



Five things you should know about 529 college savings plans

529 college savings plans have become the investment vehicle of choice for millions of people saving for higher education. Featuring an unmatched combination of tax advantages and flexibility, chances are a 529 plan could meet your needs. Consider the following:

1 529 plans offer significant tax advantages

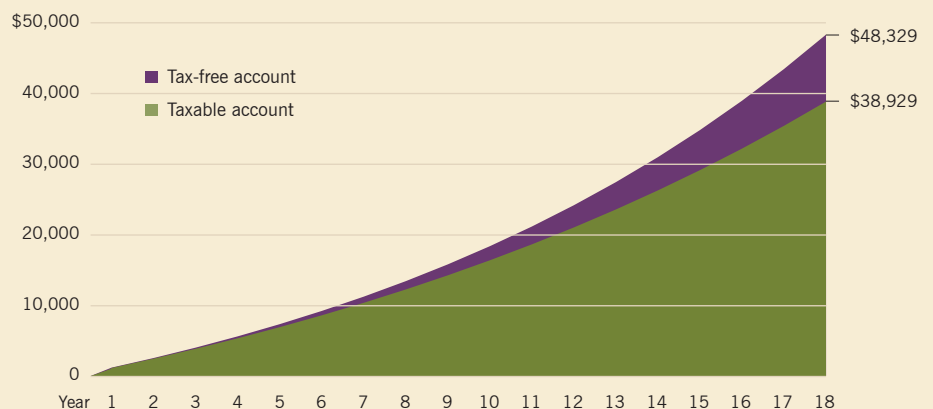
- Earnings in 529 accounts can grow free from federal and state taxes, and withdrawals for a beneficiary's qualified higher-education expenses are free from federal tax.*
- Account assets can be used for a variety of higher-education expenses, including tuition, fees, room and board, and certain other required books, fees, supplies and expenses.
- 529 plan assets can be used to pay for qualified expenses at community colleges, graduate and undergraduate schools, and even technical or professional training.

2 Savers of every income level can set up 529 accounts

- A number of states allow a deduction from (or a credit against) state taxes for all or part of a contribution to certain 529 plans.
- There are no income limits, so 529 accounts are available to people of all income levels.
- Contribution limits are high. For example, with CollegeAmerica® from American Funds, you can invest until the value of each account reaches \$350,000 per beneficiary.† (Contributions are subject to gift-tax limits.)

The tax-free advantage

Unlike in a taxable account, earnings and capital gains within 529 plans are not taxed provided they are used to pay qualified educational expenses. As shown here, after 18 years, a hypothetical \$100 monthly investment in a tax-free account would be about 24% larger than the equivalent investment in a taxable account.



This hypothetical example assumes an 8% average annual rate of return (compounded monthly) for both investments. The example also assumes an investor pays 25% in taxes. (The typical mutual fund investor falls into the 25% tax bracket.) Your tax rate may vary. The current minimum tax rates on capital gains and dividends could make the taxable investment return higher, thus reducing the difference between the two ending values in the chart. The results shown here are not intended to represent an investment in a specific fund and, of course, a program of regular investing does not ensure a profit or protect against loss. Your investment experience will differ.

* If you withdraw money from a 529 college savings plan for purposes other than higher education, earnings will be subject to federal income tax and possibly a 10% federal tax penalty.

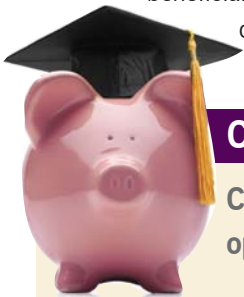
† Account values include assets in all plans administered by Virginia College Savings Plan, including CollegeAmerica, CollegeWealth®, Virginia Education Savings TrustSM and Virginia Prepaid Education Program.SM CollegeAmerica is sponsored by Virginia College Savings Plan.

3 You can open a 529 account for anyone

- You can use 529 plans to save for the higher-education expenses of the people you care about: your child, your grandchild, a niece or nephew or a friend. You can even open an account to pay for your own higher-education needs.
- Assets can be transferred — in whole or in part — among the 529 accounts of different family members of the beneficiary without a penalty. (There may be tax implications.)
- In most cases, multiple people can contribute to the same 529 plan account. For example, parents, grandparents, aunts, uncles and family friends can all contribute to a child's 529 account.

4 You control the assets

- With a 529 plan, the account owner rather than the beneficiary retains control of the assets and decides on the amount and timing of withdrawals.



CollegeAmerica

CollegeAmerica, the 529 college savings plan offered by American Funds, is an appealing option for many people saving for higher education. Consider the following:

- CollegeAmerica is available in all 50 states and the District of Columbia.
- CollegeAmerica assets can be used to pay for qualified education expenses at eligible educational institutions nationwide.
- CollegeAmerica's operating expenses are among the lowest in the 529 savings plan industry.
- Only CollegeAmerica offers a wide range of the American Funds — 25 in all — which allows you and your adviser to build a portfolio that best fits your needs. Together, you may choose a single fund or a portfolio of funds tailored to your financial plan.

CollegeAmerica is the country's largest 529 plan and was recently praised by Morningstar.

Other important information about 529 savings plans

- 529 savings plan holdings could reduce a beneficiary's ability to qualify for some grants and student loans.
- *Depending on your state of residence, there may be an in-state plan that provides tax and other benefits not available through CollegeAmerica. Talk to your tax adviser.*

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds and CollegeAmerica. This and other important information is contained in each fund's prospectus and summary prospectus and the *CollegeAmerica Program Description*, which can be obtained from a financial professional and should be read carefully before investing. CollegeAmerica is sponsored by Virginia College Savings Plan, distributed by American Funds Distributors® and sold through unaffiliated intermediaries.