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A newsletter for the informed college saver.

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This Isn't Your Parent's SAT Test

In the spring of 2005, the College Entrance Examination Board unveiled a new and much-anticipated edition of the SAT Test. The first and only major overhaul for the college admissions gatekeeper in nearly 80-years — since it was introduced on June 23, 1926. The now, three-section test, examines college bound students' abilities in math, critical reading and essay writing — offering a top score of 2,400.

Less obvious revisions to the test have also been incorporated to better evaluate a student's readiness for higher education. The College Board, a group of 4,300 educational institutions—including most of America's leading universities, wants high school students to be better writers, with a better grasp on grammar, and a better understanding of advanced-math — such as Algebra II. All of this will increase the testing time from three-hours to three-hours and 45-minutes.

Many believe that the goal of the new test is as much to influence high school curriculums as it is to help colleges predict how well applicants will do if they are admitted. This two-part objective, to improve high schools and still remain useful to colleges as a predictor, is something that Board President Gaston Caperton III believes the new SAT can accomplish.

For decades, the purpose of the test has been to try to measure students' general-reasoning abilities, but the new test will examine their specific knowledge of algebra and the extent to which they have written practice essays. The SAT has dropped word analogies in favor of short sentences that require students to select the best choices for filling in the blanks and also eliminated the math items that ask you to compare two complex quantities. More broadly, the SAT

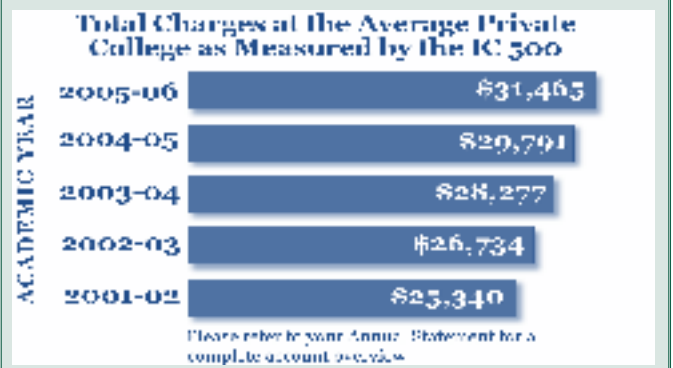
College Board Releases 2005 College Costs

A new academic year is right around the corner and the College Board has released the Independent College 500® Index which allows College Savings Bank to credit your account accordingly for the year.

The average cost of one year's tuition, fees, room and board for the 2005-2006 academic year as measured by the IC 500 totalled \$31,465.

The change in college costs from the prior year as measured by the Index was 5.62%, that's more than double the 2.53% increase in the Consumer Price Index for the like period.

While college costs increased 5.62% this year providing our clients with an attractive return, the total returns on U.S. Treasury bills and the S&P 500 were 1.98% and 6.31%, respectively. Please refer to your Annual Statement for a complete account overview.



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Arizona Family College Savings Program Accepting New Accounts

Beginning in August 2005, the Arizona Family College Savings Program (AFCSP) managed by College Savings Bank resumed accepting new accounts. The 2004 revisions to the AFCSP enabling statute created some unique challenges for College Savings Bank. The statutory revisions transformed the AFCSP offerings to municipal securities. Such a transformation caused the federal deposit insurance coverage for each depositor to come into question. In August 2004, College Savings Bank stopped establishing new AFCSP accounts until it could obtain favorable guidance from the FDIC. However, existing accounts continued to operate under the prior statutory structure.

In May 2005, the FDIC issued an interim final rule permitting federal deposit insurance coverage to pass through to each depositor under the new AFCSP structure. College Savings Bank plans to convert existing accounts to the new structure later this year.



June 2005 marked the six-year anniversary of the AFCSP managed by College Savings Bank. The program offers the CollegeSure CD, a certificate of deposit indexed to college costs and guaranteed to meet future tuition, fees, room and board. It is backed by the full faith and credit of the U.S. Government up to \$100,000 per depositor.

As of March 31, 2005, College Savings Bank has established 3,385 AFCSP accounts with nearly \$67 million in deposits. This deposit amount is an increase of almost 10% over the \$61 million on deposit a year ago.

In August 2005, the AFCSP Web site also received a face lift. Located at arizona.collegesavings.com, the program site is easily navigable, has a variety of research topics, calculators and forms needed to manage your account. The re-launch of the site marks an ongoing commitment to provide a college savings resource that is second to none for our account holders. Site visitors will also be able to open an account online or request an information kit.

The site contains the FDIC Interim rule and disclosure statement.

US Senator Max Baucus Proposes Eliminating Sunset Provision on 529 Plans

It was the dawn of a new day in Washington and thanks to US Senator Max Baucus from Montana, College Savings Plan participants may never see the sunset on the tax benefits of their investment.

On May 24, 2005, Senate Finance Committee Leaders Baucus and Charles Grassley (IA) introduced legislation (S.1112) that will make certain tax benefits permanent for families saving for college. Originally enacted in 2001, the favorable tax treatment of 529 plans is set to expire, or sunset, after 2010 without such legislation.

“Higher education is critical to young people’s future and our nation’s economy,” said Senator Baucus. “The Section 529 college savings plan is an easy and safe way for families to save for college.”

“Millions of young people have benefited and are benefiting from these college savings plans,” Baucus added. “I encourage my colleagues to make 529 tax benefits permanent so we can continue to provide millions of American families a safe and economic way to save for college.”

As of December 31, 2004, the College Savings Plan Network reported that there were over 7 million College Savings accounts with nearly \$65 billion invested. The average beneficiary’s age is 8 to 9 years old across the country and they’ll be utilizing these assets beyond 2010.

The legislation would make permanent:

- Allowing educational institutions to establish pre-paid tuition programs.
- Exempting the entire distribution from tax if used for qualified higher education expenses.
- Increasing the amount of room and board that could be included as qualified higher education expenses.
- Allowing use of HOPE credit or Lifetime Learning credit while using the 529 plan exceptions from taxes.
- Allowing beneficiaries to rollover amounts between qualified tuition programs every 12 months.
- Expanding “family” for purposes of rollovers and changes of designated beneficiaries to include first cousins.

Matching Funds with your Children When Saving for College

Chances are that your child will hold several jobs throughout the course of adolescence. From paper routes, to summer jobs, baby sitting and even household chores that warrant an allowance. Each creates an opportunity to invest for college while teaching your child a valuable financial lesson.

Let's assume your 8-year old child earns \$50 a week from a paper route, part-time job, allowance or any combination of the three. If your child was willing to invest \$25 a week in a 529 college savings account (and you were willing to match that investment), by 18-years old, the child could have accumulated nearly \$30,500 for college. This example assumes a 3 percent annual rate of return.

Allowing your children to be part of this process will teach them the value of investing at an early age while helping them save for college. On top of this, your earnings grow tax-free. When the time comes to use the money for qualified higher education expenses, distributions are also income tax-free.*

A monthly investment program such as this can be arranged very easily through College Savings Bank. The bank offers direct deposit from your financial institution for as little as \$100 a month or \$50 a month deducted directly from your paycheck.

has evolved from a test of general reasoning abilities into a test of what kids learn in school. Students interested in taking a practice test can visit http://www.collegeboard.com/student/testing/sat/prep_one/prep_one.html. The College Board has also offered the following suggestions for taking the new test:

1) Answer easy questions first.

You earn just as many points for easy questions as you do for hard questions. The easier questions are at the beginning of the section and the harder questions at the end—except for Critical Reading questions, which are ordered according to the logic and organization of each passage.

2) Guess smart.

If you can rule out one or more answer choices for a multiple-choice question as definitely wrong, your chances of guessing the right answer improve. For math questions without answer choices, fill in your best guess; no points are subtracted for wrong answers.

3) Omit questions that you really have no idea how to answer.

But if you can rule out any choice, you probably should guess from among the remaining choices.

4) Don't panic if you cannot answer every question.

You do not have to answer every question correctly to get a good score. You can get an average score by answering about half of the questions correctly and omitting the remaining questions.

5) Use your test book for scratch work.

You can also cross off choices you know are wrong and mark questions you have omitted so you can go back to them if you have time.

6) Keep track of time.

If you finish a section before time is called, check your answers in that section only.

(continued from page 1)

New SAT Sample Question:

If the graph of the function f in the xy -plane contains the points $(0, -9)$, $(1, -4)$, and $(3, 0)$, which of the following CANNOT be true?

- A. The graph of f has a maximum value.
- B. $y \leq 0$ for all points (x, y) on the graph of f .
- C. The graph of f is symmetric with respect to a line.
- D. The graph of f is a line.
- E. The graph of f is a parabola.

If you are interested in beginning a direct deposit program through your payroll or financial institution, call a College Savings advisor today at 1-800-888-2723 or visit us online at <http://www.collegesavings.com>

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Please contact your financial adviser or tax adviser for specific information about how this material affects you and your particular financial situation.

* Sunset Provision: Changes in tax law affecting 529 plans and Coverdell ESAs enacted under the federal 2001 Tax Bill (EGTRRA) including favorable tax treatment of certain distributions are due to expire in 2010. If Congress does not act to extend the provisions, among other things, all withdrawals and other distributions from 529 plans after 2010 will be subject to tax. The expiration would adversely affect 529 plans funded both before and after 2011.

CollegeSure® CD is a unique investment product the creation and origination of which is covered by one or more patents owned by College Savings Bank. Substantial penalty for early withdrawal. The Montana and Arizona Programs are not insured by the state of Montana or Arizona and neither the principal invested nor the investment return is guaranteed by the state of Montana or Arizona. Please read the Account Terms and Conditions and/or state program offering circular carefully before you invest or send money.

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College Savings — The Benefits Never End.

College Savings Bank depositors generally appreciate their investment for its tax-benefits, FDIC insurance and guaranteed return. But according to a recent study prepared by the United States Department of Labor, the real return in college begins at graduation.

In 2003, workers who had a bachelor's degree had median weekly earnings of \$900, compared with \$554 a week for high school graduates—that's a difference of \$346 per week, or a 62 percent jump in median earnings. Workers with a doctoral degree earned \$1,349.

In addition to earning more money, workers who had more education were also less likely to be unemployed. High School unemployment rate (5.5%), Bachelor's Degree (3.3%), Doctoral Degree (2.1%).

Not sure which profession to choose? The United States Department of Labor released a 2004 study on national occupational employment and wages. The adjacent chart represents the 17 occupations that have a mean annual wage exceeding \$100K.

Occupation	Salary
Surgeon	\$181,610
Obstetrician & Gynecologist	176,270
Anesthesiologist	174,250
Oral & Maxillofacial Surgeon	165,750
Internist, General	158,200
Orthodontist	150,700
Psychiatrist	150,110
Prosthodontist	145,670
Pediatrician, General	141,520
Chief Executive	139,920
Family & General Practitioner	138,490
Physician & Surgeon, All Other	137,610
Dentist, General	132,850
Dentist, All Other Specialists	130,300
Lawyer	108,790
Podiatrist	108,400
Engineering Manager	102,600

Why Haven't You Signed Up For Direct Deposit Yet?

Contributions to your College Savings account can be automatically drawn from your financial institution for as little as \$100 a month—or \$50 a month through payroll deductions.

Your principal balance grows every month and you won't ever miss a contribution again—and through direct deposit you probably won't miss the money you invest either.



Call 800-888-2723
 to begin direct deposit on
 your College Savings Account!

Test your *college-knowledge* with the College Savings Bank "Name that Team" contest.

1. Notre Dame
2. Penn State
3. Princeton
4. Arizona State
5. Univ. of Southern California
6. Duke University
7. Georgetown University
8. Stanford University
9. University of Montana
10. Ohio State
11. Nebraska
12. Oklahoma State
13. Florida State
14. DePaul University
15. Univ. of Nevada Las Vegas

1. Notre Dame: Fighting Irish 2. Penn State: Nittany Lions
 3. Princeton: Tigers 4. Arizona State: Sun Devils 5. Univ. of Southern California: Trojans 6. Duke University: Blue Devils
 7. Georgetown University: Hoyas 8. Stanford University: Cardinal 9. University of Montana: Grizzlies 10. Ohio State: Buckeyes 11. Nebraska: Cornhuskers 12. Oklahoma State: Cowboys 13. Florida State: Seminoles 14. DePaul University: Blue Demons 15. Univ. of Nevada Las Vegas: Runnin' Rebels