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## Upcoming Holidays

UESP's office will be closed on:

- Wednesday, July 4, 2007
- Tuesday, July 24, 2007
- Monday, September 3, 2007
- Thursday, November 22, 2007
- Friday, November 23, 2007
- Tuesday, December 25, 2007

*UESP is a Section 529 plan administered and managed by the Utah State Board of Regents and the Utah Higher Education Assistance Authority (UHEAA).*

*Investors should read the Program Description and consider all investment objectives, risks, charges, and expenses before investing. The Program Description is available online at [www.uesp.org](http://www.uesp.org) or by calling 1.800.418.2551.*

*You could lose money you invest in UESP. Investments are not guaranteed by UESP, the Board of Regents, UHEAA, the FDIC, or any other state or federal government agency.*

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## UESP Fee Changes

UESP has announced fee changes, which became effective July 1, 2007, and will be reflected on your third quarter account statement (you will receive this in October).

### Administrative Maintenance Fee – Lowered

The administrative maintenance fee is now **reduced** from a maximum of \$25 to a maximum of \$20 annually for non-Utah residents. The fee is charged at a rate of \$4 per \$1,000 of the account balance, up to a maximum of \$20 annually. Utah residents will continue to be exempt from this fee.

### Administrative Asset Fee & Administrative Maintenance Fee – Assessment Timing Change

The Administrative Asset Fee (assessed on both Utah residents and non-residents) and the Administrative Maintenance Fee (assessed on non-residents) will now be charged at the end of the quarter during which a new account is established. Previously, the assessment of fees did not begin until the end of the second quarter the account owner enrolled in the plan. In the quarter an account is closed, no Administrative Asset Fees or Administrative Maintenance Fees are assessed.

### Option 1 PTIF Fee (Public Treasurer's Investment Fund)

To cover the costs of managing Option 1, UESP will assess a 0.25% Administrative Asset Fee and the Administrative Maintenance Fee on investments in Option 1, PTIF. Utah residents will remain exempt from these two fees.

## Importance of Designating a Successor

Designating a successor account owner for your UESP account will ensure continued proper ownership of your account.

In the event of the account owner's death, if no successor is named on the individual UESP account and the beneficiary is a minor, the account will be re-designated as a Custodial account. If the beneficiary on the account is 18 or older, and you have not named a successor owner, the beneficiary will become the account owner.

Designating a primary or secondary successor account owner on your individual UESP account is simple. It can be included on the original Account Agreement, Form 100, or the Primary/Secondary Successor Owner Designation or Change Form, Form 515, available online at [www.uesp.org](http://www.uesp.org). A primary or secondary successor account owner must be a person who is at least 18 years of age with a valid taxpayer identification number or an institution.

The money in a Custodial account is an irrevocable and permanent gift to the minor beneficiary. The minor will be listed as the beneficiary and owner of the UESP account. The guardian of the minor child will be listed as the custodian or agent of the UESP account. The agent is responsible for the management of the account until the beneficiary reaches the age of majority in the state in which the money was originally gifted. Once an account has been designated as a Custodial account, the funds cannot be transferred to another family member. Therefore, you cannot designate a successor account owner on a Custodial account.

## Need Cash for Class?

As your college student returns to class, bills start rolling in. So, how do you withdraw money from your UESP account?

Account owners may request disbursements from their accounts by submitting a signed and dated Disbursement Request Form, Form 300, available online at [www.uesp.org](http://www.uesp.org). Funds may only be disbursed to an account owner, beneficiary, eligible educational institution, or another qualified tuition plan.

IRS rules require that if funds are disbursed to the account owner or another qualified tuition plan, the account owner will receive an IRS Form 1099-Q. If funds are disbursed to the beneficiary or eligible educational institution, the beneficiary will receive the IRS Form 1099-Q. UESP will mail IRS Form 1099-Q for 2007 disbursements in January 2008.

The person receiving IRS Form 1099-Q will be responsible for retaining all receipts and documentation to support the disbursement.

### Disbursement Tips

Plan ahead. It will take approximately two weeks to receive the check after initiating the request with UESP.

Please ensure you have provided all required information on the Disbursement Request Form, Form 300, including:

- UESP account number
- Account owner and beneficiary names
- Amount to be disbursed
- Name of the person or eligible educational institution to whom the check should be written
- Account owner's signature
- Date

We recommend you call UESP or check your account online to ensure the address on file for the account owner and beneficiary are current. If the check is going to the school, make sure you include the school's address and the student identification number on the disbursement form.

### Non-Qualified Disbursements

Funds disbursed from a UESP account not used for qualified higher education expenses are subject to taxation and penalties. The earnings portion of the non-qualified disbursement will be subject to federal and state income tax, as well as an additional 10% federal penalty tax. If funds disbursed from a UESP account are not used for qualified higher education expenses, and a Utah state tax deduction was claimed in any prior tax year, the account owner must add the previously deducted amount to his or her taxable income for Utah state income tax purposes in the year of the non-qualified disbursement.

Since UESP cannot withhold federal taxes, state taxes, nor the additional 10% federal penalty tax from an unqualified disbursement, the taxpayer who receives the IRS Form 1099-Q is responsible for paying any and all taxes and/or penalties.

## In the News

"As a retired banker I looked into this carefully. I have eight accounts for eight grandchildren. UESP is very impressive. It even seems to attract people from other states. My reason isn't so much to provide financial help as sending a message to them that their grandparents and parents are enthusiastic about higher education."

Almo Simmons  
UESP Account Owner

*UtahSpirit* magazine  
April 2007

## Receive Your UESP Statement Online

You can access up to **eight** quarterly statements of your UESP account online. You are increasing the protection of your personal information by electing to receive your statements online.

Online statements are fast and easy to use. Change your preference to online statement delivery by following these six easy steps.

*Step 1:* go to [www.uesp.org](http://www.uesp.org)

*Step 2:* log into "account access"

*Step 3:* click on "modify statement delivery options"

*Step 4:* select statement delivery option as "online"

*Step 5:* enter and confirm your e-mail address

*Step 6:* click "save"

Each quarter, you will receive an e-mail notification from UESP when your new quarterly online statement is available.

## Plan Now for Year-End Contributions

2007 is half over. It is time to start planning for year-end UESP contributions to ensure your 2007 state tax deduction or credit.

2007 contributions must be received at the UESP office before the deadline of 5 p.m., MT, Monday, December 31, 2007. Contributions can be delivered to our office located at 60 South 400 West, Salt Lake City, UT. Mailed contributions should be sent to P.O. Box 145100, Salt Lake City, UT 84114-5100. Mailed contributions postmarked on or before December 31, 2007, but received by UESP after this date, will be recorded as 2008 tax year contributions and will not be eligible for the state tax deduction or credit.

Include the account number and beneficiary's name on the front of your check to ensure proper processing.

## September is National College Savings Month

September is designated as "National College Savings" month by the College Savings Plans Network of the National Association of State Treasurers.

To encourage college savings, the Utah Legislature established UESP in 1996. Now, 11 years later, UESP has more than 97,000 accounts and is nationally recognized as one of the top 529 college savings plans.

September, and the start of a new school year is a great time to remember the benefits of higher education. Individuals with a college education typically earn more, have jobs that offer better benefits, and are more apt to engage in healthier lifestyles than those who forego a college education.



## Common Questions and Answers

**Q** What is the maximum account balance for a single beneficiary?

**A** UESP's maximum account balance per beneficiary for 2007 is \$319,000. This amount reflects the possible costs of an undergraduate and graduate degree, including room and board.

**Q** Which higher education institutions qualify for disbursements from my UESP account?

**A** They are usually any accredited college or university in the United States or abroad that participates in federal student aid programs. Account owners may determine the eligibility of a higher education institution by contacting the school directly or visiting the Web site for the U.S. Department of Education at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

## More News

"Generally speaking, it's still Utah—which is one of the reasons that it is perennially on top of our list of the best 529 plans. Assuming a conservative rate of return of 5% annually over a 22-year time horizon, it is basically a wash for a smaller investor starting out with \$500 and investing \$50 a month. But for those contributing more, say \$2,000 a year, the Utah plan is clearly the better deal in terms of cost."\*

*Morningstar, Inc*  
May 10, 2007

\*This example does not apply to Utah residents who are not charged the annual Account Maintenance Fee. Also, effective July 1, 2007 the Account Maintenance Fee was reduced to a maximum of \$20 annually for non-Utah residents.

"Because UESP manages account investments, fees are low, making the Utah plan attractive to investors from across the nation."

*Zions Bank Community magazine*  
May/June 2007

## Expanded "Kiddie Tax"

President Bush recently signed into law the Small Business and Work Opportunity Tax Act of 2007. Included in the Act were various business tax incentives and revenue raisers offsetting those tax incentives. Expansion of the so called "Kiddie Tax" was among the revenue raisers. This is the second time that the reach of the Kiddie Tax has been extended in recent years.

**Investments in 529 Plans, such as UESP, are NOT subject to the Kiddie Tax.** Therefore, this change in tax law has been seen by many financial advisers as one more reason favoring the use of 529 plans for college savings.

Generally, for federal income tax purposes, if a child is subject to the Kiddie Tax, that child will pay tax at the parents' highest marginal tax rate on his or her unearned income over \$1,700 (for 2007). Before the Kiddie

Tax rules apply the first \$850 of the child's unearned income is tax-free and the next \$850 is taxed at the child's rate.

For most taxpayers, beginning in 2008, the Act expands the Kiddie Tax to (a) children age 18 and (b) also to full-time students over age 18 but under age 24, if their earned income doesn't exceed one-half of the amount of their support. Support is defined the same as it is for the dependency deduction requirement that a child not provide more than one-half of his or her own support for the tax year.

The expansion of the Kiddie Tax is seen as an attempt by Congress to curtail a strategy of some wealthy and moderate income parents to have their children take advantage of the long-term capital gains rates, which beginning in 2008 through 2010 will drop down to 0% for taxpayers in the 10% and 15% tax brackets (the two lowest tax brackets).

Some families might have benefited from these rates by gifting appreciated stock and other securities to their low-income, young adult children who, under prior law, would have been able to sell these securities tax-free in 2008, 2009 and 2010. The expansion of the Kiddie Tax to most 18 year olds and full-time students eliminates this opportunity to shift assets and tax brackets.

However, if the earned income of a child over 18 years of age exceeds one-half of his or her support, the Kiddie Tax will not apply and the child will be able to take advantage of the lower capital gains rate and presumably lower tax bracket on other types of unearned income. Please consult your own tax adviser concerning the application of the Kiddie Tax to your particular situation, especially if you have made gifts of stock or other appreciated assets to your child.

# Utah Educational Savings Plan

## Investment Option Performance as of June 30, 2007

| Investment Options                               |                               | Latest Month | Latest Three-Months | Latest Quarter End <sup>1</sup> | Year to Date <sup>2</sup> | Average Annual <sup>4</sup> |            |           | Inception Date |         |
|--|-------------------------------|--------------|---------------------|---------------------------------|---------------------------|-----------------------------|------------|-----------|----------------|---------|
|  |                               |              |                     |                                 |                           | One Year                    | Three Year | Five Year |                |         |
| <b>AGE-BASED OPTIONS</b>                         |                               |              |                     |                                 |                           |                             |            |           |                |         |
| <b>Option 2 - S&amp;P/Bonds/PTIF<sup>5</sup></b> | 0-3                           | -1.64%       | 5.80%               | 5.80%                           | 6.40%                     | 19.35%                      | 10.80%     | 9.93%     | 3.01%          | 9/20/99 |
|  | 4-6                           | -1.50%       | 5.12%               | 5.12%                           | 5.79%                     | 17.90%                      | 10.03%     | 9.30%     | 3.26%          | 9/20/99 |
|  | 7-9                           | -1.37%       | 4.44%               | 4.44%                           | 5.18%                     | 16.45%                      | 9.26%      | 8.66%     | 3.51%          | 9/20/99 |
|  | 10-12                         | -1.24%       | 3.75%               | 3.75%                           | 4.58%                     | 15.00%                      | 8.48%      | 8.02%     | 3.77%          | 9/20/99 |
|  | 13-15                         | -0.96%       | 2.91%               | 2.91%                           | 3.84%                     | 12.75%                      | 7.33%      | 6.94%     | 3.93%          | 9/20/99 |
|  | 16+                           | -0.52%       | 1.49%               | 1.49%                           | 2.59%                     | 9.02%                       | 5.40%      | 5.16%     | 4.24%          | 9/20/99 |
|  | College Enrolled <sup>3</sup> | 0.40%        | 1.19%               | 1.19%                           | 2.40%                     | 4.84%                       | 3.50%      | 2.59%     | 3.27%          | 9/20/99 |
| <b>Option 3 - S&amp;P and Bonds</b>              | 0-3                           | -1.70%       | 6.15%               | 6.15%                           | 6.70%                     | 20.07%                      | 11.19%     | 10.25%    | 2.88%          | 9/20/99 |
|  | 4-6                           | -1.70%       | 6.15%               | 6.15%                           | 6.70%                     | 20.07%                      | 11.19%     | 10.25%    | 2.88%          | 9/20/99 |
|  | 7-9                           | -1.70%       | 6.15%               | 6.15%                           | 6.70%                     | 20.07%                      | 11.19%     | 10.25%    | 2.88%          | 9/20/99 |
|  | 10-12                         | -1.64%       | 5.80%               | 5.80%                           | 6.40%                     | 19.35%                      | 10.80%     | 9.93%     | 3.01%          | 9/20/99 |
|  | 13-15                         | -1.50%       | 5.12%               | 5.12%                           | 5.79%                     | 17.90%                      | 10.03%     | 9.30%     | 3.26%          | 9/20/99 |
|  | 16+                           | -1.37%       | 4.44%               | 4.44%                           | 5.18%                     | 16.45%                      | 9.26%      | 8.66%     | 3.51%          | 9/20/99 |
|  | College Enrolled <sup>3</sup> | -1.24%       | 3.75%               | 3.75%                           | 4.58%                     | 15.00%                      | 8.48%      | 8.02%     | 3.77%          | 9/20/99 |
| <b>Option 7 - Diversified-A</b>                  | 0-3                           | -1.50%       | 6.19%               | 6.19%                           | 8.47%                     | 20.44%                      | 14.30%     | NA        | 20.16%         | 4/1/03  |
|  | 4-6                           | -1.50%       | 6.19%               | 6.19%                           | 8.47%                     | 20.44%                      | 14.30%     | NA        | 20.16%         | 4/1/03  |
|  | 7-9                           | -1.27%       | 4.81%               | 4.81%                           | 6.90%                     | 17.47%                      | 12.13%     | NA        | 16.72%         | 4/1/03  |
|  | 10-12                         | -1.05%       | 3.43%               | 3.43%                           | 5.33%                     | 14.50%                      | 9.96%      | NA        | 13.27%         | 4/1/03  |
|  | 13-15                         | -0.83%       | 2.06%               | 2.06%                           | 3.76%                     | 11.52%                      | 7.79%      | NA        | 9.83%          | 4/1/03  |
|  | 16+                           | -0.60%       | 0.68%               | 0.68%                           | 2.20%                     | 8.55%                       | 5.63%      | NA        | 6.39%          | 4/1/03  |
|  | College Enrolled <sup>3</sup> | 0.40%        | 1.19%               | 1.19%                           | 2.40%                     | 4.84%                       | 3.50%      | NA        | 2.77%          | 4/1/03  |
| <b>Option 8 - Diversified-B</b>                  | 0-3                           | -0.87%       | 5.26%               | 5.26%                           | 7.20%                     | 18.90%                      | 13.32%     | NA        | 17.63%         | 4/1/03  |
|  | 4-6                           | -0.81%       | 4.52%               | 4.52%                           | 6.38%                     | 17.24%                      | 12.09%     | NA        | 15.80%         | 4/1/03  |
|  | 7-9                           | -0.75%       | 3.77%               | 3.77%                           | 5.56%                     | 15.57%                      | 10.85%     | NA        | 13.96%         | 4/1/03  |
|  | 10-12                         | -0.69%       | 3.03%               | 3.03%                           | 4.74%                     | 13.91%                      | 9.62%      | NA        | 12.12%         | 4/1/03  |
|  | 13-15                         | -0.55%       | 2.47%               | 2.47%                           | 4.09%                     | 12.17%                      | 8.39%      | NA        | 10.27%         | 4/1/03  |
|  | 16+                           | -0.41%       | 1.92%               | 1.92%                           | 3.45%                     | 10.43%                      | 7.16%      | NA        | 8.42%          | 4/1/03  |
|  | College Enrolled <sup>3</sup> | 0.40%        | 1.19%               | 1.19%                           | 2.40%                     | 4.84%                       | 3.50%      | NA        | 2.77%          | 4/1/03  |
| <b>Option 9 - Diversified-Bonds Emphasis</b>     | 0-3                           | -0.81%       | 2.89%               | 2.89%                           | 4.64%                     | 13.46%                      | 9.25%      | NA        | 11.84%         | 4/1/03  |
|  | 4-6                           | -0.73%       | 2.17%               | 2.17%                           | 3.84%                     | 11.88%                      | 8.09%      | NA        | 10.06%         | 4/1/03  |
|  | 7-9                           | -0.64%       | 1.45%               | 1.45%                           | 3.04%                     | 10.31%                      | 6.93%      | NA        | 8.28%          | 4/1/03  |
|  | 10-12                         | -0.48%       | 0.93%               | 0.93%                           | 2.41%                     | 8.66%                       | 5.78%      | NA        | 6.48%          | 4/1/03  |
|  | 13-15                         | -0.31%       | 0.40%               | 0.40%                           | 1.79%                     | 7.01%                       | 4.63%      | NA        | 4.69%          | 4/1/03  |
|  | 16+                           | -0.15%       | -0.13%              | -0.13%                          | 1.16%                     | 5.36%                       | 3.47%      | NA        | 2.89%          | 4/1/03  |
|  | College Enrolled <sup>3</sup> | 0.40%        | 1.19%               | 1.19%                           | 2.40%                     | 4.84%                       | 3.50%      | NA        | 2.77%          | 4/1/03  |
| <b>STATIC OPTIONS</b>                            |                               |              |                     |                                 |                           |                             |            |           |                |         |
| <b>Option 1 - PTIF<sup>5</sup></b>               | All Ages                      | 0.44%        | 1.32%               | 1.32%                           | 2.65%                     | 5.34%                       | 4.00%      | 3.09%     | 4.26%          | 11/1/96 |
| <b>Option 4 - S&amp;P Index</b>                  | All Ages                      | -1.70%       | 6.15%               | 6.15%                           | 6.70%                     | 20.07%                      | 11.19%     | 10.25%    | 2.88%          | 9/20/99 |
| <b>Option 5 - Bonds</b>                          | All Ages                      | -0.38%       | -0.70%              | -0.70%                          | 0.63%                     | 5.58%                       | 3.46%      | NA        | 3.46%          | 9/9/02  |
| <b>Option 6 - Diversified Stocks</b>             | All Ages                      | -1.50%       | 6.19%               | 6.19%                           | 8.47%                     | 20.44%                      | 14.30%     | NA        | 20.16%         | 4/1/03  |

### Important Information Regarding Investments in UESP

Past performance does not guarantee future results; investment return and the value of the investment will fluctuate; the value of your account, when redeemed, may be worth more or less than the amount you contribute. You could lose money. The performance numbers listed above are that of the investment options, not individual accounts. Actual performance may be higher or lower than the option performance. An investment in options utilizing the PTIF are not insured or guaranteed by the FDIC or any other government agency. Investors should read the Program Description and consider all investment objectives, risks, and charges and expenses associated with a UESP account before investing. Returns are based on a \$10,000 account balance for non-Utah residents and are net of all fees. Actual performance for Utah residents may be higher. Residents of states other than Utah should consider whether their home state or the beneficiary's home state offer any state tax or other benefits that are only available in that state's 529 plan.

<sup>1</sup> UESP quarterly reporting periods end each March 31, June 30, September 30, and December 31.

<sup>2</sup> Year to date calculations are based on a calendar year; January 1<sup>st</sup> to the current month end date.

<sup>3</sup> UESP will reallocate the funds to the "College Enrolled" investment bracket on age-based accounts when the account owner notifies UESP of the beneficiary's enrollment.

<sup>4</sup> Average Annual Return for the trailing 12 months, 36 months, and 60 months.

<sup>5</sup> Public Treasurers Investment Fund (PTIF) is a pool of money managed by the Utah State Treasurer in short-term investments.