



Volume 2010, Issue 1

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Upcoming Holidays

UESP's office will be closed:

- Monday, January 18, 2010
- Monday, February 15, 2010

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Age Bracket Changes

On December 11, 2009, UESP implemented a program change affecting accounts invested in age-based investment options.

Specifically, the ages of the last two age brackets have been slightly modified.

UESP's age brackets are now:

- » Age 0–3
- » Age 4–6
- » Age 7–9
- » Age 10–12
- » Age 13–15
- » Age 16–18 (*previously, Age 16+ but not college enrolled*)
- » Age 19+ or College Enrolled (*previously, College Enrolled*)

The broadened "Age 19+ or College Enrolled" bracket is designed to move funds into the FDIC-insured savings account for four of the age-based investment options and to lower the

exposure to equities for one of the age-based investment options (Option 3).

Affected account owners with beneficiaries age 18 and older but not college enrolled were notified by mail or e-mail in December 2009, prior to the change taking place.

Beneficiaries who are age 19 or older but not college enrolled—and who were in the Age 16+ bracket—had their funds reallocated to the new "Age 19+ or College Enrolled" allocation mix as described above.

This reallocation of funds for age-based investment options is not considered an account owner-initiated investment option change.

To see the age-based allocations chart, visit uesp.org. Select the *Investment Options* tab then *Summary of Options* from the drop-down menu.

New Payroll Deduction Feature

The online payroll deduction feature was upgraded to make contributing to your UESP account(s) even easier.

Payroll deduction can be used only if your employer allows direct deposits to a checking account. Please consult your employer's HR department for payroll deduction eligibility.

To set up payroll deduction with UESP, assuming your employer allows it, you must have a UESP account established. Then follow the steps below:

- » Log in to your UESP account using *Account Access* at uesp.org.
- » Select the *Payroll Deduction* tab on the left-hand tool bar.

- » Enter the total deduction amount for each pay period and the name of your employer.

- » If you have multiple UESP accounts, enter the dollar amount or percentage of the deduction to be contributed to each account.

- » To activate your deduction, print the confirmation page and provide the information to your employer. You or your employer will need to add this as a new direct deposit.

You can also complete the Payroll Deduction Agreement (form 205) available online at uesp.org and mail or fax it to UESP to receive your confirmation page.

2010 Program Changes

Higher Maximum Aggregate Account Balance in 2010

The maximum aggregate account balance for the same beneficiary increased from \$346,500 in 2009 to **\$368,000** in 2010.

This amount reflects the possible costs of an undergraduate and graduate degree, including room and board, at the highest cost public or private institutions calculated by UESP.

UESP will continue to accept contributions until the total UESP account balances for the same beneficiary reach \$368,000. However, balances are allowed to exceed this amount as a result of market performance.

One Investment Option Change Allowed in 2010

Because of concerns about volatility in the financial markets, the IRS allowed account owners to make two investment option changes per beneficiary in 2009. However, on January 1, 2010, the limit reverted back to only one investment option change per beneficiary per year.

As a reminder, the following actions constitute an account owner-initiated option change:

- » changing the investment option on an account
- » transferring funds between UESP accounts with the same beneficiary and account owner/agent

Ready to Change Your Investment Option?

Change your investment option online at uesp.org or by completing and mailing the Investment Option Change form (form 405).

Utah Residents

2010 Utah State Tax Benefits

Planning to make a contribution to start the new year right? Consider taking advantage of the UESP Utah state tax benefits for 2010.

Adjustments to the maximum contribution eligible for Utah state tax benefits change as the Consumer Price Index (CPI) increases or decreases. The CPI decreased for the 12 months ending August 31, 2009, which **reduced** the 2010 maximum contribution limit claimed as a UESP tax credit or deduction.

Utah taxpayers can claim a five percent tax credit on UESP contributions up to \$1,710 per qualified beneficiary (\$3,420 if married filing jointly).

Married couples filing a joint tax return do not need separate UESP accounts to take advantage of the joint tax credit.

Utah trusts can also claim a five percent tax credit for contributions up to \$1,710 per beneficiary. Corporations are eligible for a tax deduction for contributions up to \$1,710 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 designated as such before age 19. For more information on Utah state tax benefits visit uesp.org.

Utah state tax benefits per beneficiary in 2010

Tax Filer	Maximum Eligible Contribution (per beneficiary)	Maximum Utah State Tax Benefit (5% credit per beneficiary)
Individual	\$1,710	Credit: \$85.50
Joint	\$3,420	Credit: \$171
Trust	\$1,710	Credit: \$85.50
Corporation	\$1,710	Deduction: \$1,710

Utah Tax Form TC-675H

UESP will mail a TC-675H tax form to Utah resident account owners by January 31, 2010. It will state the allowable credit or deduction amount based on your 2009 contributions and the amount of withdrawals made from your UESP account(s) during 2009.

If a portion of your 2009 withdrawal amount was for non-qualified expenses and exceeds funds contributed during 2009, a Utah state tax credit or deduction cannot be claimed for 2009. In addition, the account owner must recapture and add to 2009 Utah taxable income any previous credit or deduction taken for a non-qualified withdrawal.

Contributions received by UESP before 5:00 p.m. (MT) on December 31, 2009, will be included on your TC-675H as a 2009 contribution. However, these funds were invested in January 2010, and will be reflected on your March 2010 quarterly statement.

If you are a Utah taxpayer and do not receive this form, it is available online at uesp.org under your *Account Access*. Or call UESP at 800.418.2551 or e-mail info@uesp.org to request a copy.

Turn 2009 Utah Tax Refunds into Automatic College Savings

In 2009, House Bill 35 simplified UESP contributions for Utah taxpayers. Simply mark the UESP savings option (line 45) on your individual Utah state income tax return and your total state tax refund will be contributed to your UESP account(s). If you have more than one UESP account, the contribution will be allocated equally among all accounts.

Tips for Bill Pay Users

UESP makes it easier than ever to save for college. In addition to UESP's online contribution features, many contributors have discovered the convenience of bill pay service through their bank or credit union.

Whether you are new or have used bill pay for years, follow these helpful tips:

- » To facilitate the delivery of your bill pay contribution, set up each UESP account as a separate bill payment.

- » Put only the UESP account number in the payee account number field. The beneficiary's name belongs in the comment or payment description field.
- » Was your bill pay set up a couple of years ago? Make sure the payee address is UESP's most current mailing address: PO Box 145100, Salt Lake City, UT 84114-5100.

Please allow two to three business days for your contribution to arrive at UESP.

Barriers to Higher Education

Last September, the White House Task Force on Middle Class Families published a report describing barriers to higher education.

The report indicated the main two barriers are rising tuition costs and increasing student debt.

There is no better way to break through these barriers than to start saving for college now.

And you've made a great start by owning a UESP account!

2009 Withdrawals: IRS Form 1099-Q

If you withdrew funds from your UESP college savings account in 2009 (including a rollover to another 529 plan), UESP will mail IRS Form 1099-Q to either you or your beneficiary by January 31, 2010. The individual who receives the form is responsible for IRS tax reporting.

The form will be mailed to the account owner if the withdrawal check was made payable to the account owner or if the check was sent to another 529 plan.

The 1099-Q will be sent to the beneficiary, if the check was made payable to him or her, or to the beneficiary's school.

Earnings are not reported as income on your federal tax return as long as all the funds were used for qualified higher education expenses.

Utah taxpayers are not required to report earnings on qualified withdrawals as income on their Utah tax returns.

If you are not a Utah taxpayer, please consult your tax adviser for your state's tax treatment of qualified or non-qualified 529 withdrawals.

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

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

Read the Program Description for more information and consider all investment objectives, risks, charges, and expenses before investing. Call 800.418.2551 for a copy of the Program Description or visit www.uesp.org.

Investments are not guaranteed by UESP, the Utah State Board of Regents, UHEAA, or any other state or federal agency. However, FDIC insurance is provided for the FDIC-insured savings account. Please read the Program Description to learn about UESP's FDIC-insured savings account. Your investment could lose value.

Non-Utah taxpayers and residents: You should determine whether the state in which you or your beneficiary pay taxes or live offers a 529 plan that provides state tax or other benefits not otherwise available to you by investing in UESP. You should consider such state tax treatment and benefits, if any, before investing in UESP.

Rebalancing Static Investment Option Accounts

As a result of market gains and losses, dividend earnings, and account fees, the allocation of assets within a UESP account may differ over time from the target asset allocation for each UESP investment option.

To maintain the target asset allocation for the aged-based investment options and static investment options 6 and 10, UESP rebalances each applicable UESP account annually on the beneficiary's birthday (or next available business day) to restore the asset allocation percentages specific to an investment option.

EXAMPLE OF REBALANCED INVESTMENT OPTIONS:

Static Option	Vanguard Funds						
	Inst. Index Fund	Mid-Cap Index Fund	Small-Cap Index Fund	Int'l Growth Fund	Int'l Value Fund	Inst. Total Stock Mkt Index Fund	Inst. Dvlpd Mkts Index Fund
Option 6	50%	20%	20%	5%	5%		
Option 10						70%	30%

Utah Educational Savings Plan

Investment Option Performance as of December 31, 2009

	Latest Month	Latest Three Months	Latest Quarter End ¹	Year to Date ²	Average Annual Return ³				Inception Date
					One Year	Three Year	Five Year	Since Inception	
AGE-BASED INVESTMENT OPTIONS									
2: S&P/Bonds/Savings									
Age 0-3	1.74%	5.66%	5.66%	25.17%	25.17%	-5.37%	0.25%	0.03%	9/20/99
Age 4-6	1.38%	5.07%	5.07%	23.12%	23.12%	-4.21%	0.69%	0.62%	9/20/99
Age 7-9	1.02%	4.48%	4.48%	21.06%	21.06%	-3.06%	1.14%	1.22%	9/20/99
Age 10-12	0.66%	3.89%	3.89%	19.01%	19.01%	-1.90%	1.59%	1.81%	9/20/99
Age 13-15	0.29%	3.01%	3.01%	15.44%	15.44%	-0.44%	2.13%	2.44%	9/20/99
Age 16-18	-0.36%	1.54%	1.54%	9.58%	9.58%	2.03%	3.04%	3.53%	9/20/99
Age 19+ or College Enrolled ⁴	0.04%	0.12%	0.12%	0.83%	0.83%	2.82%	3.15%	3.05%	9/20/99
3: S&P/Bonds									
Age 0-3	1.92%	5.96%	5.96%	26.20%	26.20%	-5.95%	0.02%	-0.27%	9/20/99
Age 4-6	1.92%	5.96%	5.96%	26.20%	26.20%	-5.95%	0.02%	-0.27%	9/20/99
Age 7-9	1.92%	5.96%	5.96%	26.20%	26.20%	-5.95%	0.02%	-0.27%	9/20/99
Age 10-12	1.74%	5.66%	5.66%	25.17%	25.17%	-5.37%	0.25%	0.03%	9/20/99
Age 13-15	1.38%	5.07%	5.07%	23.12%	23.12%	-4.21%	0.69%	0.62%	9/20/99
Age 16-18	1.02%	4.48%	4.48%	21.06%	21.06%	-3.06%	1.14%	1.22%	9/20/99
Age 19+ or College Enrolled ⁴	0.66%	3.89%	3.89%	19.01%	19.01%	-1.90%	1.59%	1.81%	9/20/99
7: Diversified—A									
Age 0-3	3.90%	5.37%	5.37%	32.01%	32.01%	-5.26%	1.23%	8.22%	4/1/03
Age 4-6	3.90%	5.37%	5.37%	32.01%	32.01%	-5.26%	1.23%	8.22%	4/1/03
Age 7-9	2.78%	4.31%	4.31%	26.74%	26.74%	-3.08%	1.89%	7.42%	4/1/03
Age 10-12	1.66%	3.24%	3.24%	21.47%	21.47%	-0.91%	2.54%	6.63%	4/1/03
Age 13-15	0.54%	2.17%	2.17%	16.19%	16.19%	1.27%	3.19%	5.84%	4/1/03
Age 16-18	-0.57%	1.10%	1.10%	10.92%	10.92%	3.45%	3.85%	5.04%	4/1/03
Age 19+ or College Enrolled ⁴	0.04%	0.12%	0.12%	0.83%	0.83%	2.82%	3.15%	2.63%	4/1/03
8: Diversified—B									
Age 0-3	1.86%	3.94%	3.94%	26.64%	26.64%	-2.98%	2.45%	7.94%	4/1/03
Age 4-6	1.41%	3.45%	3.45%	24.02%	24.02%	-1.91%	2.70%	7.48%	4/1/03
Age 7-9	0.97%	2.96%	2.96%	21.39%	21.39%	-0.83%	2.96%	7.02%	4/1/03
Age 10-12	0.53%	2.47%	2.47%	18.77%	18.77%	0.24%	3.22%	6.56%	4/1/03
Age 13-15	0.26%	1.99%	1.99%	15.66%	15.66%	1.04%	3.34%	5.93%	4/1/03
Age 16-18	-0.01%	1.51%	1.51%	12.56%	12.56%	1.84%	3.46%	5.31%	4/1/03
Age 19+ or College Enrolled ⁴	0.04%	0.12%	0.12%	0.83%	0.83%	2.82%	3.15%	2.63%	4/1/03
9: Diversified—Bonds Emphasis									
Age 0-3	0.81%	2.59%	2.59%	18.80%	18.80%	0.21%	3.04%	6.39%	4/1/03
Age 4-6	0.31%	2.08%	2.08%	16.17%	16.17%	1.30%	3.34%	5.96%	4/1/03
Age 7-9	-0.19%	1.57%	1.57%	13.54%	13.54%	2.38%	3.63%	5.54%	4/1/03
Age 10-12	-0.52%	1.06%	1.06%	10.43%	10.43%	3.18%	3.78%	4.94%	4/1/03
Age 13-15	-0.84%	0.56%	0.56%	7.31%	7.31%	3.98%	3.94%	4.35%	4/1/03
Age 16-18	-1.17%	0.06%	0.06%	4.20%	4.20%	4.78%	4.10%	3.76%	4/1/03
Age 19+ or College Enrolled ⁴	0.04%	0.12%	0.12%	0.83%	0.83%	2.82%	3.15%	2.63%	4/1/03
STATIC INVESTMENT OPTIONS									
1: PTIF⁵	0.02%	0.07%	0.07%	0.64%	0.64%	2.84%	3.37%	3.89%	11/1/96
4: S&P Index	1.92%	5.96%	5.96%	26.20%	26.20%	-5.95%	0.02%	-0.27%	9/20/99
5: Bonds	-1.69%	0.03%	0.03%	5.65%	5.65%	5.62%	4.50%	4.49%	9/9/02
6: 10% International	3.90%	5.37%	5.37%	32.01%	32.01%	-5.26%	1.23%	8.22%	4/1/03
10: 30% International	2.24%	4.50%	4.50%	28.16%	28.16%	N/A	N/A	0.25%	10/1/08
11: FDIC-Insured Savings	0.04%	0.12%	0.12%	N/A	N/A	N/A	N/A	0.70%	2/11/09

Important Information Regarding Investments in UESP

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. These performance numbers are of the investment options, not individual accounts. 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. Past performance does not guarantee future results. The value of your UESP account may vary depending on market conditions and the performance of the investment option you select. It could be more or less than the amount you contribute; in short, your investment could lose value.

Except for the underlying investment in the FDIC-insured savings account held in trust by UESP at Zions First National Bank (Bank), investments in UESP are not insured by the Federal Deposit Insurance Corporation (FDIC). Subject to the application of the Bank and FDIC rules and regulations to each account owner, investments in the FDIC-insured savings account will retain their value, whether in Option 11 or when allocated to portions of Options 2, 7, 8, and 9. Funds in the savings account are insured by the FDIC on a pass-through basis to each account owner up to the maximum amount set by federal law—currently \$250,000 through December 31, 2013, and \$100,000 thereafter. The amount of FDIC insurance provided to an account owner is based on the total of (1) the value of an account owner's investments in UESP's FDIC-insured savings account plus (2) the value of other accounts held (if any) at the Bank, as determined by the Bank and by FDIC regulations.

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

⁴ UESP will reallocate the funds to the Age 19+ or College Enrolled age bracket on age-based accounts when a qualified withdrawal request is submitted by the account owner indicating the beneficiary is enrolled in an eligible educational institution, or the beneficiary turns age 19, whichever comes first.

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