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Upcoming Holidays

UESP's office will be closed on:

- Thursday, November 22, 2007
- Friday, November 23, 2007
- Monday, December 24, 2007 (Closing at 4:00 p.m. MST)
- Tuesday, December 25, 2007
- Tuesday, January 1, 2008

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 or by calling 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.



2007 Year-End Deadlines

Contribution Deadlines

It's that time of year again. Time to celebrate a fast-approaching holiday season, the end of one year, and the start of the next. With the holiday season comes 2007 year-end deadlines.

Contributions you want applied to the 2007 calendar year must be received at the Utah Educational Savings Plan (UESP) office before **5:00 p.m. Mountain Standard Time (MST), Monday, December 31, 2007**. Mailed contributions postmarked on or before this date, but received by UESP after December 31, 2007, will be recorded as 2008 tax year contributions and will not be eligible for Utah state tax deduction or credit.

Online contributions must be made at www.uesp.org by Monday, December 31, 2007 before 5 p.m. MST, to qualify as 2007 contributions.

Contributions can be delivered or sent via overnight delivery to our office located at Board of Regents Building, Gateway 2, 60 South 400 West, Salt Lake City, UT 84101-1284. Mailed contributions should be sent to PO Box 145100, Salt Lake City, UT 84114-5100.

Contributions received by UESP during the final business days of calendar year 2007 will be applied to your account for the 2007 tax year. However, the contribution will be invested in January 2008 and reflected on your March 2008 quarterly statement.

- Do** - Ensure adequate time if you are mailing your contribution.
- Do** - Ensure adequate time to find parking if you are hand delivering your contribution.
- Do** - Clearly write the account number and beneficiary's name on the front of your check to ensure proper processing.
- Do** - Consider making your contribution online using Account Access at www.uesp.org.

For 2007, a Utah taxpayer may deduct contributions up to \$1,620 (\$3,240 if filing jointly), or receive a tax credit up to \$87 (\$173 if filing jointly) per beneficiary. To receive the deduction or credit, it is required that the UESP account be established for the beneficiary before the age of 19.

Other 2007 Tax Benefit Deadlines

New Accounts. All efforts will be made to process new accounts received on Monday, December 31, 2007. However, UESP cannot guarantee the new account will make the 2007 year-end processing deadline.

Rollovers. Rollover requests take several weeks to process, depending on the other designated institution. Funds from rollovers must be received before Friday, December 28, 2007. See the article "Initiating Rollovers From Another 529 Plan" on page 2 of this newsletter for more information.

Option Changes and Internal Transfers. If mailed with a contribution, the contribution will be processed before the option change or transfer is made. To ensure adequate time, please remit changes to UESP by Monday, December 17, 2007.

Disbursements. UESP cannot guarantee disbursement requests will be processed by the end of the calendar year if received after Monday, December 17, 2007. Help us process your requests by ensuring the forms are timely, complete, and legible.

Summary 2007 Deadlines

Monday, December 17, 2007

- Option Changes and Internal Transfers
- Disbursement Requests

Friday, December 28, 2007

- Rollover Funds Received

Monday, December 31, 2007 (5:00 p.m. Mountain Standard Time)

- Contributions by check
- Online Contributions
- New Account Agreements

Ways to Contribute to Your UESP Account

The Utah Educational Savings Plan offers flexibility and options when contributing to your UESP account. Contributions can be made by check, online at the UESP Web site www.uesp.org, or automated clearinghouse (ACH) from your checking or savings account. ACH contributions can be made one-time or ongoing.

Checks

Checks sent to UESP must include the UESP account number and beneficiary's name on the front of the check. To ensure your contribution is deposited to the proper account, please write clearly. All payments should be made payable to UESP and mailed to UESP, PO Box 145100, Salt Lake City, UT 84114-5100. No additional information is required with the check.

Online Contributions

One-time online contributions can be made by logging in to your UESP account at www.uesp.org. After logging in to your account, click on "Contribute Online." Enter the contribution amount for each UESP account you are contributing to, and the date the money should be withdrawn from your bank account. Enter all bank information, including bank account type, routing number, account number, e-mail address where the confirmation will be sent, and daytime phone number. Click on "I Agree," and your contribution will be processed.

You must use a checking or savings account from your bank, savings and loan, or credit union for electronic online contributions. Brokerage and mutual fund accounts with companies such as Vanguard, Charles Schwab, etc., cannot be used to fund online contributions. Requests to do so will be rejected. Reject fees and market losses will be charged to your UESP account.

Automated Clearinghouse (ACH)

Account owners can establish automated contributions by ACH from their checking or savings account as a one-time lump sum or an ongoing regularly scheduled contribution. You can set up ACH contributions by completing an ACH Authorization Form, Form 200, available online at www.uesp.org or call 800.418.2551. Completed forms should be mailed or faxed to the UESP office.

To ensure UESP receives the correct account number and bank routing number, attach a voided check or savings withdrawal slip to the form indicating the bank account where the funds are to be withdrawn.

Although there is only one UESP account owner, all bank account owners listed on the bank account must sign the ACH Authorization Form.

New Web Site Features

UESP added two new Web site features for your convenience.

Request UESP Materials Online

Take the first step in opening a UESP account by requesting an enrollment kit from UESP's Web site. The enrollment kit includes the Program Description, Account Agreement Form (Form 100), current investment return information, and the current UESP newsletter. If you wish to open more than one account, you may request or download additional Account Agreement forms at the UESP Web site or copy the one in the enrollment kit. Visit www.uesp.org to submit your request. The materials will be delivered to you within seven to ten business days.

Account Agreement Form 100 Now in a Fill-In Format

Account Agreement Form, Form 100, is now available in an online, fill-in format. Follow these steps, and enjoy the convenience of completing a UESP account agreement online.

Step 1 : go to www.uesp.org/forms.html

Step 2 : open Account Agreement, Form 100, in Adobe Acrobat

Step 3 : complete required fields

Step 4 : print and sign the form

Step 5 : mail or fax the completed form to UESP

Additional fill-in forms available on the UESP Web site include:

- Establish or Change Automated Contributions, Form 200
- Disbursement Request, Form 300
- Investment Option Change, Form 405

Initiating Rollovers From Another 529 Plan

Do you know you can roll over funds from another 529 plan to your UESP account? When considering a rollover, keep in mind these helpful tips.

- Rollovers from another 529 plan to a UESP account are allowed once every 12 months for the same beneficiary.
- It can take anywhere from two to five weeks for UESP to receive rollover funds from another 529 plan, depending on the plan you are transferring funds from.
- Funds received from another 529 plan must include a certification clearly showing the portion of the funds that is principal and the portion that is earnings, if any.
- Some financial institutions will require a medallion signature guarantee for added security. This type of guarantee can be obtained from select financial institutions. Contact the 529 plan you are transferring funds from to determine whether it requires a signature guarantee.

Visit our Web site at www.uesp.org and complete Incoming Rollover Form, Form 210, or call 800.418.2551 to initiate a rollover.*

**Check with your current 529 Plan to determine tax implications with a rollover and other benefits you may be foregoing.*

**Utah residents receive a deduction or credit for rollovers into UESP. See the Program Description for more information.*

Give Your Child a Gift They Won't Outgrow

Whether it's the latest toy, video game, or new outfit, your child will eventually outgrow most of their holiday gifts. There is one gift that's always a great fit – an investment in their future.

Contributing to your child's or grandchild's UESP account may be the best gift you can give this holiday season.

An investment in your child's higher education is a lasting gift that will give your child much more: knowledge of things they've never heard of, opportunities to grow, friendships and memories to last a lifetime, not to mention that first wide-eyed look at the world and their potential.

Qualified Disbursements

Contributing to your UESP account is a great way to save for higher education expenses. However, only disbursements made for a beneficiary's qualified higher education expenses are exempt from taxable income.

Qualified Higher Education Expenses

As described in the UESP Program Description, qualified higher education expenses include tuition, fees, books, supplies, and equipment required for the enrollment or attendance of your beneficiary at an eligible educational institution. In addition, room and board also qualify as higher education expenses if the beneficiary is carrying at least one-half the normal full-time work load for the course of study the student is pursuing.

Only disbursements made to provide for a beneficiary's qualified higher education expenses are exempt from federal taxable income. The earnings portion of disbursements for *nonqualified* uses are included in taxable income at ordinary income rates and are subject to a 10 percent federal penalty tax.

Calendar Year versus Academic Year Expenses

Typically, a disbursement is requested for qualified higher education expenses that are incurred in the same year as the year the disbursement request is made. For example, if a beneficiary has tuition, fees, and book expenses in the fall, the account owner normally would request a disbursement to cover those expenses before December 31 of that year. However, an academic year usually spans two calendar years and many institutions of higher education require that tuition for a spring semester that begins in January or February be paid before December 31 of the prior year.

Although there are no official notices or rulings under Section 529 on this issue, other provisions of the Internal Revenue Code provide that tuition and fees that are paid during one year for an academic period that begins during the first three (3) months of the following year are treated as incurred in the same year as the year of payment. In addition, the proposed regulations under Section 529 provide examples where a 529 Plan makes a disbursement in December of one year to cover tuition in the spring semester of the following year.

UESP will process disbursement requests for an account owner where the request is made in one calendar year for an academic period that begins in the next calendar year.

Similarly, UESP will process reimbursement requests where the expenditure was made in the prior calendar year as long as UESP receives the request by the last day of February in the following year (February 29, 2008 for the 2007-08 academic year).

Prepaying For More Than One Year's Tuition

Some higher education institutions offer a discount for advance payments of tuition and fees. Also, some states offer Section 529 "prepaid tuition plans," which allow an account owner to purchase tuition units or credits in advance. UESP does not offer this option. In addition, we are not aware that a disbursement from a UESP account, for prepayment of tuition for more than the next academic period beyond the current year, would be considered a qualified higher education expense by the Internal Revenue Service (IRS).

Recently, the IRS issued a ruling stating prepaid tuition payments made directly to a "qualifying educational organization" are treated as a "qualified transfer" for purposes of the gift and generation-skipping transfer tax exclusions. This ruling does not apply to 529 Plans, such as UESP. Section 529 clarifies that when funds are contributed to a 529 account the contribution is treated as a completed gift for gift and generation-skipping transfer tax purposes and **not** as a "qualified transfer" for purposes of the gift and generation-skipping transfer tax. Moreover, the ruling does not provide that prepayments of tuition are qualified higher education expenses for purposes of Section 529.

UESP cannot provide legal, tax, or financial advice, so account owners should consult their own tax advisers regarding prepayments of qualified higher education expenses.

Keep Adequate Records

While UESP cannot provide you with legal, tax, or financial advice, we remind you that it is the account owner's responsibility to keep adequate records to substantiate to the IRS that a disbursement from UESP is used for qualified higher education expenses. In addition, if you have any questions about what constitutes a qualified higher education expense or the timing of any disbursement request, we urge you to contact your own tax adviser concerning those matters.

Common Questions and Answers

Q Who can be the beneficiary of a UESP account?

A Anyone can be named as a beneficiary on a UESP account, regardless of his or her relationship to the person who establishes the account. The only requirement is the beneficiary must be a U.S. citizen or resident alien with a valid Social Security Number or Taxpayer Identification Number.

Q What happens if the beneficiary receives a scholarship?

A If the beneficiary receives a scholarship that covers the cost of qualified expenses, a disbursement can be made up to the amount of the scholarship without incurring the 10 percent additional federal penalty tax on earnings. However, federal and state taxes are payable on the earnings portion of the refund. Funds may also be transferred to another family member.

Utah taxpayers should refer to page six of the current Program Description regarding changes to beneficiaries who are over the age of 19. Recapture of previous Utah state tax deduction(s) or credit(s) may apply.

In The News

"The Utah Educational Savings Plan reached 100,000 accounts on Tuesday [July 31, 2007], a goal that was originally set for later this fall. The option to enter the state's 529 college savings plan has been available since 1996 but has recently experienced phenomenal growth, including a nearly 23 percent increase in new accounts since this time last year."

Deseret Morning News
August 3, 2007

"Rock-bottom fees. If low investment costs are your primary concern, take a look at the Utah Educational Savings Plan Trust."

Kiplinger's Personal Finance
September 2007

Utah Educational Savings Plan

Investment Option Performance as of September 30, 2007

Investment Options		Latest Month	Latest Three-Months	Latest Quarter End ¹	Year to Date ²	Average Annual ⁴				Inception Date
						One Year	Three Year	Five Year	Since Inception	
AGE-BASED OPTIONS										
Option 2 - S&P Index/Bonds/PTIF⁵	0-3	3.56%	1.98%	1.98%	8.52%	15.45%	12.25%	14.45%	3.21%	9/20/99
	4-6	3.26%	2.07%	2.07%	7.99%	14.32%	11.32%	13.32%	3.47%	9/20/99
	7-9	2.97%	2.17%	2.17%	7.47%	13.19%	10.39%	12.18%	3.73%	9/20/99
	10-12	2.67%	2.26%	2.26%	6.94%	12.06%	9.46%	11.04%	3.98%	9/20/99
	13-15	2.19%	2.23%	2.23%	6.16%	10.38%	8.11%	9.25%	4.14%	9/20/99
	16+	1.40%	2.21%	2.21%	4.86%	7.59%	5.85%	6.29%	4.44%	9/20/99
	College Enrolled ³	0.40%	1.21%	1.21%	3.64%	4.92%	3.85%	2.80%	3.37%	9/20/99
Option 3 - S&P Index and Bonds	0-3	3.70%	1.94%	1.94%	8.79%	16.01%	12.71%	15.02%	3.08%	9/20/99
	4-6	3.70%	1.94%	1.94%	8.79%	16.01%	12.71%	15.02%	3.08%	9/20/99
	7-9	3.70%	1.94%	1.94%	8.79%	16.01%	12.71%	15.02%	3.08%	9/20/99
	10-12	3.56%	1.98%	1.98%	8.52%	15.45%	12.25%	14.45%	3.21%	9/20/99
	13-15	3.26%	2.07%	2.07%	7.99%	14.32%	11.32%	13.32%	3.47%	9/20/99
	16+	2.97%	2.17%	2.17%	7.47%	13.19%	10.39%	12.18%	3.73%	9/20/99
	College Enrolled ³	2.67%	2.26%	2.26%	6.94%	12.06%	9.46%	11.04%	3.98%	9/20/99
Option 7 - Diversified-A	0-3	3.45%	0.59%	0.59%	9.10%	17.31%	15.16%	NA	19.13%	4/1/03
	4-6	3.45%	0.59%	0.59%	9.10%	17.31%	15.16%	NA	19.13%	4/1/03
	7-9	2.91%	1.04%	1.04%	7.98%	14.79%	12.81%	NA	16.00%	4/1/03
	10-12	2.37%	1.49%	1.49%	6.86%	12.27%	10.46%	NA	12.86%	4/1/03
	13-15	1.83%	1.94%	1.94%	5.74%	9.76%	8.12%	NA	9.73%	4/1/03
	16+	1.29%	2.40%	2.40%	4.62%	7.24%	5.77%	NA	6.60%	4/1/03
	College Enrolled ³	0.40%	1.21%	1.21%	3.64%	4.92%	3.85%	NA	2.94%	4/1/03
Option 8 - Diversified-B	0-3	3.46%	1.85%	1.85%	9.18%	16.51%	14.18%	NA	17.07%	4/1/03
	4-6	3.12%	1.97%	1.97%	8.47%	15.04%	12.83%	NA	15.37%	4/1/03
	7-9	2.78%	2.10%	2.10%	7.76%	13.57%	11.49%	NA	13.67%	4/1/03
	10-12	2.44%	2.22%	2.22%	7.05%	12.09%	10.14%	NA	11.97%	4/1/03
	13-15	2.07%	2.18%	2.18%	6.35%	10.64%	8.84%	NA	10.22%	4/1/03
	16+	1.70%	2.14%	2.14%	5.66%	9.18%	7.54%	NA	8.47%	4/1/03
	College Enrolled ³	0.40%	1.21%	1.21%	3.64%	4.92%	3.85%	NA	2.94%	4/1/03
Option 9 - Diversified-Bonds Emphasis	0-3	2.27%	1.97%	1.97%	6.68%	11.55%	9.72%	NA	11.64%	4/1/03
	4-6	1.97%	2.15%	2.15%	6.04%	10.19%	8.46%	NA	10.00%	4/1/03
	7-9	1.66%	2.32%	2.32%	5.40%	8.82%	7.20%	NA	8.37%	4/1/03
	10-12	1.33%	2.33%	2.33%	4.78%	7.47%	5.98%	NA	6.68%	4/1/03
	13-15	0.99%	2.34%	2.34%	4.16%	6.13%	4.76%	NA	5.00%	4/1/03
	16+	0.65%	2.36%	2.36%	3.54%	4.78%	3.55%	NA	3.31%	4/1/03
	College Enrolled ³	0.40%	1.21%	1.21%	3.64%	4.92%	3.85%	NA	2.94%	4/1/03
STATIC OPTIONS										
Option 1 - PTIF⁵	All Ages	0.40%	1.21%	1.21%	3.89%	5.25%	4.19%	3.14%	4.17%	11/1/96
Option 4 - S&P Index	All Ages	3.70%	1.94%	1.94%	8.79%	16.01%	12.71%	15.02%	3.08%	9/20/99
Option 5 - Bonds	All Ages	0.75%	2.85%	2.85%	3.50%	4.72%	3.42%	3.66%	3.91%	9/9/02
Option 6 - Diversified Stocks	All Ages	3.45%	0.59%	0.59%	9.10%	17.31%	15.16%	NA	19.13%	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.

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

² Year to date calculations are based on a calendar year; January 1 to the current month end date.

³ 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.

⁴ Average Annual Return for the trailing 12 months, 36 months, and 60 months.

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