any time by the Account Administrator. All funds in the LA ABLÉ Account will be Refunded if the LA ABLÉ Account has been open at least twelve (12) months. In the event a LA ABLÉ Account is terminated within twelve (12) months of the date the LA ABLÉ Account was opened, the Refund will be the Current Value of the LA ABLÉ Account on the next business day after the business day the request for termination is received. Refunds from LA ABLÉ Accounts may be less than the total of the original Deposits, less any Disbursements. Earnings that are Refunded may be subject to state and federal income tax penalties. As an alternative to terminating a LA ABLÉ Account, the Account Administrator may substitute a Member of the Family of the Eligible Individual as a new Eligible Individual in accordance with the terms of the Participation Agreement, in which case there would be no tax penalties.

### **TRADE DATE**

**131.** Each transaction (including Deposits, Disbursements, changes in investments, and Refunds) executed on LA ABLÉ Accounts shall be assigned a Trade Date. Investments made by check or automatic bank debit are assigned a Trade Date that provides sufficient time for the check to be negotiated or the automatic bank debit to clear and funds made available for investment.

**132.** For the purposes of the Participation Agreement, the Trade Date is:

- The date that a Deposit is assigned a value in units.
- The date a Disbursement or Refund is assigned a value.
- The date a change in an investment fund is assigned a value.

**133.** Deposits will be assigned a Trade Date based on the method of Deposit and the date of receipt. (Deposits received on weekends and holidays will be considered received on the next business day.)

- Deposits by check and ACH Network (automatic bank debit) will be assigned a Trade Date three (3) business days after the business day during which they were received.
- Deposits made by all other means of electronic funds transfer will be assigned a Trade Date of one (1) business day after the business day during which they were received.

**134.** Disbursements will be assigned a Trade Date of one (1) business day after the business day of receipt of the request.

**135.** Refunds will be assigned a Trade Date of one (1) business day after the business day of receipt of the request.

**136.** For assets currently in a LAABLE Account, requests for a change in and investment fund(s) will be assigned a Trade Date of one (1) business day after the business day of receipt of the request.

## **TRANSFER OF LA ABLE ACCOUNTS**

**137.** A LA ABLE Account is only transferable with the written approval of the LATTA and only to a member of the family of the eligible individual for whom the account was opened. (See the *Refunds* and *Rollover* sections for more information.)

## **THE VANGUARD GROUP**

**138.** The Vanguard Group (**Vanguard**) is under contract to LATTA and the Louisiana State Treasurer to provide investment products for use by the LA ABLE Account Program. The Louisiana State Treasurer determined the funds that are being offered by the ABLE Account Program. Account Administrators select an investment fund and invest in the LA ABLE Account Program, which in turn invests the assets of the LA ABLE Account Program in investment products from among those offered by Vanguard. The investment funds and the underlying investment products may change from time to time, in which case LATTA will notify Account Administrators prior to such changes. LATTA reserves the right to change investment managers upon its determination such

change would be in the best interests of participants in the LA ABLE Account Program.

**139.** Vanguard serves as the investment manager of the Vanguard money market and mutual funds that make up the LA ABLE Account Program investment options. Vanguard, headquartered in Valley Forge, Pennsylvania, is one of the world's largest investment management companies.

**140.** The investment funds offered by the ABLE Account Program include an underlying money market fund and mutual funds managed by Vanguard. Vanguard publishes a prospectus for each of its funds, which discloses the fund's objectives, policies, past performance and risks. If you are interested in a Variable Earnings investment fund, you should read the prospectus for that fund. (See the Appendix C, *Contact Us* below for Vanguard's contact information.)

# APPENDIX A: PARTICIPATION AGREEMENT

## PARTICIPATION AGREEMENT

In return for a LA ABLE Account, I agree, represent and warrant to the Louisiana Tuition Trust Authority (“LATTA”) as set forth below. Each capitalized term used but not defined in this Participation Agreement has the meaning that term has in the Disclosure Booklet.

### A. General:

1. I understand and agree that this Participation Agreement is subject to and incorporates by reference the Disclosure Booklet, the LA ABLE Account Program statutes, and LATTA rules implementing the statutes, as modified from time to time.
  2. I understand that the Louisiana Office of Student Financial Assistance (“LOSFA”) manages the program on a day-to-day basis under the direction of LATTA.
  3. I have received, read and understand the LA ABLE Account Program Disclosure Booklet. I understand that this Participation Agreement shall become effective upon the opening of my LA ABLE Account on the records of LOSFA.
  4. I certify that I am opening a LA ABLE Account to provide funds for the Qualified Disability Expenses of an Eligible Individual.
  5. I understand that pursuant to federal and Louisiana law, any Deposit, or portion of a Deposit, made by me for an Eligible Individual will be rejected and returned to the extent that the amount of the Deposit would cause the total LA ABLE Account balance to exceed the Maximum Allowable Account Balance.
  6. I recognize that the investment of Deposits and of investment returns in a LA ABLE Account involves certain risks and I have taken into consideration and understand the risk factors related to these investments.
  7. I understand that neither I nor the Eligible Individual is, or will be, permitted to exercise any investment direction over my LA ABLE Account other than my allocation of the moneys to a fund or funds selected by the State Treasurer, as provided in the Disclosure Booklet.
  8. I understand and acknowledge that neither Deposits nor investment returns allocated to my LA ABLE Account are guaranteed or insured by any person or entity, including but not limited to, the State of Louisiana, LATTA, LOSFA, the Louisiana State Treasurer, The Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors, or investment managers selected or approved by LATTA or any agents, representatives or successors of the foregoing.
  9. I understand and acknowledge that with respect to each investment fund there is no guarantee or commitment whatsoever from the State of Louisiana, LATTA, LOSFA, the Louisiana State Treasurer or any other person or entity that the Deposits and investment returns in a LA ABLE Account will be sufficient to cover the Qualified Disability Expenses of the Eligible Individual.
  10. I understand that the Louisiana State Treasurer may change the Investment Funds offered by the LA ABLE Account Program from time to time.
  11. (The following sentence is applicable to individuals executing this Participation Agreement in a representative capacity.) I have full power and authority to enter into and perform this Participation Agreement on behalf of the individual named above as Account Owner.
  12. I understand and acknowledge that I have not been advised by the State of Louisiana, LATTA, LOSFA or any other person or entity to invest, or to refrain from investing, in a particular fund.
  13. I understand that I may cancel this Participation Agreement at any time. I understand that this may be accomplished by:
    - a. Requesting a Disbursement of all the funds in the LA ABLE Account, if the amount requested does not exceed the total Qualified Disability Expenses of the Eligible Individual; or
    - b. Submitting a written request for termination of the LA ABLE Account and a Refund (Non-Qualified Distribution), in which case the penalties referenced in paragraph B of this Participation Agreement may apply.
- B. Penalties and Fees. I understand and agree that a Refund from my LA ABLE Account will be subject to:
1. the Federal Additional Tax of ten percent (10%) of the earnings portion of a Non-Qualified Distribution that is payable through the Account Owner’s federal income tax return to the United States Treasury, unless the Refund was made on account of the death of the Eligible Individual if paid to the Eligible Individual’s estate;
  2. federal income tax on earnings;
  3. Louisiana income tax on earnings; and
  4. loss of interest earned, if my LA ABLE Account is terminated within one (1) year of the date it was opened.
- C. I acknowledge that the rate of the Federal Additional Tax and the State tax consequences for Refunds may change.
- D. I acknowledge and agree that the LA ABLE Account may be subject to other fees, charges or penalties in the future, if imposed by LATTA.
- E. Necessity of Qualification. I understand that the LA ABLE Account Program is intended to be a Qualified ABLE Program under IRC Section 529a and to achieve favorable State tax treatment under Louisiana law. I agree that LATTA may make changes to the LA ABLE Account Program and this Participation Agreement at any time if it is determined that such changes are necessary

for the continuation of the federal income tax treatment provided by IRC Section 529a or the favorable State tax treatment provided by Louisiana law, or any similar successor legislation.

- F. Rules and Regulations. The LA ABLE Account and this Participation Agreement are subject to future changes to the Disclosure Booklet and to such rules and regulations as LATTA may promulgate in accordance with State law.
- G. Indemnity. I understand that the establishment of a LA ABLE Account will be based upon my agreements, representations and warranties set forth in this Participation Agreement. I agree to indemnify and hold harmless the State of Louisiana, LATTA, LOSFA, The Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors or investment managers selected or approved by LATTA, and any agents, representatives, or successors of any of the foregoing, from and against any and all loss, damage, liability or expense, including reasonable attorney's fees, that any of them may incur by reason of, or in connection with, any misstatement or misrepresentation made by me on the Account Application or otherwise with respect to a LA ABLE Account, and any breach by me of any of the agreements, representations or warranties contained in this Participation Agreement. All of my agreements, representations and warranties shall survive the termination of this Participation Agreement.
- H. Binding Nature; Third-Party Beneficiaries. This Participation Agreement shall survive my death and shall be binding upon a successor Account Administrator, my personal representatives, heirs, successors and assigns. The Program Managers are third-party beneficiaries of my agreements, representations and warranties in this Participation Agreement.
- I. Amendment and Termination. At any time, and from time to time, LATTA may amend this Participation Agreement or the Disclosure Booklet, or the LA ABLE Account Program may be suspended or terminated, but except as permissible under applicable law, the LA ABLE Account may not thereby be diverted from the exclusive benefit of the Eligible Individual or from my control.
- J. Governing Law and Venue for Disputes. This Participation Agreement is governed by Louisiana law and any action arising under this Agreement shall be brought in the Parish of East Baton Rouge, State of Louisiana.

## **APPENDIX B: GLOSSARY**

**Account Application and Participation Agreement** or **Participation Agreement** is the agreement for program participation that the Account Administrator completes and signs. It incorporates, by reference, LSA-R.S. 17:3081 *et seq.*, and the rules promulgated by LATTa to implement these statutory provisions, any other state or federal laws applicable to the agreement and all of the terms and conditions of this LA ABLE Account Program Disclosure Booklet.

**Account Administrator** or **you** refers to the person(s) who is completes the LA ABLE Account Program Account Application, whether on his own behalf or on behalf of an Eligible Individual.

**Act** is the Louisiana ABLE Account Program in LSA-R.S. 17:3081 *et seq.*

**Additional Federal Tax** is a federal surtax required by the Internal Revenue Code that is equal to ten percent (10%) of the earnings portion of a Refund, unless an exception applies (See definition of *Refund*, below).

**Eligible Individual** is a person who, for a given tax year, meets one of the following requirements:

- the individual is entitled to benefits based on blindness or disability under title II or XVI of the Social Security Act, and such blindness or disability occurred before the date on which the individual attained age 26; or
- a disability certification with respect to such individual is filed with the secretary for such taxable year.

**Code** or **IRC**: Internal Revenue Code of 1986, as amended. There are references to various Sections of the Code throughout this Disclosure Booklet, including IRC Section 529a as it currently exists and as it may subsequently be amended, and regulations adopted under it.

**Current Value** means the value of a LA ABLE Account at a given point in time. The Current Value includes the number of units in the investment fund purchased multiplied by the current value of each unit. This value may be more or less than the amount originally Deposited.

**Deposit** refers to a contribution of U.S. currency to a LA ABLE Account.

**Disbursement** refers to a distribution from an IRC Section 529a Qualified ABLE Program used to pay the Qualified Disability Expenses of a designated Eligible Individual.

**False or Misleading Information** is a statement or response made by a person which is knowingly false or misleading, and made for the purpose of establishing a program account and/or receiving benefits to which the person would not otherwise be entitled.

**Louisiana Tuition Trust Authority (LATTa)** is the statutory body responsible for administration of the LA ABLE Account Program.

**Louisiana Office of Student Financial Assistance (LOSFA), a Program under the Louisiana Board of Regents**, is the agency of state government responsible for the day-to-day administration of the LA ABLE Account Program under the direction of LATTa.

**Louisiana Resident** is any person who resided in the State of Louisiana on the date of the application and who has manifested intent to remain in the state by establishing Louisiana as legal domicile, as demonstrated by compliance with all of the following:

- If registered to vote, is registered to vote in Louisiana;
- If licensed to drive a motor vehicle, is in possession of a Louisiana driver's license;
- If owning a motor vehicle located within Louisiana, is in possession of a Louisiana registration for that vehicle;
- If earning an income, has complied with state income tax laws and regulations.

A member of the Armed Forces stationed outside of Louisiana, who claims Louisiana on his/her official DD Form 2058 as his/her "legal residence" for tax purposes, and is in compliance with state income tax laws and regulations shall be considered eligible for program participation. A member of the Armed Forces stationed in Louisiana under permanent change of station orders shall be considered eligible for program participation.

Persons less than twenty-one (21) years of age are considered Louisiana Residents if they reside with and are dependent upon one or more persons who meet the above requirements.

**Maximum Allowable Account Balance** is \$500,000.00. Once the Current Value of a LA ABLE Account equals or exceeds the Maximum Allowable Account Balance, principal Deposits will no longer be accepted for the LA ABLE ACCOUNT.

**Member of the Family** is an individual who is the brother, sister, stepbrother, stepsister, half-brother, or half-sister to the Eligible Individual, including an adopted brother, sister, stepbrother, stepsister, half-brother, or half-sister

**Mutual Fund** or **Funds** refer to the mutual funds of The Vanguard Group. (See the *Investments* section, above, for more detailed descriptions.)

**Natural Person** means a human being.

**Non-Qualified Distribution** refers to any distribution that is not a Qualified Distribution and is in most cases considered

taxable. A Non-Qualified Distribution is also referred to as a Refund. See the definition of *Refund*, below.

**Person** is a human being.

**Qualified Distribution** is a distribution that is used to pay the Qualified Disability Expenses of the Eligible Individual. A Qualified Distribution is also referred to in this Disclosure Booklet as a *Disbursement*.

**Qualified Disability Expenses** are expenses that relate to the blindness or disability of the designated beneficiary in maintaining or improving his or her health, independence, or quality of life. QDEs may, but need not, benefit only the disabled individual. QDEs include, but are not limited to, expenses related to the beneficiary's:

- a. education;
- b. housing;
- c. transportation;
- d. employment training and support;
- e. assistive technology and related services;
- f. personal support services;
- g. health, prevention, and wellness;
- h. financial management and administrative services;
- i. legal fees;
- j. expenses for oversight and monitoring; funeral and burial expenses; and
- k. other expenses which may be identified by the Internal Revenue Service.

**Qualified ABLE Program** is a program that meets the requirements of Section 529a of the Internal Revenue Code.

**Refund** refers to any distribution from a LA ABLE Account that is not a Qualified Distribution.

**Refund Recipient** is the person designated by the Account Administrator in the ABLE Account Program Account Application or by operation of law to receive refunds from the LA ABLE Account. The Refund Recipient can only be the Account Owner, his heirs, or his estate.

**Rollover** refers to any transfer of funds that involves a change in Eligible Individual and is (i) between LA ABLE Accounts, (ii) from an account established in another state's Qualified ABLE Program to a LA ABLE Account, or (iii) from a LA ABLE Account to an account in another state's Qualified ABLE Program; provided that, in the case of a Rollover involving an account in another state's Qualified ABLE Program, as described in (ii) and (iii) above, the Rollover need not involve a change in Eligible Individual, as long as the Rollover does not occur within twelve (12) months from the date of a previous Rollover from any Qualified ABLE Program to any other Qualified ABLE Program for the same Eligible Individual. If the Rollover involves a change in Eligible Individual, the new Eligible Individual must be a Member of the Family of the replaced Eligible Individual.

**Trade Date** is the date that a Deposit is assigned a value in units or the date a Disbursement or Refund is assigned a value or the date a change in fund is assigned a value, whichever is applicable.

## **APPENDIX C: CONTACT US**

If you have any questions concerning the ABLÉ Account Program or this Disclosure Booklet, or to obtain an ABLÉ Account Program Account Application, please contact the ABLÉ Account Program at one of the following:

### **The ABLÉ Account Program**

Web site: <http://www.able.osfa.la.gov>  
Telephone: 800-259-5626  
E-mail: LAABLE@la.gov  
U. S. Mail: ABLÉ Account Program  
Louisiana Office of Student Financial Assistance  
Post Office Box 91271  
Baton Rouge, LA 70821-9271  
Overnight Mail: ABLÉ Account Program  
Louisiana Office of Student Financial Assistance  
602 North Fifth Street  
Baton Rouge, LA 70802

### **The Vanguard Group**

To obtain a prospectus for the underlying investments in a Variable Earnings investment fund, contact The Vanguard Group.

**DO NOT SEND ANY DOCUMENTS OR DEPOSITS TO THE VANGUARD GROUP.**

Web site: [www.vanguard.com](http://www.vanguard.com)  
U. S. Mail: The Vanguard Group  
Post Office Box 1110  
Valley Forge, PA 19482-1110



## **APPENDIX D: PROGRAM FEE DISCLOSURE**

(As of April 19, 2017 - Fees/costs are subject to change at any time.)

**TABLE 1 - FEES**

Investment	Ticker Symbol	Investment Distribution	Annual Asset-Based Fees						Additional Investor Expenses	
			Underlying Fund Expenses <sup>1</sup>	Program Manager Fee	State Fee	Misc. Fees	Annual Distribution Fee	Total Annual Asset-Based Fees	Maximum Initial Sales Charge	Annual Account Maintenance Fee
<b>Short Term Liquidity</b>										
Vanguard Federal Money Market Fund	VMFXX	100%	0.11% 12/23/16	0%	0%	0%	0%	0%	\$0.00	\$0.00
<b>Short to Intermediate Term Income</b>										
Vanguard Short-Term Bond Index Fund Admiral Shares	VBIRX	100%	0.07% (4/26/17)	0%	0%	0%	0%	0.14%	\$0.00	\$0.00
Vanguard Intermediate-Term Bond Index Fund Admiral Shares	VBILX	100%	0.07% (4/26/17)	0%	0%	0%	0%	0.13%	\$0.00	\$0.00
<b>Long Term Investment</b>										
Vanguard LifeStrategy Growth Fund	VASGX	100%	0.15% (2/23/17)	0%	0%	0%	0%	0.15%	\$0.00	\$0.00
Vanguard LifeStrategy Moderate Growth Fund	VSMGX	100%	0.14% (2/23/17)	0%	0%	0%	0%	0.14%	\$0.00	\$0.00
Vanguard LifeStrategy Conservative Growth Fund	VSCGX	100%	0.13% (2/23/17)	0%	0%	0%	0%	0.13%	\$0.00	\$0.00
Vanguard LifeStrategy Income Fund	VASIX	100%	0.12% (2/23/17)	0%	0%	0%	0%	0%	\$0.00	\$0.00

<sup>1</sup> The "Underlying Fund Expenses" are not charged directly to ABLE Accounts; however, the fee is deducted from the total funds invested in this equity investment and reduces the value of the ABLE Program units owned by the Account Owner.

## Approximate Cost of \$10,000 Investment:

The ABLE Program does not charge an Account Owner any fees for opening or maintaining an ABLE Account. The State of Louisiana and LOSFA, through funds generated by administering the federal student loan program for Louisiana, pay most of the costs of the ABLE Program; however, the investment management fees charged by The Vanguard Group for the program's investments in Vanguard mutual funds are deducted from the total funds invested in a specific mutual fund thereby reducing the total funds invested in that mutual fund and reducing the value of the ABLE Program units owned by the Account Owner.

Table 2, below, compares the approximate cost of investment management fees to the ABLE Program over different periods of time. The actual cost may be higher or lower. The table is based on the following assumptions:

- A \$10,000 investment for the time periods shown.
- A 5% annually compounded rate of return on the amount invested throughout the period.
- The investment management fee is prorated by 365 days and deducted on a daily basis based on the value of the total amount invested in the fund. (Example: The investment management fee for the Vanguard Federal Money Market Index Fund is 0.11% that is prorated by 365 days to be 0.0003014% per day).
- All units are disbursed at the end of the period shown for payment of qualified expenses. (The table does not consider the impact of any potential state or federal taxes on a partial or total redemption of the amount invested.)
- Total annual asset-based fees remain the same as those shown in Table 1.
- There is no annual maintenance fee.

**TABLE 2 - PURCHASE AND INVESTMENT MANAGEMENT FEES BASED ON A \$10,000 INVESTMENT**

Investment Funds	Ticker Symbol	Investment Distribution	One Time Purchase Fee	One Year	Three Years	Five Years	Ten Years
<b>Short Term Liquidity</b>							
Vanguard Federal Money Market Fund	VMFXX	100%	\$0	\$11.27	\$35.49	\$62.13	\$141.01
<b>Short to Intermediate Term Income</b>							
Vanguard Short-Term Bond Index Fund Admiral Shares	VBIRX	100%	\$0	\$7.17	\$22.60	\$39.58	\$89.92
Vanguard Intermediate-Term Bond Index Fund Admiral Shares	VBILX	100%	\$0	\$7.17	\$22.60	\$39.58	\$89.92
<b>Long Term Investment</b>							
Vanguard LifeStrategy Growth Fund	VASGX	100%	\$0	\$15.36	\$48.36	\$84.64	\$191.90
Vanguard LifeStrategy Moderate Growth Fund	VSMGX	100%	\$0	\$14.34	\$45.15	\$79.02	\$179.20
Vanguard LifeStrategy Conservative Growth Fund	VSCGX	100%	\$0	\$13.32	\$41.93	\$73.39	\$166.48
Vanguard LifeStrategy Income Fund	VASIX	100%	\$0	\$12.29	\$38.71	\$67.76	\$153.75

**TABLE 3 - SALES CHARGES:**

START Savings Program Amount Invested	Up-Front Sales Charge Percent	B Units sold within Year	Deferred Sales Charge
Any Amount	0%	Any Number	0%

**There are no deferred sales charges on ABLE Accounts.**

**TABLE 4 - POSSIBLE ADDITIONAL FEES:**

	Percent	Dollars
Application Fee	0%	\$0
Cancellation Fee	0%	\$0
Change in Beneficiary	0%	\$0
Change in Investments	0%	\$0
Other Charges	0%	\$0

**There are no additional fees or expenses deducted from each ABLE Account or paid directly by the investor**

## APPENDIX E: PERFORMANCE CHARTS

### TABLE 5 - AVERAGE ANNUAL RETURNS

As of March 31, 2017<sup>1, 2</sup>

Vanguard Funds <sup>1,2</sup>	1 Year	3 Year	5 Year	10 Year	Since Inception (Inception Date)	Annual Total Return 2016
Vanguard LifeStrategy Income Fund (VASIX)	3.65%	3.75%	4.12%	4.16%	6.30% (9-30-1994)	4.58%
Vanguard LifeStrategy Conservative Growth Fund (VSCGX)	6.80%	4.60%	5.74%	4.55%	6.92% (9-30-1994)	5.96%
Vanguard LifeStrategy Moderate Growth Fund (VSMGX)	9.93%	5.34%	7.31%	4.98%	7.60% (9-30-1994)	7.13%
Vanguard LifeStrategy Growth Fund (VASGX)	13.08%	5.99%	8.81%	5.06%	7.98% (9-30-1994)	8.33%
Vanguard Federal Money Market Fund (VMFXX)	0.36%	0.16%	0.10%	0.72%	4.33% (7-13-1981)	0.30%
Vanguard Short-Term Bond Index Fund, Admiral Shares (VBIRX)	0.38%	1.25%	1.18%	2.89%	3.00% (11-12-2001)	1.49%
Vanguard Intermediate-Term Bond Index Fund, Admiral Shares (VBILX)	0.08%	3.24%	2.98%	5.34%	5.18% (11-12-2001)	2.83%

<sup>1</sup> Updated performance information is available online at [www.able.osfa.la.gov](http://www.able.osfa.la.gov).

<sup>2</sup> The performance data shown represents past performance. Past performance is not a guarantee of future results. Investment returns and principal value will fluctuate, so that investors' units (shares), when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited.