

529 PLANS FOR STUDENTS OF ALL AGES

2011



AGENDA

- Financial issues facing non-traditional students
- Saving versus borrowing
- College savings methods
- Basics of 529 plans
- Ways to save more
- Saving in the workplace
- Q&A



THE NUMBERS TELL THE STORY

\$51,070

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The difference in median income for families headed by someone with a bachelor's or higher degree vs. a high school graduate.

Source: College Board Trends in College Pricing 2010

THE NUMBERS TELL THE STORY

\$1.7 billion

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\$1.7 billion

Amount earmarked for adult employment services, including training, in the federal stimulus bill

Source: USA Today, 4/8/2009

THE NUMBERS TELL THE STORY

8.4 million

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8.4 million

Number of students 25 and older who'll be enrolled in post-secondary institutions in 2018 (estimate)

Source: Projections of Education Statistics to 2010, National Center for Education Statistics, 3/09.

THE NUMBERS TELL THE STORY

\$2,713

\$7,605

\$27,293

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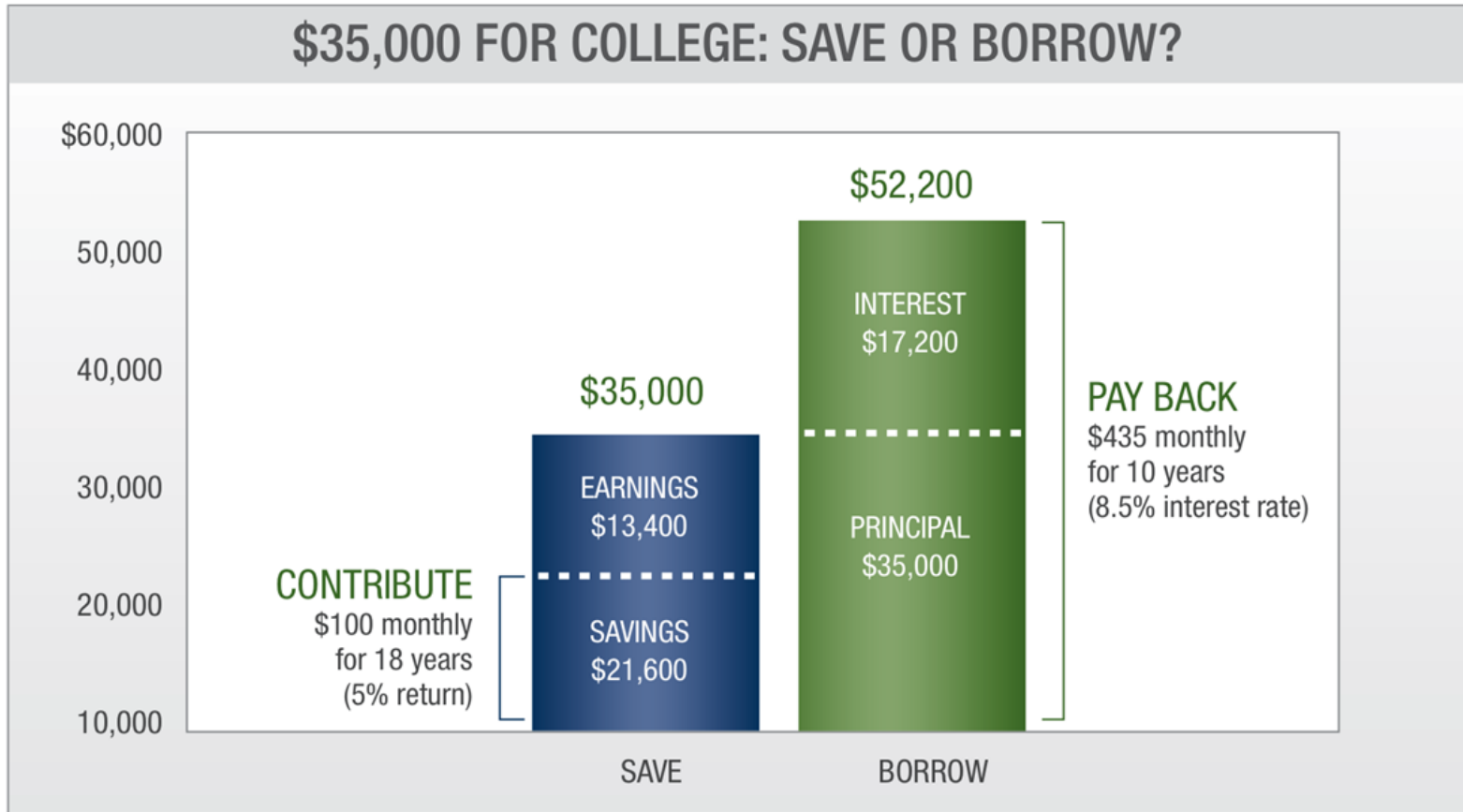
Tuition and fees: Public Two-Year Public, Public Four-Year In-State, and Private Nonprofit Four-Year.

Source: College Board Trends in College Pricing 2010

FINANCIAL ISSUES FACING NON-TRADITIONAL STUDENTS

- Fewer avenues for financial aid
 - For instance, Pell grant is just available for first degree — not useful for re-training
 - Part-time versus full-time
- Shorter savings window
- Other financial commitments (family, housing, etc.)

SAVING VS. BORROWING



This hypothetical example is for illustrative purposes only and assumes no withdrawals made during the period shown. It does not represent an actual investment in any particular 529 plan and does not reflect the effect of fees and expenses or any taxes payable upon withdrawal. Your actual investment return may be higher or lower than that shown. The loan repayment terms are also hypothetical. Loan rates and monthly payments may be higher or lower than those shown.

COLLEGE SAVINGS OPTIONS: A COMPARISON

	529 plans	Coverdell Education Savings Account	UGMA/UTMA
Income limitations	None	Yes, certain adjusted gross income limits apply	None
Maximum investment	Established by the program; usually around \$300,000	\$2000/year	No limit
Federal tax treatment	Non-deductible contributions; earnings grow tax deferred while they remain in the account Tax-free withdrawals for qualified expenses*	Non-deductible contributions; earnings grow tax deferred while they remain in the account Tax-free withdrawals for qualified expenses*	Income and capital gains taxed to minor**
Investment options	Ready-made portfolios of securities	Range of securities	Range of securities
State tax-deductible contribution	Varies by state	No	No
Accelerated gifting	Yes (\$65,000, single or \$130,000, married)***	No	No

* Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

** The first \$950 of a child's unearned income is tax exempt; the next \$950 is taxed at the child's rate; \$1,900+ is generally taxed at the parents' rate if the child is under 18 or a full-time student under age 24. If a child is 19 or older at the end of the tax year and is not a full-time student, all investment income is taxed at the child's rate.

*** In the event the contributor does not survive the 5-year period, a pro-rated amount will revert to the contributor's taxable income.

Overview of 529 plans



WHAT IS A 529 COLLEGE SAVINGS PLAN?

- A program designed to help families meet the rising cost of higher education
 - Named after Section 529 of the Internal Revenue Code
 - Generally sponsored by individual states
 - Flexible, convenient, simple to establish and maintain
 - Federal (and often state) tax advantages
 - Professionally managed investments
 - Estate-planning and gift-tax advantages

TYPES OF 529 PLANS

- **Direct-sold:** Sold directly to the public
 - No income requirements
 - Generally, no residency requirement
 - Assets can be used at any eligible institution of higher education
- **Advisor-sold:** Sold through financial advisors
 - Incorporates college savings into family's overall financial plan
 - Same tax advantages as a direct-sold plan
 - Advisor can help select investment strategies for the account

USING A 529 PLAN ACCOUNT

- Can be used at any eligible institution of higher learning in the U.S. and abroad
 - 2- and 4-year colleges, graduate schools (including business, medical, and law), and technical/vocational schools
 - Eligibility based on whether the institution is eligible for federal financial aid programs
- Qualified withdrawals for higher education are tax free*
 - Can be used for tuition, fees, certain room and board costs, books, supplies, and equipment
 - Part-time students can use assets for these expenses (except for room and board)

* Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

OWNER/BENEFICIARY STRUCTURE

Account owner

- Can be parent, grandparent, relative, friend — no relationship required
- Retains control of how — and when — the money is used (versus Coverdell or UGMA/UTMA, where beneficiary assumes control at certain age)
- Can change the beneficiary to another “member of the family”*
- Owns the account, but typically anyone can contribute to it

Beneficiary

- Student for whose benefit the account is established
- No family relationship required between the account owner and beneficiary
- Can be the account owner him/herself, opening an account for continuing education and career retraining

* May be considered a taxable event if the new beneficiary is not a member of the family of the previous beneficiary.
Read a Plan’s Program Description for definition of “member of the family.”

FEDERAL AND STATE TAX BENEFITS

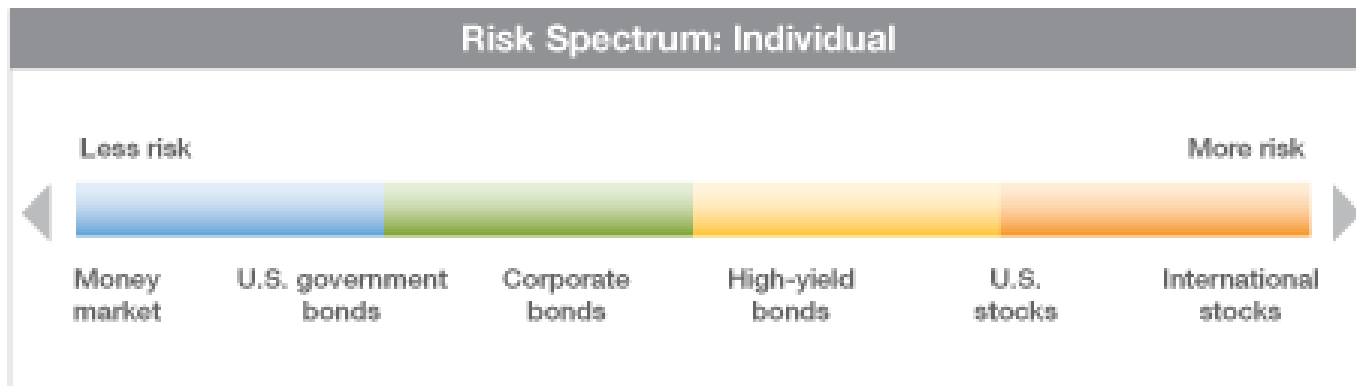
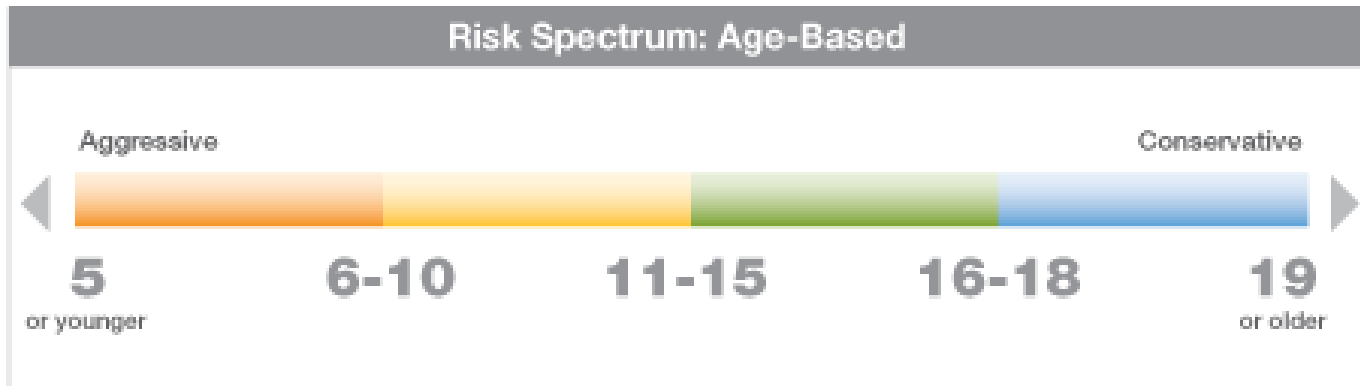
- Earnings grow tax deferred until withdrawn
- Qualified withdrawals are tax free*
- Some states offer benefits to resident taxpayers
 - For contributions to state's own plan (for residents)
 - "Tax parity": Benefit for contributions to any 529 plan
 - Prospective account owners asked to: "consider, before investing, whether your or your designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program"

* Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

529 PLAN INVESTMENTS

- Professionally managed
- Portfolios are comprised of municipal securities (with underlying investments, such as mutual funds, exchange traded funds, or short-term reserves)
- Most plans offer a range of investments for different risk tolerances, financial goals, and time horizons
- Generally two types of investment portfolios:
 - **Age-based options:** Pre-determined portfolios in which assets shift automatically to more conservative holdings as the student nears college age
 - **Individual portfolios:** Allow account owners to select fixed objective portfolios

ASSET ALLOCATION: BY AGE OR RISK TOLERANCE



Both spectrums are hypothetical and for discussion only.

IF YOU DON'T USE THE ASSETS

- If you don't attend college, you (as the account owner) can:
 - Leave the money in the account until a later date
 - Change the beneficiary to a "member of the family" (as per the Plan)*
 - Make a non-qualified withdrawal**
- Withdrawals due to death, disability, scholarship, or attendance at a U.S. military academy
 - Subject to federal income tax on earnings, but not the 10% federal penalty

* May be considered a taxable event if the new beneficiary is not a member of the family of the previous beneficiary. Read a Plan's Program Description for definition of "member of the family."

** Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

IMPACT OF A 529 ON FINANCIAL AID

- 529 plan assets are counted at different rates for the Expected Family Contribution (EFC) in the FAFSA formula. As of July 1, 2009:
 - If the student is a **dependent**, a 529 plan account is considered as the parent's asset (if the account owner is the parent or the dependent student). As a result, it will generally be counted at a rate of only 3-6% of its value for the EFC.
 - If the student is **not a dependent and is the account owner**, the 529 plan account is treated as the student's asset and is generally factored into the EFC at the higher rate of 20%.
- In other cases, the account does not count as an asset for federal financial aid purposes. (However, a student may have to report distributions received from the account as income for these purposes.)

* Financial aid programs offered by educational institutions and other non-federal sources may have their own guidelines for the treatment of 529 plan accounts. For complete information about financial aid eligibility, you should consult with a financial aid professional and/or the state or educational institution offering a particular financial aid program, since rules and regulations often change.

WAYS TO SAVE MORE FOR COLLEGE



UGIFT®: PUT COLLEGE SAVINGS ON THE WISH LIST

- Easy way to invite family and friends to celebrate with a gift contribution to a 529 plan account
- Account owner fills out online form, together with email addresses; email is sent out with specially coded gift coupon linked to the account
- Perfect for birthdays, holidays, graduations, and other events
- Thousands have used Ugift — with over \$10 million received in gifts*



1

Suggest a 529 gift contribution to family and friends



2

They send a contribution



3

Those gifts are invested

* as of 8/27/10.

UPROMISE[®]: EARN MONEY FOR COLLEGE



You can:

1. Join Upromise for free at www.upromise.com
2. Get money back for college with Upromise when dining, shopping online, buying groceries, filling the gas tank, booking travel, and more
3. Link your Upromise account to your Upromise Investments-administered 529 plan account
4. Have your earnings automatically transferred to the linked 529 account on a periodic basis (subject to a minimum)

Hundreds of leading companies can help you save for college



* Upromise is an optional service offered by Upromise, Inc., is separate from the participating 529 plan, and is not affiliated with the 529 plan's home state. Specific terms and conditions apply. Participating companies, contribution levels and conditions subject to change without notice. Transfers subject to a minimum amount. Upromise, Inc. is affiliated with Upromise Investments, Inc. and Sallie Mae.

UPROMISE[®]: EARNINGS CAN ADD UP



Hypothetical example:

John uses Upromise partners to buy and fix up his new home:

	Cost	Potential earnings
Purchasing a house (realtor)	\$200,000	\$660
Mortgage	\$150,000	\$250
Rental truck	\$250	\$10
Appliances from home improvement retailer	\$1,000	\$20
Total Potential Upromise earnings		\$940

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SAVING FOR COLLEGE AT THE WORKPLACE



529s AT A 9 TO 5

**“More small companies are turning to voluntary benefits as a low-cost way to bolster a business and empower employees.”
- Entrepreneur.com, 4/22/09**

- Excellent way to help workers save for their retraining or career advancement
- Survey of 833 companies by IFEBP (Intl Foundation of Employee Benefit Plans) in 2009:*
 - 84% offered voluntary benefits
 - 5% planned to offer voluntary benefits
 - 78% believed offering voluntary benefits only slightly or moderately increases administrative costs
 - 21% offered a 529 college savings plan

*Source: Stephen Miller, “Voluntary Benefits Poised to Increase,” October 2009, shrm.org.

SAVING FOR COLLEGE AT WORK

Payroll direct deposit:

- Helps you save for one of your most important investments — a college education
- Makes saving for college easier and more convenient
- Is a complementary benefit to existing tuition benefits, such as reimbursement and repayment
- Allows you to continue to contribute on your own after employment ends — the account goes with you, not with the employer

LEARN MORE: 529.COM

Parents Grandparents Family & Friends Employers Financial Advisors Guidance Counselors [Open an Account Online](#)

529.com

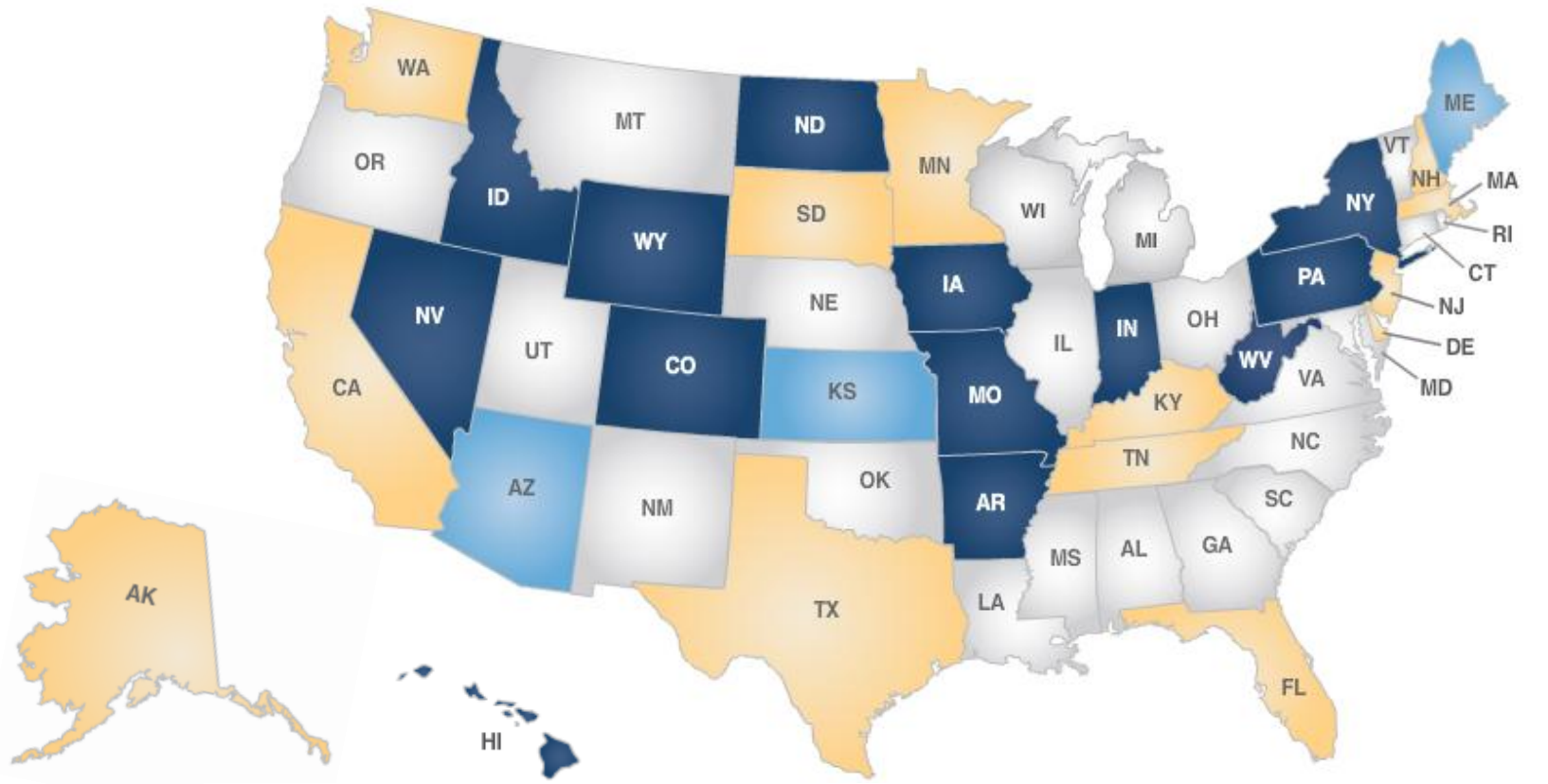
A 529 plan is one of the most flexible ways to save for college, featuring tax benefits, account control, and professional investment management.

- THE BENEFIT OF TAX-DEFERRED EARNINGS
- AT-A-GLANCE COMPARISON OF COLLEGE SAVINGS METHODS
- QUESTIONS AND ANSWERS

LOOK FORWARD

What is a 529 plan?	How can it help me save for college?	What kind of plans are available?	How do I choose a plan?
IMPROVING ACCESS TO EDUCATION Read about major issues at play around saving for higher education and 529 plans, straight from the minds of experts in finance, state government, financial aid, and higher education. Download Whitepaper.	UGIFT® Invite family & friends to celebrate with contributions to a 529 plan account. Learn More.	529 UNIVERSITY How much do you know about 529 plans? Take this quiz to find out. Learn More.	

INFO ON 529 PLANS — NO MATTER WHERE YOU LIVE



State tax status as of 3/31/10. The information provided is not intended to constitute, nor does it constitute, legal or tax advice. This content was developed to support the marketing of 529.com and cannot be relied upon for purposes of avoiding the payment of federal tax penalties. You should consult your legal or tax advisor about the impact of these rules on your individual situation.

- Upromise Investments administers a 529 plan in this state. Roll over to see if the state offers special tax incentives to residents.
Note: Kansas, Nebraska and Montana added in 2010
- This state's 529 plan does not offer special tax incentives to residents.
- This state offers special tax incentives to residents who invest in any 529 plan.
- This state's 529 plan offers special tax incentives to residents.

ADDITIONAL RESOURCES



LEARN MORE

Other resources

- www.529.com
- www.salliemae.com
- www.savingforcollege.com
- www.upromise.com
- www.collegesavings.org

SUMMARY

- Students of all ages need to put a plan in place to save for higher education
- 529 plans offer tax-advantages, flexibility, ease-of-use, and control
- Almost anyone can open a 529 plan for their children, grandchildren, nieces/nephews, or even themselves
- Non-traditional students (including employees going back for retraining at an eligible institution) can take advantage of a 529 plan's benefits
- Students should look for programs that help you earn even more and not go it alone. They should ask for help from family and friends — explore your entire social network

Q&A



Before investing in any 529 plan, you should consider whether your or the designated beneficiary's home state offers a 529 plan that provides its taxpayers with state tax and other benefits that are only available through the home state's 529 plan. You also should consult your financial, tax, or other advisor to learn more about how state-based benefits (or any limitations) would apply to your specific circumstances. You also may wish to contact directly your home state's 529 plan(s), or any other 529 college savings plan, to learn more about those plans' features, benefits and limitations. Keep in mind that state-based benefits should be one of many appropriately weighted factors to be considered when making an investment decision.

Investment objectives, risks, charges, expenses, and other important information are included in a 529 college savings plan's offering statement; read and consider it carefully before investing.

When you invest in a 529 college savings plan you are purchasing municipal securities whose value will vary with market conditions. Investment returns are not guaranteed, and you could lose money by investing in a 529 college savings plan. Account owners assume all investment risks as well as responsibility for any federal and state tax consequences.

Please note that Upromise Investments, Inc. nor any of its affiliates provide tax advice. Please note that (i) any discussion of U.S. tax matters contained in this communication cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the promotion or marketing of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.