

CollegeSure® Investor

WINTER 2006

Vol. 16, No. 1

A newsletter for the informed college saver.

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A Focus on Graduation

Congratulations, your child just received admittance to college. All of that hard work you put in; saving money, reviewing homework – doing homework, and all of the words of encouragement have finally paid off. It's time for a deep exhale and long sigh of relief...

Ah, not so fast! According to The Education Trust, an independent nonprofit organization whose mission is to make schools and colleges work for all of the young people they serve, fewer than six in 10 students entering four-year colleges in 1997 had a degree six years later and fewer than four in 10 achieved that milestone in the normal four years.

As a parent, there are steps you can take that will help your child walk to Pomp and Circumstance on graduation day.

- Encourage your child to get involved in campus life. Socialization at school is a major factor in a student's decision to remain till graduation. Part-time students, older "non-traditional" students, first-generation stu-

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“Fewer than six in 10 students entering four-year colleges in 1997 had a degree six years later.”

Earn Higher Interest on CollegeSure® CDs

Effective on deposits received at College Savings Bank on or after February 1, 2006, CollegeSure CDs pay up to 1.50% more each year than CDs issued since August 2003. The annual percentage yield (APY) over the term of each new CollegeSure CD is not less than the college inflation rate less a 1.50% margin (the previous margin was 3.00%) — new CollegeSure CDs still have a 2.00% floor. Of course, the CollegeSure CD continues to offer all the other features you want most in a college savings plan:

- *Peace of Mind:* The CollegeSure CD provides the unlimited upside guarantee to meet future college costs no matter how high those costs climb.
- *Safety:* The CollegeSure CD is FDIC insured — backed by the full faith and credit of the U.S. Government up to \$100,000 per depositor — and has been awarded the highest credit rating from Standard & Poor's Corporation*.
- *Tax Advantages:* Currently, every dollar you earn in our 529 and IRA plans grows tax deferred or tax free. So no matter which plan you choose, you'll be able to reach your college savings goals faster due to the benefits of tax-advantaged accumulation.
- *Maturities:* Range from one to 22 years.
- *Direct deposit:* Customers never need to worry about writing checks to contribute to their account.

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Did You Know that You can Find Forms to Manage Your Account Online

College Savings Bank maintains current versions of the forms that you need to manage your account(s) on our Web sites. They are available for you to download, 24/7 from the comfort of your home or office.

Arizona Family College Savings Program participants visit <http://arizona.collegesavings.com>.

Montana Family Education Savings Program participants visit <http://montana.collegesavings.com>.

College Savings Bank account holders visit <http://www.collegesavings.com>.

On each site you will find:

- Deposit Slip Forms - Mail this form with contributions to your existing account.
- Change of Address Forms - Mail this form to change the correspondence address on your account.
- Direct Deposit Authorization & Change Forms - Mail this form to add, change or terminate direct deposits from your financial institution to your College Savings account.
- Enrollment Forms – To open up an additional account for a new beneficiary, or for a new account owner.
- Change of Beneficiary Forms - Mail this form to change the designated beneficiary of your account.
- Distribution Forms - Mail this form to authorize distributions from your account.
- Direct Rollover Forms - Mail this form to move funds to a College Savings account from your current college savings account.



For your protection, it is important to remember that many requests must be completed and mailed to College Savings Bank along with signatures of

all account owners for verification against our records. In most instances we cannot accept a single signature on a jointly held account.

According to our policy, if any of the signatures do not match our records, we may request a signature guarantee. At College Savings Bank, the security of our account holders is our top priority – and our procedures reflect this.

<http://www.collegesavings.com>
<http://arizona.collegesavings.com>
<http://montana.collegesavings.com>

When Saving for Your Child's College Education, Time May Not be on Your Side.

Assuming s/he will begin school at age eighteen, the following examples present a compelling argument for beginning early.

Emily is 10 this year and she wants to go to her state school, like her Dad, and become a journalist. Her parents already have saved \$5,000 and want to make sure they have her education paid for by the time she enters school. If they begin today they will need to save about \$714 a month, but if they



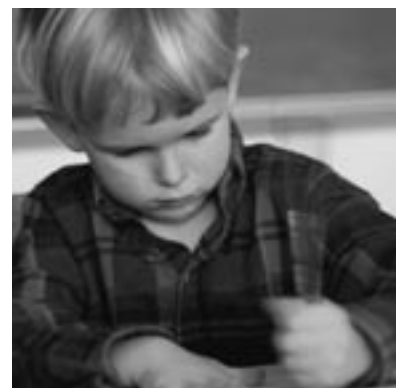
wait till Emily turns 15 it could cost them \$1,887 a month.



Ben was born in 2005. His parents would like to see him attend Notre Dame and they began investing with College Savings Bank right away to help them achieve their goal. In order to have college paid for by the time Ben turns eighteen, they need to deposit \$1,421 a month in his college savings account. If they wait

till he is 5, they will need to deposit about \$1,816 a month.

Ron receives a yearly bonus from his company that he plans to invest in a College Savings Bank account for his son. He hopes that Jimmy will one day graduate from an Ivy League school, he is now 3. If he begins this year, he will need to invest \$17,510 a year to fund Jimmy's education. If he waits till he is 13 years old, he will need to invest \$44,534 each year.



The examples above are approximations, intended to demonstrate the benefit of compounding interest when considering a timetable to invest. Each is based upon the 5.62% college inflation rate for the twelve months ended July 31, 2005 and new CollegeSure CD pricing. To evaluate your specific investment needs, visit our Web site or call a College Savings Adviser today at 800-888-2723.

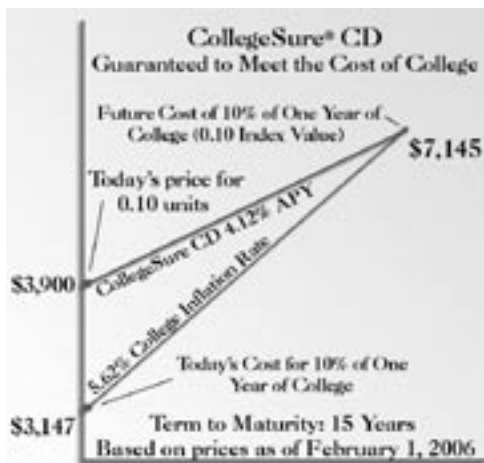
CollegeSure® CD Pricing and Rate
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Why Saving Now Makes Sense

- Over the last 10 years the College Board's Independent College 500 Index ("IC 500") has increased per year on average 5.09% - more than double the general inflation rate of 2.44% based on the Consumer Price Index produced by the Bureau of Labor and Statistics on July 31, 2005.
- In 2005, according to the IC 500, the college inflation rate was 5.62%. The 2006 inflation rate will be announced on July 31, 2006.
- College inflation has not been less than 4% in more than 30 years and has averaged 6.83% since tracking began in 1958.
- In 2005, the average cost of one year's undergraduate tuition, general fees, room and board at selected four-year independent colleges in the United States, as measured by IC 500, was \$31,465. Thus, if your child were entering college today, a four-year degree would likely exceed \$125,000. Just ten years ago that same degree would have cost \$80,500.

Start Saving Today

To take advantage of the new higher yielding CollegeSure CD, simply mail your deposit today. New terms and conditions are included with each deposit confirmation. Download a deposit slip from our Web site or call a College Savings Adviser at 800-888-2723 to enroll in direct deposit. College Savings Bank has direct deposit plans starting at \$100 a month from your bank or brokerage account and payroll direct deposits are as little as \$50.



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dents and commuting students will have a harder time connecting with the institution, but that is not to suggest they cannot.

- Be prepared financially to pay for four years of college expenses. Most students who do not graduate are not *kicked out* for academic reasons, they just leave - sometimes for financial reasons. To avoid this, consider all of the expenses your child will encounter at school. Tuition aside, there is room and board, commuting expenses, living expenses, books and equipment (many universities are now requiring laptop computers).
- Stress the benefits of a degree to your child. Simply put, a college education affords opportunities that are not available to individuals that do



not have an undergraduate degree. According to the Bureau of Labor Statistics, the median earnings for individuals with a bachelor's degree were 62% higher in 2003 than those with only a high school degree. On average, it also takes college graduates less time to find a job and they are less likely to be unemployed.

Some colleges also do a better job than others in seeing students through to graduation. Elite schools generally have higher graduation rates. However, graduation rates may vary greatly among seemingly similar colleges with regard to price and student SAT scores. The Education Trust has prepared a searchable database of school graduation rates online at <http://www.collegeresults.org>. Some of the better schools featured include:

- Florida State University — a 62.9% graduation rate in 2003, 8.6 points higher than the national average of 54.3%. The university credits some of this success to the employment of professional full-time advisers who personally contact each student at least three times a semester. According to Provost Lawrence Abele, "We put advisers wherever students are – in the library, student union and residence halls."
- Notre Dame University — a 94.6% graduation rate in 2003, one of the highest in the nation. University officials attribute that success to a close attention to undergraduate teaching and learning.
- Syracuse University — an 81.0% graduation rate in 2003, their high water mark after a steady increase over the previous six years. Provost Deborah Freund now defines the schools as, "a university that is equally committed to excellence in both teaching and research," which is a subtle, but important distinction from the previous, research institution that also teaches.

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If you are interested in beginning a direct deposit program,
call a College Savings Adviser today at 800-888-2723.

CollegeSure® Investor is published semi-annually by College Savings Bank, Princeton, NJ exclusively for clients of College Savings Bank. Please address all correspondence to:
 Editor, CollegeSure Investor
 College Savings Bank
 5 Vaughn Drive
 Princeton, NJ 08540-6313.

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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 disclosure statement carefully before you invest or send money.

*The CollegeSure CD has been awarded Standard & Poor's highest AAA-L rating. The AAA rating is the highest rating Standard & Poor's Corporation confers. The letter "L" indicates that the deposit, combined with other deposits being held in the same right and capacity will be honored for principal and accrued predefault interest up to the federal insurance limits within 30 days after closing of the insured institution, or in the event that the deposit is assumed by a successor insured institution, upon maturity.

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- Elizabeth City State University in North Carolina — a 50.5% graduation rate, lower than the national average, but a much higher rate of success than similar schools. Chancellor Mickey Burnim has made it clear that everyone has a role to play in students' success – from the registrar to the groundskeepers. In some cases, it comes down to a housekeeper noticing that a student hasn't been going to class.

In addition to comparing schools to a national average, it is also important to compare with other institutions that have similar students, funding, size and academic missions. Looked at this way, The Education Trust suggests that some colleges and universities simply stand out from the crowd, consistently graduating more students than their peers, year after year. And as a parent, don't dismiss your role. Your college bound child needs your continued support and encouragement now more than ever.



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!

According to the IC 500, the average cost of one year's tuition, fees, room and board for the 2005-2006 academic year is \$31,465.

Below are the actual costs at several universities.

Boston University	\$42,046
Carnegie Mellon Univ	40,960
Duke University	41,239
Duquesne University	29,534
Gonzaga University	30,380
Harvard College	41,675
New York University	43,170
Northwestern University	41,662
Princeton University	40,213
Seton Hall University	33,922
St. John's University	29,749
University of Dallas	27,437
Syracuse University	38,560
University of Indiana	24,990
University of Miami	38,258
University of Notre Dame	39,722
Valparaiso University	28,970
Villanova University	39,090
Wake Forest University	38,710
Xavier University	30,740

To search for a specific college in the IC 500, visit www.collegesavings.com.