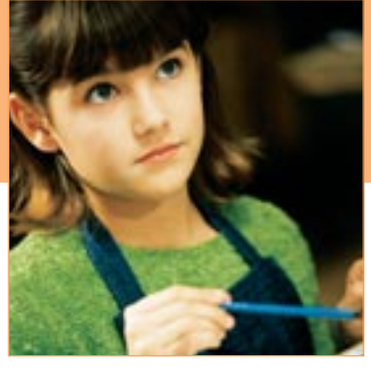
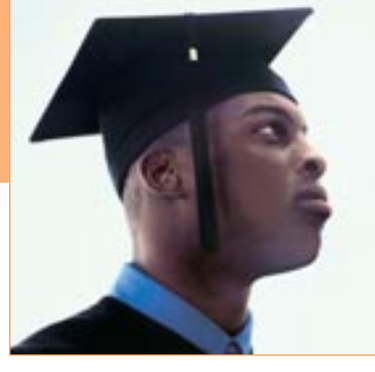
Enrollment Kit

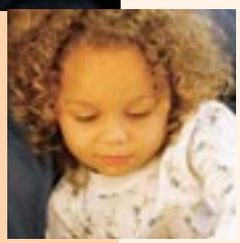
Georgia

Higher Education Savings Plan

Enroll Today in Georgia's 529 College Savings Plan.

It all starts with an education.



Higher education is the gateway to a child's future. It opens minds, which leads to endless opportunities. And even if your child receives a HOPE Scholarship or other forms of financial aid when the time comes, saving for college now will be a key step in providing flexibility down the road.

Now, thanks to a program offered by the State of Georgia — the **Georgia Higher Education Savings Plan**[1] — you have a smart and flexible way to help save for future higher education expenses.

It's **smart** because with the Georgia Higher Education Savings Plan, also known as a 529 Plan, you may be eligible for a state income tax deduction of up to $2,000 per year for each beneficiary.[2] And unlike many other savings vehicles for college, 529 Plans allow your money to grow tax-free. Best of all, money used for qualified higher education expenses is also free from both federal[3] and state[4] income taxes. Qualified higher education expenses include tuition, fees, certain room and board costs, books, supplies, and equipment required for college enrollment or attendance.

It's **flexible** in that you don't need to know today where your child is going to attend college. Funds in the Georgia Higher Education Savings Plan can be used to pay for qualified higher education expenses at thousands of colleges, universities, vocational and technical schools, or other postsecondary institutions like graduate school, in the State of Georgia or anywhere in the country, even at some schools abroad.

Other than the low management fee, you pay no application fees, sales charges or annual fees for your Georgia Higher Education Savings Plan account. All it takes is $25 to get started. But in order to reach your college savings goals, you should **start right away**. With the Georgia Higher Education Savings Plan and a regular savings routine, you'll be on your way toward making a higher education more affordable.

It's easy to enroll.

Everything you need is included in this enrollment kit. You'll find step-by-step instructions on page 8. If you have any questions, visit the program website or call our college savings consultants from 8 a.m. – 11 p.m., Eastern Time, Monday – Friday.

Toll free 877 424-4377
www.gacollegesavings.com

[1] If you are not a Georgia resident or have taxable income in another state, you should consider whether that other state plan offers a 529 plan with favorable state income tax or other benefits that are not available if you invest in the Georgia 529 plan.

[2] The maximum deduction for each beneficiary decreases by $400 for each $1,000 of federal adjusted gross income over $100,000 for a joint return or $50,000 for a separate or single return, and is available when an itemized Georgia income tax return is filed. This tax deduction is available to parents or guardians who own an account for a beneficiary who is claimed as a dependent.

[3] The law allowing federal tax-free qualified withdrawals is set to expire on December 31, 2010. Congress may or may not extend the law beyond this date.

[4] Withdrawals for qualified expenses are free of Georgia income tax after the account has been open for one year.

Take Advantage of the Georgia Higher Education Savings Plan

It's Smart Money Management

Advantage 1 — Your Money Works Harder

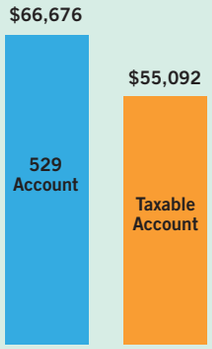
- **Tax-Free Withdrawals** – Contributions to the Georgia Higher Education Savings Plan grow free from federal and state income tax. Through the power of compounding, the money you save in a tax-deferred account can provide greater potential for growth. And withdrawals used for qualified expenses will be free of both federal[5] and Georgia[6] income tax.

- **Georgia Tax Deduction** – The amount you contribute may be deductible from your Georgia taxable income up to a maximum of $2,000 a year per beneficiary.[7] The state tax deduction is available to you every year, and contributions made by April 15 may be deducted on the preceding year's return. This is the only 529 program to offer a Georgia state tax deduction. (See the *Program Disclosure Booklet* for full details.)

- **Estate Benefits** – If you have gift and estate tax considerations, you may also find the Georgia Higher Education Savings Plan to your liking. Not only are you able to accelerate gifting from your estate, you maintain control of the money. And with the ability to contribute until the total account balance of all GHESP accounts for the same beneficiary equals $235,000, the Program has ample room for gifting. Consult your tax advisor and see the *Disclosure Booklet* for further details.

- **Low Expenses** – The low costs of the Georgia Higher Education Savings Plan put more of your investment toward education expenses. The low management fee covers all expenses associated with the Plan. No other fees or charges will be applied to your account.

Less "Taxing" on Your Savings



This hypothetical example illustrates the growth of an annual investment of $2,000 made at the beginning of each year for 18 years. It assumes there are no withdrawals of contributions and earnings. It also assumes a 30% combined federal, state, and local income tax rate and an annual investment return of 6%. It is presented for illustrative purposes only to show the effect of compounding and tax deferral and does not represent the actual performance or predict the future results of the Plan or any investment portfolio in the Plan and does not reflect any deduction for expenses or taxes.

[5] The law allowing federal tax-free qualified withdrawals is set to expire on December 31, 2010. Congress may or may not extend the law beyond this date.

[6] Withdrawals for qualified expenses are free of Georgia income tax after the account has been open for one year.

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Advantage 2 — It's Flexible to Meet Your Needs

- **Choice of Schools** – Funds may be used at any accredited private or public college or university, trade or graduate school, in Georgia or another state. Your savings can be applied to tuition as well as related qualified expenses such as fees, certain room and board costs, books, supplies, and equipment required for college enrollment or attendance.

- **Range of Investments** – The Georgia Higher Education Savings Plan offers you five investment choices:

    - Managed Allocation Option
    - Aggressive Managed Allocation Option
    - 100% Equity Option
    - Balanced Fund Option
    - Guaranteed Option

  These choices vary in their investment strategy and degree of risk, allowing you to select an option or a combination of options that best fits your needs and investment philosophy. For a description of these investment options, please refer to the *Understanding Your Investment Options* section of this brochure, and the *Georgia Higher Education Savings Plan Disclosure Booklet*.

- **Transferability** – If your child decides not to attend college, you can transfer funds in your account to certain other family members of the original beneficiary, including a sibling, first cousin, spouse – even yourself.

    - You can roll over the money from another 529 Plan into your account to take advantage of the benefits of the Georgia Higher Education Savings Plan.[8]
    - An account owner can transfer funds from one investment option to another once per calendar year for the same beneficiary or upon a change in beneficiary.

  Please see the *Program Disclosure Booklet* for more information.

- **No Income Restrictions or Annual Contribution Limits** – Parents, grandparents, relatives and friends at any income level may open an account and contribute to the Georgia Higher Education Savings Plan for a beneficiary. While there is no annual contribution limit, there is an overall maximum account balance limit of $235,000. Your account may grow beyond the $235,000 maximum account balance limit based on the performance of the investment option(s) you've selected.

[8] Tax consequences may apply. Consult your tax advisor.

- **You're In Control** – Unlike money invested through the Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA), with the Georgia Higher Education Savings Plan you maintain control of the funds in the account. However, if the money is used for something other than a qualified higher education expense, any earnings will be subject to federal and state income tax and a federally imposed additional tax. Please see the *Program Disclosure Booklet* for further details.

- **Low Minimum Contribution** – An account may be opened with as little as $25 by check, electronic funds transfer, or automatic contribution plan. The flexibility of being able to start with a small investment and to increase contributions over time as one's savings goals or financial situation changes can make saving for college more of a reality for many people.

Advantage 3 — You Benefit from Professional Management

- **Professional Money Management** – TIAA-CREF Tuition Financing, Inc. (TFI) provides investment management, marketing and overall administration for the Georgia Higher Education Savings Plan. TFI, the acknowledged leader in providing program management for 529 savings plans, manages several other state 529 programs.[9]

TFI is part of TIAA-CREF, a financial services organization with over 2 million participants and more than $260 billion in assets under management as of December 31, 2002. For over 80 years, TIAA-CREF has been providing investment management solutions for the education and research communities. The company has gained a reputation for innovative products, solid investment performance, trustworthiness, superior customer service, and exceptionally low fees.

[9] The claim to be the acknowledged leader is based on assets under management. Dow Jones News Service (copyright © 2002, Dow Jones & Company, Inc.) September 25, 2002. The claim is also based on accounts under management for 529 College Savings Plans. College Savings Plan Network, June 2002. TFI is the program manager for 12 529 plans, including the Georgia Higher Education Savings Plan, and TIAA is the program manager for New York's College Savings Program.

Understanding Your Investment Options

Managed Allocation Option

The right investment strategy for college expenses can be a complex matter for many families. That's why the Managed Allocation Option is the core investment for the Georgia Higher Education Savings Plan. Investing in the Managed Allocation Option follows the time-tested method of using the number of years an investor has for saving to determine the appropriate investment allocation.

Investment portfolios based on your beneficiary's age combine equity, real estate, bond and money market investments offered by TIAA-CREF Institutional Mutual Funds. Younger beneficiaries will have a higher exposure to equities and real estate investments, which will decrease significantly as they approach college age. The following sample charts illustrate a hypothetical approach to the Managed Allocation Option. Refer to the *Program Disclosure Booklet* for the most recent actual portfolio allocations.

Younger Beneficiary

- 70% Equities
- 20% Fixed Income
- 10% Real Estate

Older Beneficiary

- 13% Equities
- 35% Fixed Income
- 50% Money Market
- 2% Real Estate

Aggressive Managed Allocation Option

This Option, like the Managed Allocation Option described above, uses the age of the beneficiary as a guide in determining the proper mix of equities, real estate, bond, and money market investments offered by TIAA-CREF Institutional Mutual Funds. The difference is that the Aggressive Managed Allocation Option allocates a higher percentage of the investments to equities and real estate investments. Younger beneficiaries will have a higher and longer exposure to equities and real estate investments than under the Managed Allocation Option, which will decrease significantly as they get older. While equities and real estate investments have higher risk and volatility, they have historically resulted in higher returns than bond or money market investments over the long term. Past performance is no guarantee of future results.

100% Equity Option

The 100% Equity Option is invested in the TIAA-CREF Institutional Equity Index Fund. Given the higher volatility of this option, the risk of loss is greater, particularly for families with a short time to save for college.

Balanced Fund Option

The Balanced Fund Option invests in a combination of TIAA-CREF Institutional Mutual Funds. This option offers investors exposure to equities, real estate, and fixed income with a balanced approach to investing in the fixed-income market to reduce the risk and volatility typically associated with the equity and real estate markets.

Guaranteed Option

Your contribution to the Guaranteed Option will be invested in a funding agreement issued by TIAA-CREF Life Insurance Company to the Board of Directors of the Georgia Higher Education Savings Plan, which guarantees the Board both principal and a minimum annual rate of return of 3% with the opportunity for additional returns beyond the minimum rate.[10] This option provides additional safety and security that people may want for a portion of their college investment.

The *Program Disclosure Booklet* discusses these options in more detail.

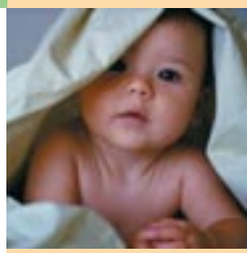
[10] The funding agreement for the Guaranteed Option guarantees principal and the minimum rate of interest to the Board of Directors of the Georgia Higher Education Savings Plan on behalf of the Georgia Higher Education Savings Plan (not to the Account Owners or Beneficiaries in the Plan).

Choosing the Right Investment for You

When deciding how to invest with the Georgia Higher Education Savings Plan, consider your college savings goals, your other sources for financing college, the time you have to save, and the balance of risk and return associated with the various investment options. The Managed Allocation Option may very well be the core investment vehicle for your college savings.

When investing future contributions, it is a good idea to revisit your investment strategy periodically. You should re-examine your Georgia Higher Education Savings Plan account as your goals, time period for college investing, and personal financial situation change. You should also re-examine your Georgia Higher Education Savings Plan account when there are long-term changes in the economy that will affect how you save or invest, or when the balance in your account changes significantly (due to varying performances of different options over time). The investment approaches described are not recommendations and do not take into consideration personal goals or preferences. After evaluating information you consider important in making an investment choice, the ultimate decision is up to you.

Your Investment Over Time

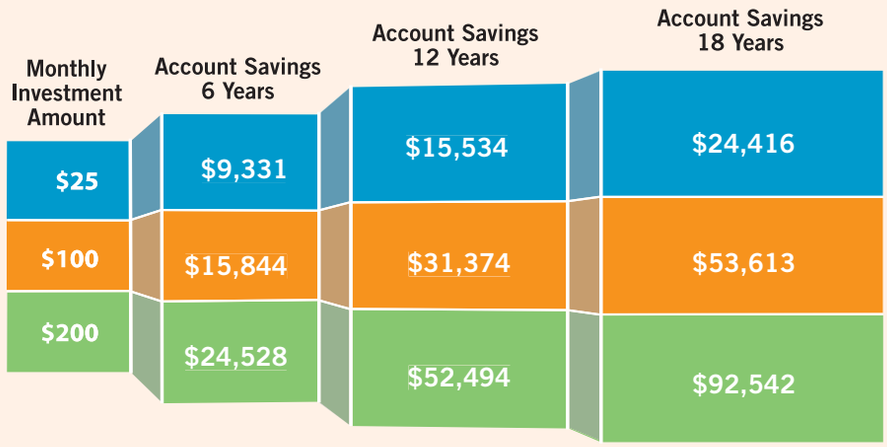


As the chart below illustrates, the sooner you start, the sooner you can take advantage of the compounding effect of time on your investment. Contributing the same dollar amount to your account regularly can be an effective investment strategy and may also help you lower the average cost of your investment. And by starting early and contributing regularly, your savings can really add up.

The hypothetical example below illustrates how a $5,000 initial investment with an annual return of 6% would perform over three different time periods (6, 12 and 18 years). Also included are different monthly contribution amounts to show how the account would grow.

You can go to our website at www.gacollegesavings.com and use the "Advantages of Starting Early" calculator to customize a calculation based on your own particular situation.

The Advantages of Starting Early



This hypothetical example illustrates how a $5,000 initial investment with varying Monthly Investment Amounts would perform over three different time periods (6, 12 and 18 years). The investment return assumed is 6% per year. It is presented for illustrative purposes and does not reflect actual performance or predict future results of the Plan or any investment portfolio in the Plan and does not reflect any deduction for expenses or taxes.

The Georgia Higher Education Savings Plan can be the financial foundation for building your child's educational future. How can you do it? Start saving early and get into a routine. While your particular situation may not allow you to contribute as much as you would like at this time, it is important to begin to save something now. And as your financial situation changes, you can reassess whether you are saving enough to meet your college savings goals. Let your money work for you in the Georgia Higher Education Savings Plan.

It's as easy … as 1,2,3

How to Enroll

To open an account under the Georgia Higher Education Savings Plan, follow these three easy steps:

1. Carefully read the *Disclosure Booklet, Savings Trust Agreement* and this *Enrollment Brochure*.

2. Decide how you wish to contribute (you may invest by check, electronic funds transfer, rollover from another qualified tuition program, or payroll deduction).

3. Complete and sign the *Application* and return it with your initial contribution, if you are making it by check, in the postage-paid envelope provided.

We will promptly process your information and send you all the details on your Georgia Higher Education Savings Plan account.

If you have any questions regarding the Georgia Higher Education Savings Plan, visit our website or call our college savings consultants from 8 a.m. – 11 p.m. Eastern Time, Monday – Friday.

Call toll free 877 424-4377
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This Enrollment Brochure does not provide all material information concerning the Georgia Higher Education Savings Plan. Accounts representing interests in the Program are offered only through a Savings Trust Agreement and a Disclosure Booklet that describes the Program. For more information or additional copies, call 877 424-4377. Investment Management and Program Administration are provided by TIAA-CREF Tuition Financing, Inc. (TFI).

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The *Program Disclosure Booklet* should be read carefully before opening an account. The State of Georgia, its agencies, TFI, Teachers Insurance and Annuity Association of America (TIAA), located in New York, NY, and its affiliates do not insure any account or guarantee its principal or investment return (except for the guarantee of TIAA-CREF Life Insurance Company to the Board of Directors of the Georgia Higher Education Savings Plan under the Guaranteed Option). Account value will fluctuate based upon a number of factors, including general financial market conditions. Investments are made through Teachers Personal Investors Services, Inc. as distributor.

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