



FINANCIAL SERVICES
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Four Advantages of 529 College Savings Plans: What Every Family Should Know

If you're interested in saving for a child's college education, you have a wide variety of products to choose from. Most financial experts agree that state-sponsored 529 college savings plans are among the best education savings products. With many 529 plans, you can invest contributions in preset portfolios geared to the child's age and time he or she is expected to start college. The accumulated savings can be used at most accredited colleges and universities in the United States and at many colleges abroad. (Note that returns for 529 plan accounts are not guaranteed and that you could lose money on your investment.)

Every state offers a college savings plan, although the different state plans can vary in important respects. However, 529 college savings plans share four key advantages:

1. Federal tax-free investment income. Earnings in 529 plans have the opportunity to grow tax deferred and withdrawals are federal income tax free, provided the money is used for qualified educational expenses such as tuition, fees, books, supplies and eligible room and board costs. Note, however, that any funds withdrawn for nonqualified purposes are subject to federal and state income tax and an additional 10% federal penalty tax.

2. State income tax benefits. Many states offer their residents a state income tax deduction for contributions to their plans as well as state income tax-free withdrawals for qualified expenses. Although you can open a 529 account in a state other than the one you live in, consider the tax advantages your home state's plan offers before investigating other plans.

3. Control. With 529 plan accounts, the donor retains control of the funds and can decide when to take withdrawals. Also, if the state's plan permits, 529 plan account owners can change the investment option every year. You may also roll over your account to a different state's 529 plan program, as long as no such rollover for the account's beneficiary has occurred over the previous 12 months. (Consult with your tax advisor before switching to or rolling over into another 529 plan.)

4. Ease of use. Anyone can open a 529 plan account, and it's easy to do. Once you've selected a state plan and completed the necessary paperwork, you make your contribution; typically, you can also choose to make automatic deposits into your account. Because many 529

plan programs provide preset portfolios, you may not have to decide how to invest the money you contribute — the plan's assets are professionally managed either by an investment company hired by the state, or by the state treasurer's office. (There are inherent risks in investing in securities. Past performance is no guarantee of future results. In addition, investment return and principal value will fluctuate so your accumulation, when redeemed, may be worth more or less than the original cost.)

If you think a 529 plan might be a good option for your college savings goal, note that fees and expenses can vary considerably from plan to plan. The investment options also differ among plans. Be aware that *advisor-sold plans* — in which you select a plan based on the advice you receive from an investment advisor or brokerage firm — generally cost more than *direct-sold plans*, in which you choose a plan directly from a financial services company acting on behalf of the state sponsoring the plan.

You can learn more about 529 college savings plans at www.savingforcollege.com.

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Consider the investment objectives, risks, charges and expenses before investing in a 529 plan. For plans managed by TIAA-CREF Tuition Financing, Inc., please call 888 381-8283 for a Disclosure Booklet containing this and other information. Read it carefully.

Before investing in a 529 plan, consider whether the state in which you or your Beneficiary reside or have taxable income has a 529 plan that offers favorable state income tax or other benefits that are only available if you invest in that state's 529 plan.

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