Bright Start®
A Smart Way to Save for College

Comparison of Selected College Savings Products

Saving for college can be challenging when your family has other financial priorities such as planning for retirement and paying the mortgage. That's why it's important to decide which college savings product best fits your unique financial situation.

	Description	Who Can Invest?	Income Limit	Maximum Age Limit	How Can Funds Be Used?	Where Can Funds Be Used?	Maximum Contribution Limit	State Tax Deductibility of Contributions	Tax Treatment on Earnings[4]	Tax Treatment of Withdrawals[4]	Gift Tax Treatment	Control of Funds	Ability to Change Beneficiaries	Choice of Investment Options	Tax Treatment of Non-Qualified Withdrawals
Bright Start® Section 529 College Savings Program	State-sponsored, tax-advantaged education savings vehicle used for qualified higher education expenses.	Anyone (relative or non-relative) who is a U.S. citizen or resident alien.	None	None	**Higher Education:** tuition, fees, room and board, books and required supplies and equipment.	Any educational institution eligible to receive Title IV funds: colleges, universities, graduate schools, community colleges, vocational and technical schools. Includes some schools located outside of U.S.*	$235,000 in aggregate for all accounts for the same beneficiary.	Yes. $10,000 for Illinois individual taxpayer ($20,000 if filing jointly)	Tax-free. Earnings grow free from federal income taxes while in the account.	Qualified withdrawals are free from federal income taxes.	$55,000 per beneficiary ($110,000 for married couples) in a single year without federal gift tax consequences.	Account owner maintains control.	Yes, to another qualified member of the current beneficiary's family.	Professionally managed portfolios. You may change your investment option once each calendar year or when you change your beneficiary.	The earnings portion of a non-qualified withdrawal is subject to federal income taxes and any applicable state income tax, as well as an additional 10% federal tax.
Uniform Trust/Gift to Minors Act Account (UTMA/UGMA)	Custodial account managed for the benefit of a minor. The account is an irrevocable transfer of assets into a child's name.	Anyone (relative or non-relative) who is a U.S. citizen or resident alien.	None	Account ownership transfers to the minor upon reaching age of majority.	No restrictions, except funds must be used for the benefit of the minor. At the age of majority the child controls use of funds (don't have to be used for higher education).	No restrictions, except funds must be used for the benefit of the minor. At the age of majority the child controls use of funds (don't have to be used for higher education).	Unlimited	No	**If beneficiary is under 14:** · First $800 of earnings is free from federal income taxes. · Next $800 is taxed at child's rate. · Earnings above $1,600 are taxed at the parents' marginal rate. **If the beneficiary is 14 or older:** · First $800 of earnings is free from federal income taxes. · Earnings above $800 are taxed at the child's rate.	Not applicable. See Tax Treatment on Earnings.	$11,000 per beneficiary ($22,000 for married couples filing jointly) annually without gift tax consequences.	Custodian controls investments until beneficiary reaches age of majority. Upon reaching age of majority, ownership transfers to the minor.	No	Unlimited	No restrictions as long as funds are being used for the benefit of the minor.
Coverdell Education Savings Account	Tax-advantaged education savings vehicle for qualified K-12 and higher education expenses.	Anyone (relative or non-relative) who is a U.S. citizen or resident alien.	Individuals meeting the modified adjusted gross income limit.[2]	**Contributions:** beneficiary must be under age 18, unless special needs beneficiary. **Distributions:** use account assets by age 30, unless special needs beneficiary.	**Higher Education:** tuition, fees, room and board, books and required supplies and equipment. **K-12 Schools:** also includes uniforms, transportation, after-school programs and computer equipment.	Any educational institution eligible to receive Title IV funds: colleges, universities, graduate schools, community colleges, vocational and technical schools. Includes some schools located outside of U.S.* May also be used for public, private or religious schools that provide elementary or secondary education (K-12).	$2,000 per year in aggregate for all accounts for the same beneficiary. Subject to reduction within an income phase-out range.[2]	No	Tax-free. Earnings grow free from federal income taxes while in the account.	Qualified withdrawals are free from federal income taxes.	Subject to Maximum Contribution Limit as described above.	Account owner maintains control until beneficiary reaches age of majority.	Yes, but limited to another member under age 30 of the current beneficiary's family.	Unlimited, with the exception of life insurance contracts and "collectibles."	The earnings portion of a non-qualified withdrawal is subject to federal income taxes and any applicable state income tax, as well as an additional 10% federal tax.
Roth Individual Retirement Account	Tax-advantaged investment vehicle used in certain cases to fund qualified higher education expenses.	Anyone, or their spouse who is a U.S. citizen or resident alien who has earned income.	Individuals meeting the modified adjusted gross income limit.[3]	None	**Higher Education:** tuition, fees, room and board, books and required supplies and equipment.	Any eligible educational institution.	$4,000 ($4,500 for taxpayers age 50 and older) per account. Gradually increasing to $5,000 by 2008.[2]	No	Tax-free. Earnings grow free from federal income taxes while in the account.	Distributions for education expenses may be penalty-free, and in some cases, tax-free for withdrawals from the contribution portion; if the Account has been held for five years or the IRA holder is over age 59 1/2. Withdrawals from the earnings portion may be taxed as ordinary income when used for qualified higher education expenses.	Not applicable	Account owner maintains control.	Not applicable	Unlimited, with the exception of life insurance contracts and "collectibles."	Taxable portion of withdrawal is subject to 10% early withdrawal penalty if owner is under 59 1/2 or if account has been open for less than five years.
Qualifying U.S. Savings Bonds	Series EE (issued after 1989) and Series I Savings Bonds may be used to fund qualified higher education expenses.	Anyone over age 24 (relative or non-relative) who is a U.S. citizen.	None	Must be at least 24 years old by the first day of the month that the bond was purchased.	Tuition and fees, or contributions to 529 Plans.	Any educational institution eligible to receive Title IV funds: colleges, universities, graduate schools, community colleges, vocational and technical schools. Includes some schools located outside of U.S.*	$30,000 face value per year/ per person.	Not applicable	Tax-deferred on federal level, tax-free on state level. Certain post-1989 bonds may be redeemed federal tax-free for qualified higher education expenses.	You may be able to exclude from your gross income all or part of the interest received on the redemption of certain U.S. Savings Bonds if the proceeds are used for qualified higher education expenses. If the savings bonds are issued in your name, or jointly with a spouse, and are issued after 1989, the interest may qualify for this exclusion. Interest exclusion phases out in 2004 if modified AGI is between $59,850–$74,850 for singles, or between $89,750–$119,750 for married couples filing jointly.	No gift involved	Bondholder controls the funds.	Not applicable	Interest-earning bond backed by the full faith and credit of the U.S. government.	No penalty. Interest on redeemed bonds is included in federal income, excluded from state income.
Taxable Account	Any taxable account.	Anyone	None	None	Any use	Anywhere	No limit	No	Dividends and interest are taxed to the owner at ordinary income rates, and capital gains are taxed at capital gains rates.	Not applicable	No gift involved	Account owner maintains control.	Not applicable	Unlimited	Not applicable

Consider the investment objectives, risks, fees and expenses of the Bright Start Program carefully before investing. The Program Disclosure Statement (PDS) contains more complete information about these and other features associated with the Program. The PDS should be read carefully before investing. Ask your financial professional for a copy of the PDS.

If you or your designated beneficiary is a resident of a state other than Illinois, you should check with your or your designated beneficiary's home state to see if it offers a Section 529 program. That program may offer state tax or other benefits to residents of that state that may not be available to investors in programs of other states.

Additional Bright Start Tax Considerations

Balance Limit

- The combined maximum account balance limit for the Bright Start College Savings Program and all other Section 529 programs established and maintained by the State of Illinois for a particular beneficiary cannot exceed $235,000. Although account balances can grow beyond that amount, no additional contributions can be made once the balance reaches $235,000.

Illinois State Tax Deduction

- For each individual filer, up to a maximum of $10,000 in contributions ($20,000 if filing jointly) to the Program in a tax year is deductible from state taxable income for that tax year including the contribution portion of rollovers (but not the earnings portion of rollovers) from other Section 529 programs.

Federal Sunset Provision

- Please note that the federal tax exemption for qualified withdrawals is due to expire on December 31, 2010, unless the law providing for the federal exemption is extended.

Non-Qualified Withdrawals

- The earnings portion of a non-qualified withdrawal is subject to federal income taxes and any applicable state income tax as well as an additional 10% federal tax.

Gift and Estate Taxes

- Contributions between $11,000 and $55,000 made in one year can be prorated over a five-year period without incurring federal gift taxes or reducing your unified estate and gift tax credit. If the account owner dies before the end of the five-year period, a prorated portion of the contribution will be included in his or her taxable estate. If you contribute less than the $55,000 maximum, additional contributions can be made without incurring federal gift taxes, up to a prorated level of $11,000 per year. Federal gift taxation may result if a contribution exceeds the available annual gift tax exclusion amount remaining for a given beneficiary in the year of contribution.

Other Important Considerations

The Comparison of Selected College Savings Products Chart ("the Chart") has been prepared by Citigroup Asset Management to give a general comparative overview of vehicles that may be used to save for college expenses. It was compiled from sources and data Citigroup Asset Management believes to be reliable, but Citigroup Asset Management makes no representations as to its accuracy and completeness. Citigroup Asset Management expressly disclaims any responsibility or liability for any losses or damages arising out of use of the Chart.

* To see a list of eligible educational institutions, visit www.fafsa.ed.gov.

[2] Income limit phase-out for individual tax filers is $95,000-$110,000. For married taxpayers the income phase-out range for joint taxpayers is $190,000-$220,000.

[3] Income limit phase-out for individual tax filers is $95,000-$110,000. For married taxpayers the income phase-out range for joint taxpayers is $150,000-$160,000.

[4] State tax treatments vary by state.