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FOR IMMEDIATE RELEASE

ASC Reminds Investors to Do Their Homework Before Investing in 529 College Savings Plans

MONTGOMERY, ALABAMA (December 22, 2005) — As the year draws to a close, many investors are making decisions for their long-term financial goals, including saving for college through Section 529 College Savings plans. With increasing numbers of investors turning to these plans to help finance higher education costs, ASC is concerned that they may not always have all the facts needed to make appropriate investment decisions.

“It pays to do your homework before investing in a College Savings Plan to educate yourself about the differences among the many plans offered today and choose the plan that’s right for you,” said Joseph P. Borg, Director, Alabama Securities Commission.

College Savings Plan assets and choices are growing at a fast pace, Borg said, noting that the most recent statistics from the College Savings Plan Network, an affiliate of the National Association of State Treasurers, show that state-sponsored 529 College Savings Plans have attracted more than \$72.4 billion in assets.

These tax-advantaged savings plans are designed to encourage saving for future higher education costs by allowing contributions to grow tax-free. The money investors take out later from the plans is free from federal taxes as long as it is used to pay for qualified higher education expenses. Borg noted that the tax-free withdrawal provisions are scheduled to lapse in 2010 unless renewed by Congress.

Every state and the District of Columbia offer at least one 529 College Savings Plan. Although these plans can be purchased directly from the plan administrator, industry estimates show that as many as three out of four investors purchase their plan with the help of an investment professional, such as a financial adviser or broker.

“Regardless of how the plan is purchased, investors should have a basic understanding of the plan’s benefits, costs, and tax implications,” Borg said. To help investors select the most appropriate college savings plan, NASAA suggests four key questions investors should ask their financial professional before investing in a 529 College Savings Plan.

1. What are the plan’s tax implications? Tax treatment of college savings plan contributions, earnings, and withdrawals varies from one state to another. A number of states allow residents who participate in their own state’s plans to claim a partial or full state income tax deduction on contributions. In addition, many states provide residents with a state tax break on money taken out of 529 plans to pay qualified college expenses. Make sure you understand your state’s tax treatment of contributions to, and earnings distributions from, both in-state and out-of-state 529 plans.

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2. What are the plan's expenses? All College Savings Plans have associated costs, which can affect your investment return. Plans sold by financial professionals often cost more than plans purchased directly from the state. These extra costs generally stem from sales loads or other fees associated with share classes, annual distribution fees, including fees used to compensate the financial professional. You are entitled to a complete list of the costs associated with the plans – be sure to ask for it.

3. How are you compensated for these plans? Ask whether the adviser or broker receives a commission from any of the plans he or she is recommending. You also should be sure to ask about the plans offered by your home state to ensure that the plan you ultimately select best suits your needs.

4. Does an out-of-state plan's performance or costs outweigh tax benefits of a home state plan? No two plans are exactly alike, and in some cases, it might make sense to consider an out-of-state plan. For example, if your in-state plan offers a tax deduction, but is saddled with high fees and poor performance, an out-of-state plan with lower fees and stronger performance may be the better choice.

“Before selecting any plan recommended by a financial professional, it is always wise to do your own research to double-check his or her advice,” Borg said.

For more information about College Savings Plans, NASAA, along with the College Savings Plan Network and the Investment Company Institute, offers a free brochure, “A Guide to Understanding College Savings Plans.” The brochure is available on the NASAA website at: http://www.nasaa.org/investor_education/3136.cfm .

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The Director of the Alabama Securities Commission (ASC) cautions potential investors to thoroughly check out any investment opportunity. Contact ASC for inquiries regarding securities broker-dealers, agents, investment advisors, investment advisor representatives, financial planners, the registration status of securities, to report suspected fraud, or obtain consumer information:

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