

Where can I find more information?

- Visit the College Savings Plans Network online at www.collegesavings.org or contact them at cspn@csg.org for more information on savings plans.
- Visit www.savingforcollege.com for an objective source about 529 plans.
- For Massachusetts savings plans, visit the Massachusetts Educational Financing Authority website at www.mefa.org to learn about the prepaid tuition program (the U.Plan) and the tax-advantaged 529 savings/investment program (U.Fund).
- Go to www.finra.org/investors/investmentchoices and read the section on College Savings Plans.

FOR MORE INFORMATION CONTACT:



WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MA 02108
1-800-269-5428
WWW.SEC.STATE.MA.US/SCT

What You Need to Know

529 College Savings Plans

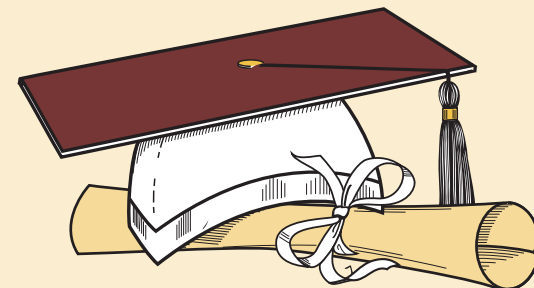


William Francis Galvin
Secretary of the Commonwealth
Securities Division

WHAT YOU NEED TO KNOW ABOUT 529 COLLEGE SAVINGS PLANS

Saving for a college education is a long-term investment that should begin as early as possible.

Federal and state lawmakers have set up qualified tuition programs, known as 529 plans, to make it easier to plan for higher education expenses. These programs offer tax incentives to assist families in financing the future education of their children and grandchildren. There is no one savings plan that suits everyone's needs so it is essential to know your options before you invest.



What are 529 Plans?

529 plans, named after the section of the tax code that governs them, are education savings plans that help families save for college. Contributions to 529 plans grow tax-free, and withdrawals for higher education expenses are exempt from federal income taxes. There are two types of 529 plans: prepaid tuition plans and college savings plans. Every state offers at least one of these.

- A prepaid tuition plan allows people to create an account at eligible public and private colleges and universities that locks in the tuition costs at today's prices. For example, if you invest in four years' worth of tuition today, this amount will always be worth four years of tuition, even in a few years when tuition rates may be higher.
- A college savings plan allows people to contribute to an account for higher education expenses, including tuition, room and board, books and fees. The contributions grow federally tax-free in the investment account. The rate of return provided by college savings plans depends on the performance of the underlying investments. Therefore, college savings accounts carry investment risk, meaning that market conditions will determine whether the value of the account increases or decreases. Most states offer more than one portfolio option, with varying levels of risk.

Important Points

- Begin saving for college as early as you can.
- Educate yourself—compare 529 plans so that you can find the best one to fit your needs. Don't hesitate to ask questions.
- Be aware of state tax breaks as well as fees and expenses.
- Ask about commission and sale costs when consulting with a financial advisor.
- Verify that the advisor does not have a relationship with a specific plan the advisor is recommending.
- Always double check financial advice by doing your own research.

Do 529 plans vary from state to state?

Yes, each state offers plans with different investment options, restrictions and fees. You may invest in a 529 plan from any state. You are not restricted to the plan sponsored by your home state. Some states offer tax incentives for their residents. To check specific tax advantages and other in-state plan incentives, visit the College Savings Plan Network at www.collegesavings.org

How are college savings plans sold to investors?

There are two ways college savings plans are sold to investors. The first is through a financial advisor, brokerage firm, or bank. The second is directly from the state-sponsored plan. Be sure to inquire about the commissions and sale fees when dealing with an advisor or broker. Ask if the advisor has a relationship with the plan the advisor is recommending.

Checklist for Selecting a 529 Plan

Use these questions to compare different 529 plans.

- Who is able to open the account?
- Are there any minimum contribution requirements for the plan?
- What investment options are available with this plan?
- What are the risks associated with the investment options?
- What is the plan's refund policy?
- Does my state offer any tax advantages for contributions or withdrawals?
- How much will I pay in fees and expenses?
- Do the fees and expenses outweigh any tax savings I may receive?
- What customer services does the plan provide?