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## Upcoming Holidays

UESP's office will be closed on:

- Monday, January 19, 2009
- Monday, February 16, 2009

*UESP is a Section 529 plan managed and administered 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.*

*UESP's Program Description is available online at [www.uesp.org](http://www.uesp.org) or by calling 800.418.2551.*

*Investments are not guaranteed by UESP, the Utah State Board of Regents, UHEAA, or any other state or federal agency. Your investment could lose value.*

*If you are not a Utah taxpayer, please see if the state where you or your beneficiary live or pay taxes offers a 529 plan that provides tax or other benefits not otherwise available to you through UESP.*



## IRS Allows More Investment Flexibility in 2009

As you may know, IRS 529 rules provide that an account owner may make one investment option change per beneficiary per calendar year or in connection with a change in beneficiary.

However, in response to concerns raised by 529 administrators about volatile financial markets, the IRS has modified its rules on allowable investment changes in its recently released Notice 2009-1.

Notice 2009-1 allows an account owner to change investment options for a single beneficiary **twice** during calendar year 2009. Importantly, this twice-per-year change is only effective for 2009. The once-per-year rule will apply thereafter.

If an investment option change is right for you, submit UESP's Investment Option Change form (form 405), available at [www.uesp.org](http://www.uesp.org) or by calling 800.418.2551.

At UESP, we know the value of your savings greatly influences whether or not higher education opportunities become a reality.

## Market Response

The recent weeks and months have been a period of unprecedented volatility in the financial markets. During this time, we have kept in close contact with our investment managers and will continue to do so in the future.

While we cannot make any predictions about the financial markets, we at UESP do know the value of investing for higher education. We strongly urge you to consult with your financial adviser before taking any precipitous action relative to your UESP account.

We will continue to provide you with detailed information about your account(s) and are committed to providing you the best service possible.

## Changes for Tax Year 2009

### Maximum Account Balance

On January 1, 2009, UESP raised the maximum aggregate account balance limit to **\$346,500**.

To comply with IRS Code Section 529, UESP sets a limit on the maximum aggregate account balance for a single beneficiary.

UESP recalculated that limit for 2009, factoring in the typical price tag of an undergraduate and graduate degree at several high cost eligible educational institutions.

The maximum aggregate account balance limit is determined by adding the value of all UESP accounts for a single beneficiary, regardless of account ownership.

The UESP account balance for your beneficiary can exceed this amount as a result of market performance, but no additional contributions will be accepted.

### Estate & Gift Tax Considerations

Also effective January 1, 2009, the IRS raised the annual gift exclusion amount from \$12,000 to **\$13,000**.

This new annual limit also translates into a higher limit for five-year averaging election contributions. A UESP account owner can now make a contribution of **\$65,000** (\$130,000 if married and filing taxes jointly) to a single beneficiary in one year without creating a taxable gift—if the contribution is treated as a series of five equal annual gifts using IRS Form 709.

See the example below of how to make supplemental contributions if you took advantage of the averaging election in previous years.

Year	Initial Contribution	Averaged Gifts	Supplemental Contributions
2007	\$60,000	→ \$12,000	
2008		\$12,000	
2009		\$12,000	\$1,000
2010		\$12,000	\$1,000
2011		\$12,000	\$1,000

## 2009 Utah State Tax Benefits

Considering making a contribution? Consider the UESP tax benefits for 2009.

Utah taxpayers can claim a five percent tax credit on UESP contributions up to \$1,740 per qualified beneficiary (\$3,480 if married filing jointly).

Married couples filing a joint tax return don't need separate UESP accounts to take advantage of this tax credit. However, if both spouses do own separate accounts for the same beneficiary, they cannot both claim the joint tax savings.

Utah trusts can also claim a five percent tax credit for contributions up to \$1,740 per beneficiary. Corporations are eligible for a deduction for contributions up to \$1,740 per beneficiary.

You can take advantage of these tax savings each year you contribute—for the life of the beneficiary's account—if the beneficiary was younger than 19 when the account was opened.

Tax Filer	Maximum Contribution for Utah State Tax Benefits	Maximum Utah State Tax Benefit
Individual	\$1,740	Credit: \$87
Joint	\$3,480	Credit: \$174
Trust	\$1,740	Credit: \$87
Corporation	\$1,740	Deduction: \$1,740

### Why Tax Credits?

In 2007, you might have noticed that you could calculate your Utah state taxes in two ways: either using the traditional method with tax brackets and the usual deductions or using the single-rate method with tax credits. Tax year 2007 was designed to transition Utah taxpayers in the single-rate direction.

Tax year 2008 signals the completion of Utah's income tax migration to the single-rate structure. Income tax deductions are no longer allowed for individuals, but income tax credits are, including the UESP tax credit.

## In the News

"As Lynne Ward, director of Utah's 529, has watched investors decamp into the plan's cash-like option, she's also noticed a handful of investors moving large blocks of money into the S&P 500 index fund. 'Some people,' she says, 'are buying low.'"

~ Fortune, December 22, 2008

## 2008 Tax Forms

It's that time again: another new year, another new semester, another tax return. Keep reading to learn about the tax forms coming from UESP.

### IRS Form 1099-Q

If you withdrew funds from your UESP account in 2008 (including a rollover to another 529 plan), UESP will mail Form 1099-Q to either you or your beneficiary by January 31.

The form will be mailed to **you** (the account owner) if the withdrawal check was made payable to you or if it was sent to another 529 plan. It will be sent to the **beneficiary** if the check was made payable to your beneficiary or their school. The individual who receives the form is responsible for any tax reporting to the IRS.

**Earnings.** Earnings are not reported as income on your federal tax return as long as the funds were used for qualified higher education expenses. Utah taxpayers also don't report earnings on qualified withdrawals as income on Utah tax returns. If you're not a Utah taxpayer, consult your tax adviser for your state's tax treatment of qualified or non-qualified 529 withdrawals.

Remember to keep your receipts handy in case you need to substantiate your qualified higher education expenses.

### Utah Form TC-675H

Utah account owners will receive Utah tax form TC-675H. This form details the following for each account owner: total qualified contributions that count toward a Utah state income tax credit or deduction, total withdrawals, and the total amount transferred to an unqualified beneficiary.

**Contributions.** Contributions received between 5:00 p.m. on December 29, 2008 and 5:00 p.m. on December 31, 2008, will count toward the 2008 tax year, but they were not invested until January 2009. Those investments will be reflected on your March 2009 quarterly statement.

**Non-qualified Expenses.** If a portion of a withdrawal was used for non-qualified expenses, and it exceeds the amount contributed during 2008, you can't claim a Utah state tax credit or deduction. You'll also have to recapture previous credits and deductions, adding that amount to your 2008 Utah taxable income.

## New Online Feature: Managing Contributions

Premiering in November 2008, the *Managing Contributions* feature was added to UESP's family of online Account Access options at [www.uesp.org](http://www.uesp.org).

### Banking Information

At the request of our account owners, your online UESP account will remember your banking information so you only have to type it in once.

### One-Time Contributions

Previously, you could make a one-time automated contribution online. Now, you can also edit or cancel that contribution up to one business day before the funds are withdrawn from your bank account.

### Recurring Contributions

Best of all, account owners can now go online to establish, change, and cancel recurring automated contributions.

## UESP Goes Green

At UESP, we're committed to reducing our environmental impact. We have an active "green team" to evaluate internal processes for in-house eco-improvement, but we're also concerned about helping our customers move into the green.

In fact, this very newsletter is printed on recycled paper, as are many of our other printed materials.

### Join Us Online

We are also constantly improving our Web site, not only to enhance your UESP experience, but also to reduce the number of paper forms that are printed.

Many UESP account owners are already on board. The majority of UESP accounts are opened online, and more account owners are switching to online document delivery.

If you receive your quarterly statements and newsletters through U.S. mail, consider switching to online delivery:

1. Sign into your UESP account online at [www.uesp.org](http://www.uesp.org).
2. Click *Change Statement Delivery Options* and select *Online*.
3. Enter your e-mail address.

We'll send you an e-mail when your documents are ready to download.

## Successors 101

When you enrolled in UESP, you may have designated a successor or two for your account. Here's a quick refresher on what that entails.

### A Defined Role

Successors sit on the sidelines until the death of the account owner, at which time they assume the account owner's rights and obligations for that account (see *Account Succession* below).

### Limitations

Because a successor is not equivalent to a joint account owner, a successor doesn't have authority to initiate transactions, sign forms, or request information from UESP about the account. Those rights are held solely by the account owner/agent.

Custodial UESP accounts can't list a successor because the IRS considers UGMA/UTMA funds as belonging to the beneficiary.

Institutional accounts can't list one either. Instead, they are required to follow their organization's legal instructions to change account ownership and agents.

### Successor Change

You can add a new successor or change existing ones anytime. Make the change online at [www.uesp.org](http://www.uesp.org) or by submitting a Primary/Secondary Successor Owner Designation or Change form (form 515).

Download the form at [www.uesp.org](http://www.uesp.org) or request one by calling 800.418.2551.

### Account Succession

If the primary successor declines ownership upon the death of the account owner or is unable to assume ownership, the choice goes to the secondary successor. If the secondary successor also declines ownership, the beneficiary becomes the account owner.

If the beneficiary is a minor, their account will become a custodial account, and the beneficiary's guardian will become the account's custodian.

## In the News

"For those of you who still haven't checked out...UESP, I recommend you go to [www.uesp.org](http://www.uesp.org) and take a look at what it has to offer. As I said before, even if the market is going crazy, it's a good idea to plan for your children's future."

~Deseret News, October 2008

## An Investment Option Overview

*Details about underlying investments for each option are available in UESP's Program Description.*

### Static Investment Options

UESP offers five static investment options. If your account is invested in one, that means your contributions stay put. Your investment isn't reallocated based on the beneficiary's age or college-enrollment status. However, some static options do rebalance each year on the beneficiary's birthday to maintain an age-appropriate investment allocation.

Our static options consist of investments in the PTIF (Option 1), an S&P index fund (Option 4), a bond market index fund (Option 5), and equity funds with a choice of international stock allocations (Options 6 and 10).

### Age-Based Options

As your beneficiary grows up, age-based investments automatically shift every three years on the beneficiary's birthday to be weighted less in stocks and more in bonds or the PTIF.

Options 2 and 3 offer different allocations of S&P index and bond funds. However, only Option 2 shifts to the PTIF.

Options 7, 8, and 9 include a diverse mix of investments, each having different allocations in bond funds, small- and mid-cap index funds, international funds, and the PTIF.

Once you submit a withdrawal request indicating that your beneficiary is enrolled in a higher educational institution, your investments move to the college-enrolled age bracket.

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## UESP's Privacy Policy

We respect the account owner's right to privacy and recognize our obligation to keep your information secure and confidential.

As the administrator of UESP, we collect non-public personal information about you from the following sources:

- Applications or other forms you submit to UESP
- Your transactions with UESP or others

- Third parties designated to verify your identity or to prevent fraud

Personal information collected from any source may include, among other things, your name, address, Social Security or Taxpayer Identification Number, and your date of birth.

We do not disclose any non-public personal information about our account owners or former account owners to anyone, except as required by law.

We also restrict access to non-public personal information about account owners to those employees who need to know such information to provide services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your non-public personal information.

### Web Safeguards

Our Web site employs the use of data encryption via the Secure Sockets Layer (SSL) protocol, and user names and passwords. These technologies provide a high level of security and privacy when you access your account information or perform online transactions.

When you visit the UESP Web site, we may obtain certain technical and navigational information, such as computer browser type, Internet protocol address, pages visited, and average time spent on our Web site. This information will help us analyze and improve our Web design and functionality.

Certain browsers—including the latest versions of Internet Explorer and Firefox—highlight the address bar in green. This guards against "phishing" attacks by confirming that the Web page you are visiting is part of the official UESP Web site.

Extended validation certificate technology makes this possible. UESP passed an independent audit to obtain this certificate from a leading certificate authority company. (Other browsers may recognize extended validation certificates in the future.)

Account owners should keep their account information confidential to help protect themselves and their accounts. Anyone who suspects unauthorized activity on their account should contact UESP or any other appropriate authorities immediately.

We reserve the right to modify this policy at any time.

# Utah Educational Savings Plan

## Investment Option Performance as of December 31, 2008

	Latest Month	Latest Three Months	Latest Quarter End <sup>1</sup>	Year to Date <sup>2</sup>	Average Annual Return <sup>3</sup>				Inception Date
					One Year	Three Year	Five Year	Since Inception	
<b>Age-Based Investment Options</b>									
<b>2: S&amp;P/Bonds/PTIF<sup>4</sup></b>									
Age 0-3	1.17%	-20.68%	-20.68%	-35.12%	-35.12%	-8.06%	-2.29%	-2.33%	9/20/99
Age 4-6	1.40%	-18.06%	-18.06%	-30.92%	-30.92%	-6.69%	-1.61%	-1.49%	9/20/99
Age 7-9	1.64%	-15.45%	-15.45%	-26.73%	-26.73%	-5.31%	-0.93%	-0.65%	9/20/99
Age 10-12	1.88%	-12.83%	-12.83%	-22.53%	-22.53%	-3.94%	-0.26%	0.20%	9/20/99
Age 13-15	1.90%	-9.27%	-9.27%	-16.43%	-16.43%	-1.97%	0.67%	1.22%	9/20/99
Age 16+	2.01%	-3.28%	-3.28%	-6.23%	-6.23%	1.33%	2.22%	2.97%	9/20/99
College Enrolled <sup>5</sup>	0.16%	0.56%	0.56%	2.82%	2.82%	4.05%	3.23%	3.29%	9/20/99
<b>3: S&amp;P/Bonds</b>									
Age 0-3	1.05%	-21.98%	-21.98%	-37.22%	-37.22%	-8.75%	-2.63%	-2.75%	9/20/99
Age 4-6	1.05%	-21.98%	-21.98%	-37.22%	-37.22%	-8.75%	-2.63%	-2.75%	9/20/99
Age 7-9	1.05%	-21.98%	-21.98%	-37.22%	-37.22%	-8.75%	-2.63%	-2.75%	9/20/99
Age 10-12	1.17%	-20.68%	-20.68%	-35.12%	-35.12%	-8.06%	-2.29%	-2.33%	9/20/99
Age 13-15	1.40%	-18.06%	-18.06%	-30.92%	-30.92%	-6.69%	-1.61%	-1.49%	9/20/99
Age 16+	1.64%	-15.45%	-15.45%	-26.73%	-26.73%	-5.31%	-0.93%	-0.65%	9/20/99
College Enrolled <sup>5</sup>	1.88%	-12.83%	-12.83%	-22.53%	-22.53%	-3.94%	-0.26%	0.20%	9/20/99
<b>7: Diversified—A</b>									
Age 0-3	3.36%	-23.66%	-23.66%	-38.62%	-38.62%	-9.25%	-1.53%	4.55%	4/1/03
Age 4-6	3.36%	-23.66%	-23.66%	-38.62%	-38.62%	-9.25%	-1.53%	4.55%	4/1/03
Age 7-9	3.37%	-18.10%	-18.10%	-29.94%	-29.94%	-6.40%	-0.40%	4.44%	4/1/03
Age 10-12	3.38%	-12.54%	-12.54%	-21.27%	-21.27%	-3.55%	0.74%	4.33%	4/1/03
Age 13-15	3.39%	-6.97%	-6.97%	-12.60%	-12.60%	-0.70%	1.87%	4.22%	4/1/03
Age 16+	3.40%	-1.41%	-1.41%	-3.93%	-3.93%	2.15%	3.01%	4.11%	4/1/03
College Enrolled <sup>5</sup>	0.16%	0.56%	0.56%	2.82%	2.82%	4.05%	3.23%	2.95%	4/1/03
<b>8: Diversified—B</b>									
Age 0-3	3.74%	-17.41%	-17.41%	-30.65%	-30.65%	-5.80%	0.14%	5.04%	4/1/03
Age 4-6	3.69%	-14.72%	-14.72%	-26.22%	-26.22%	-4.45%	0.64%	4.91%	4/1/03
Age 7-9	3.65%	-12.02%	-12.02%	-21.80%	-21.80%	-3.10%	1.14%	4.78%	4/1/03
Age 10-12	3.61%	-9.33%	-9.33%	-17.37%	-17.37%	-1.75%	1.64%	4.65%	4/1/03
Age 13-15	3.25%	-6.99%	-6.99%	-13.14%	-13.14%	-0.49%	2.05%	4.42%	4/1/03
Age 16+	2.88%	-4.65%	-4.65%	-8.91%	-8.91%	0.76%	2.46%	4.18%	4/1/03
College Enrolled <sup>5</sup>	0.16%	0.56%	0.56%	2.82%	2.82%	4.05%	3.23%	2.95%	4/1/03
<b>9: Diversified—Bonds Emphasis</b>									
Age 0-3	3.50%	-9.54%	-9.54%	-17.15%	-17.15%	-1.93%	1.47%	4.47%	4/1/03
Age 4-6	3.48%	-6.80%	-6.80%	-12.77%	-12.77%	-0.55%	2.01%	4.37%	4/1/03
Age 7-9	3.46%	-4.06%	-4.06%	-8.39%	-8.39%	0.84%	2.54%	4.28%	4/1/03
Age 10-12	3.12%	-1.68%	-1.68%	-4.21%	-4.21%	2.13%	2.99%	4.08%	4/1/03
Age 13-15	2.78%	0.70%	0.70%	-0.02%	-0.02%	3.43%	3.43%	3.89%	4/1/03
Age 16+	2.43%	3.08%	3.08%	4.17%	4.17%	4.72%	3.87%	3.69%	4/1/03
College Enrolled <sup>5</sup>	0.16%	0.56%	0.56%	2.82%	2.82%	4.05%	3.23%	2.95%	4/1/03
<b>Static Investment Options</b>									
<b>1: PTIF<sup>4</sup></b>	0.16%	0.56%	0.56%	2.82%	2.82%	4.31%	3.59%	4.16%	11/1/96
<b>4: S&amp;P Index</b>	1.05%	-21.98%	-21.98%	-37.22%	-37.22%	-8.75%	-2.63%	-2.75%	9/20/99
<b>5: Bonds</b>	3.41%	4.16%	4.16%	4.75%	4.75%	5.01%	4.14%	4.31%	9/9/02
<b>6: 10% International</b>	3.36%	-23.66%	-23.66%	-38.62%	-38.62%	-9.25%	-1.53%	4.55%	4/1/03
<b>10: 30% International</b>	3.76%	-21.72%	-21.72%	N/A	N/A	N/A	N/A	-21.72%	10/1/08

### Important Information Regarding Investments in UESP

Past performance does not guarantee future results; investment return and value will fluctuate. The value of your account, when redeemed, may be worth more or less than the amount you contribute. Your investment could lose value. These performance numbers are that of the investment options, not individual accounts. Actual performance may be higher or lower than the option performance. Investments are not insured or guaranteed by the FDIC or any other government agency. Investors should read the UESP Program Description and consider all investment objectives, risks, charges, and expenses 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. Administrative fees are applied to UESP accounts quarterly, but investment performance is presented here as if the fees were assessed monthly. Residents of states other than Utah should consider whether their home state or the beneficiary's home state offer 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 to the current month end date.

<sup>3</sup> Average Annual Return for the trailing 12 months, 36 months, and 60 months.

<sup>4</sup> Public Treasurer's Investment Fund (PTIF) is a pool of money managed by the Utah State Treasurer in short-term investments.

<sup>5</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.