



PENNSYLVANIA
TREASURY
529 COLLEGE SAVINGS PROGRAM

PA 529 INVESTMENT PLAN



Congratulations on taking the first step toward saving for your child's education!

As the father of two boys, I know one of the most important things we can do for our children is to save for their future. With this enrollment guide, you have taken an important step toward saving for your child's future education. Congratulations!

The Pennsylvania 529 Investment Plan (IP), administered by the Pennsylvania Treasury Department, can help you get started. This enrollment guide will walk you through the PA 529 IP's features and benefits – such as flexibility, ease, and tax advantages – and help you make informed decisions about this important undertaking. This guide also tells how you can supplement your savings with Upromise, a loyalty marketing service that helps you set aside more money when you make everyday purchases.

I am confident that you will find that the PA 529 IP is a flexible plan that can meet your family's unique financial circumstances, no matter what they are. Since its inception, Pennsylvania's 529 Investment Plan has helped thousands of families reach their savings goals.

As Pennsylvania's Treasurer, one of my greatest accomplishments will be helping you make college possible. Start saving today! Enroll online at www.PA529.com or call 1-800-440-4000. The staff of the Pennsylvania Treasury Department stands ready to help you invest in a child you love and turn your college savings plan into reality.

Warmly,



Rob McCord
Pennsylvania Treasurer

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PA 529

*– one of the best ways
to save for college.*

Many financial experts agree that 529 plans are the best way for most families to save for college. A 529 college savings plan is a tax-advantaged program created to help families like yours save for future education expenses. The name “529” comes from the section of the Internal Revenue Code that specifies the plans’ federal tax advantages.

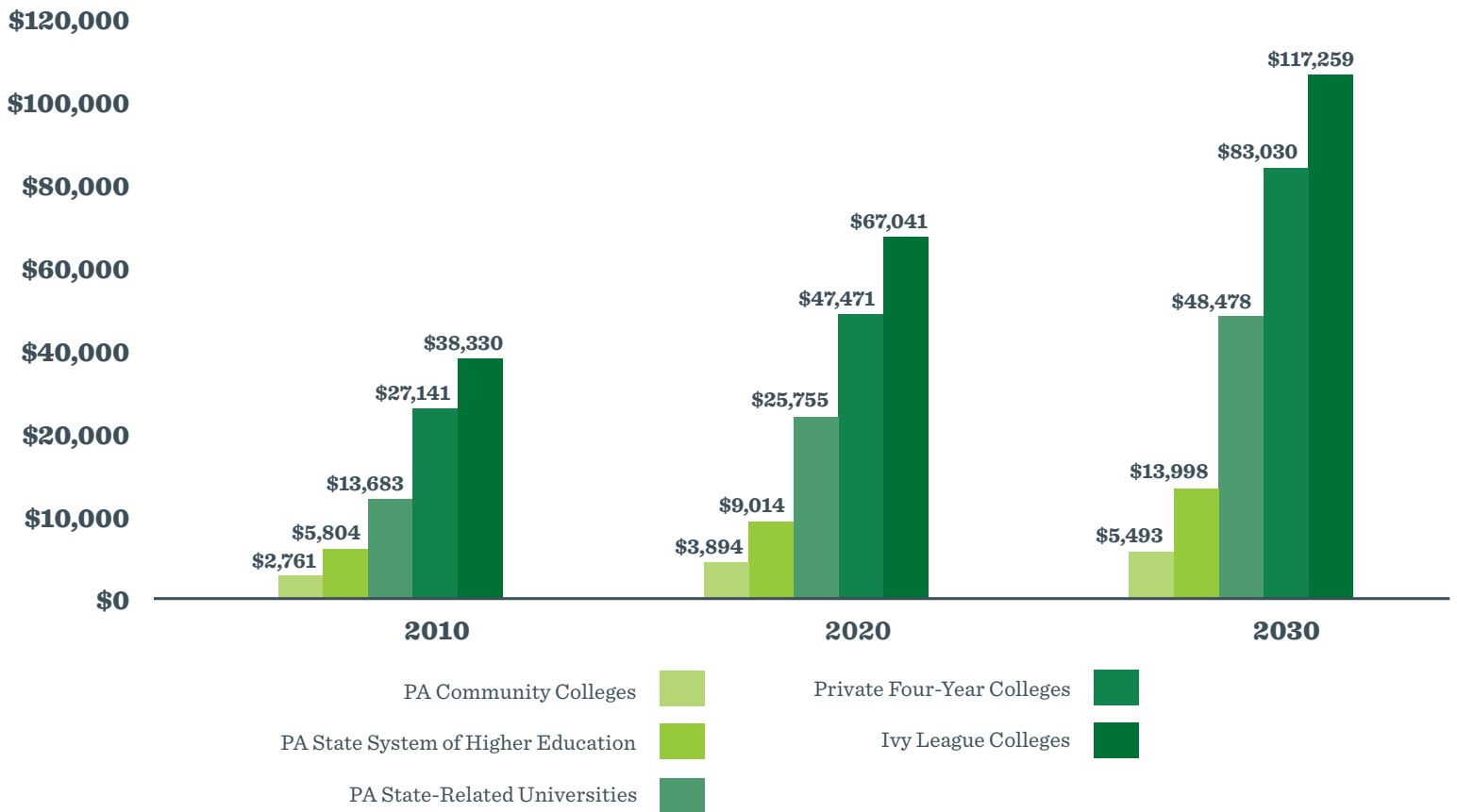
529 plans help families make progress towards their college savings goals. After all, there’s no way around it – higher education is getting more expensive. The chart on page two compares the average annual tuition cost for several types of colleges and universities against what they are expected to cost in 2020 and 2030.

The PA 529 IP is a mutual fund-based investment product. It offers 13 investment options from conservative to aggressive and even a socially responsible stock portfolio – all managed by The Vanguard Group, one of our nation’s leading investment managers. You can choose an option or custom build one that is right for your individual circumstances, even if those circumstances change in the future.

Anyone age 18 or older can open a PA 529 IP account. You can contribute as little as \$25 at a time, or as much as you want up to \$368,600 per beneficiary, and make contributions whenever you want.

Higher education is well-worth the cost

Current and Projected Annual Tuition Costs



Affording college is one of the top financial concerns of most families. And, for good reason. It is one of their largest expenses. Today’s costs are daunting enough but tomorrow’s are even more.

As this shows, there is no denying that higher education is expensive. But equally certain is its value.

From a dollar and cents perspective, those with higher education earn more than those without one – as much as 66% more or about \$80,000 to \$1 million over a working career. And, they are less likely to face unemployment. There are immeasurable intrinsic benefits as well. In general, those with higher education have greater job satisfaction, better health, and are more engaged with their families and communities.

The chart assumes average annual tuition inflation rates: Community Colleges, 3.5%; State System of Higher Education, 4.5%; State-Related Universities Average 6.53%; Private Four-Year Colleges, 5.75%; and Ivy League Colleges, 5.75%. Although these projections are based on historical and projected rates of tuition inflation at each type of institution, there can be no assurance that they will accurately reflect future increases. Projected tuition rates do not represent actual tuition costs at a specific school. *Tuition inflation projections and calculations provided by Actuarial Resources Corporation.*

Benefits of the PA 529 IP

You can easily open an account, contribute to it, and use it at almost all colleges and many career schools to pay for qualified educational expenses, which include most college expenses such as lab fees and books. There are many benefits of investing through the PA 529 IP.

1. Generous TAX BREAKS

Thanks to an array of Pennsylvania and federal tax provisions, you can enjoy the following benefits when you invest through a PA 529 IP account:

STATE TAX DEDUCTION

Pennsylvania taxpayers can deduct contributions to the PA 529 IP from their Pennsylvania taxable income up to \$13,000 per beneficiary per year. For married couples, contributions up to \$26,000 per beneficiary per year are deductible, provided each spouse has taxable income of at least \$13,000.¹

TAX-DEFERRED GROWTH

Earnings are not subject to yearly taxation for either federal or Pennsylvania income taxes while they remain in the account.¹

TAX-FREE WITHDRAWALS

When used for qualified expenses, the growth in your account is not subject to federal or Pennsylvania income taxes.¹

GIVE A GIFT BUT RETAIN CONTROL

Section 529 plans also provide unique control over assets. Contributions are considered completed gifts and are removed from the assets of the contributor and/or the account owner for federal estate tax purposes. However, unlike other completed gifts, while alive, the account owner retains control and can take the contributions back at any time for any reason. This can provide estate planning benefits.²

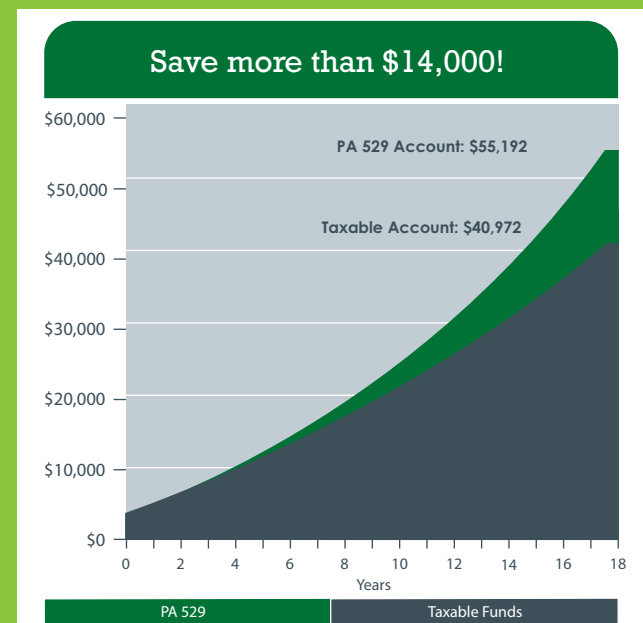
GIFT TAX EXCLUSION

Contributions are included in the annual \$13,000 exclusion from federal gift taxes for gifts made to any one person, but, unique to 529 plans, a contributor can give up to five times that amount (\$65,000) in one year and treat that contribution as if it were made over five years for gift-tax purposes. So, large contributions to the PA 529 IP can be made without incurring gift taxes.³

STATE INHERITANCE TAX EXEMPTION

Depending on the relationship between the deceased account owner and the heirs, this can be a savings of up to 15% of the value of the account.

TAX FREE VS. TAXED GROWTH



Hypothetical example. Assumes initial contribution of \$3,000, and subsequent monthly contributions of \$100 into both types of accounts earning 7.5% return (net of expenses) over a period of 18 years for tax payers in a 30% tax bracket (combined federal, state, and local) and no withdraws during the period.

2. *EASY to set up, contribute to, and use*

With a PA 529 IP account, families can save for college in a way that meets nearly every need and budget. You can use your account for most expenses at almost any college and many career schools.

Save when and how much you want. You may open an account with as little as \$25 and make minimum subsequent contributions of \$25 or more whenever you want. Make saving even easier by setting up automatic payroll deduction or deductions from your bank account. The maximum contribution for all Pennsylvania 529 accounts for the same beneficiary, regardless of who owns the accounts, is \$368,600. Once your accrued Pennsylvania account balance reaches this limit, no additional contributions are allowed.

Use your account at almost all colleges and many career schools. Accountant, hairdresser, or rocket scientist? It doesn't make a difference. Nearly all colleges, universities, community colleges, and law, medical, or business schools nationwide qualify. Many career or technical schools and colleges abroad are eligible, as well. For a list of eligible schools, see www.fafsa.ed.gov.

Use your PA 529 IP account to pay for tuition, certain room and board costs, and required books and supplies. Qualified educational expenses include all these items as well as required equipment, mandatory fees, and special needs services.⁴

There are no income restrictions. It doesn't matter what your income is. Any U.S. legal resident 18 and older can open a PA 529 IP account.

Anyone can contribute. Parents, grandparents, aunts, uncles, and family friends can all help cover the cost of your student's college education.

It's affordable. The PA 529 IP has low fees that vary by investment option.

529 PLANS – NOT JUST FOR KIDS!

The faces in college classrooms across the country are changing. The U.S. Department of Education reports that 40% of American college students – almost 6 million people – are 25 years of age or older. By 2017, the Department expects the ranks of older students to grow 20%.

The recession has also led many people back into the classroom – either to expand their skill set in the name of job security or to learn a new trade after a job loss.

If you are thinking about entering the world of higher education, you can use the PA 529 IP to progress toward your savings goals.

Adults can open PA 529 IP accounts to save tax-free for their own education or new training at technical or vocational schools, community colleges, four-year universities, and graduate schools. Or, if your child's plans change or there are funds left over, you can use the PA 529 IP account for your own education costs.

3. BETTER *financial aid treatment*

STATE FINANCIAL AID

By state law, a PA 529 IP account does not affect eligibility for financial aid provided by Pennsylvania, such as state grants. Savings held in other states' 529 plans do not receive this protection.

FEDERAL FINANCIAL AID

A PA 529 IP account does affect eligibility for federal financial aid. If the account owner is a custodial parent, then the PA 529 IP account is considered an asset of the parent, just as a bank savings account or mutual fund. Generally, this means approximately 6% of the funds in the PA 529 IP account are considered in determining your eligibility for federal financial aid.

Of course, when your student is ready for college, be sure to check with the schools you're thinking about for their specific financial aid criteria.

4. GET YOUR MONEY BACK *at any time, for any reason*

While the money you invest in the PA 529 IP is specifically earmarked for college or career school, you can always get your money back whenever you want, for any other purpose. Of course the value of your investment at liquidation could depend on your investment's performance over the time your account was open and would be more or less than what you invested.

Because of the tax advantages while you are saving in your account, there are federal and state tax consequences if you don't use your account for qualified expenses. A withdrawal, or portion of a withdrawal, not used for qualified expenses may be subject to federal, state, and local income taxes. And with a few exceptions, the growth in your account is also subject to an additional 10% federal income tax penalty.¹

It is almost always better financially to use your account to pay for qualified expenses at college or career schools. So before withdrawing funds for other purposes, you may want to consider other options. For example, if your child decides not to go to college right away, you can wait. You also have the option to change the beneficiary to another family member — even to yourself.⁴

5. *Make saving* AUTOMATIC

Saving is most powerful and productive when it is done early and often – but it’s never too late to start. Most families combine some level of saving and borrowing when paying for college. Every dollar saved today is one less you will have to pay back (with interest) on an educational loan.

Saving also works best when it is easy – and the PA 529 IP offers two great ways to automate your college savings so you never miss a beat: an automatic investment plan (AIP) or payroll deduction.

AUTOMATIC INVESTMENT PLAN

Rather than write and mail a check, why not automate your college savings? Set up an automatic investment plan!

The plan lets you choose to have a contribution deducted automatically and regularly from a savings or checking account. This is a popular way for families to save slowly and steadily, without having to remember to make a monthly contribution.

Start your automatic investment plan with at least \$25 a month or more if it’s manageable for your budget. Remember to review your account regularly and reconsider the contribution amount if family financial circumstances change.

PAYROLL DEDUCTION

Many employers allow you to set up a payroll deduction into your PA 529 IP account. This is a great way to pay your college savings first by having a pre-arranged amount deducted from your paycheck (after taxes) and deposited into your PA 529 IP account. You can have as little as \$25 a month deducted. A great way to build your savings over time is to increase your payroll deduction whenever you receive a raise. Since the contribution is taken out before you receive your paycheck, you’ll never notice a difference.

If your employer does not offer PA 529 IP payroll deduction, please contact the program customer service staff at 1-800-440-4000 for more information on how your workplace can start.

Saving A Little Each Month Adds Up Over Time

Monthly Contribution	Final Amount (18 years)
Contribute \$25 monthly for 18 years	\$10,092
Contribute \$50 monthly for 18 years	\$20,185
Contribute \$100 monthly for 18 years	\$40,370

Results accumulated at 6.53% for 18 years

MANAGE YOUR ACCOUNT ONLINE

Log onto your account at www.PA529.com to manage and view your college savings anytime, anywhere. Do it all online:

- Make contributions to your PA 529 IP account.
- Set up or change automatic contributions from your bank account or payroll deduction.
- View account balances and transaction history.
- Change contact information and other important account selections.
- Stay informed about special offers, promotions, and exclusive information and news.

CHOOSE *an investment option that's right for you*

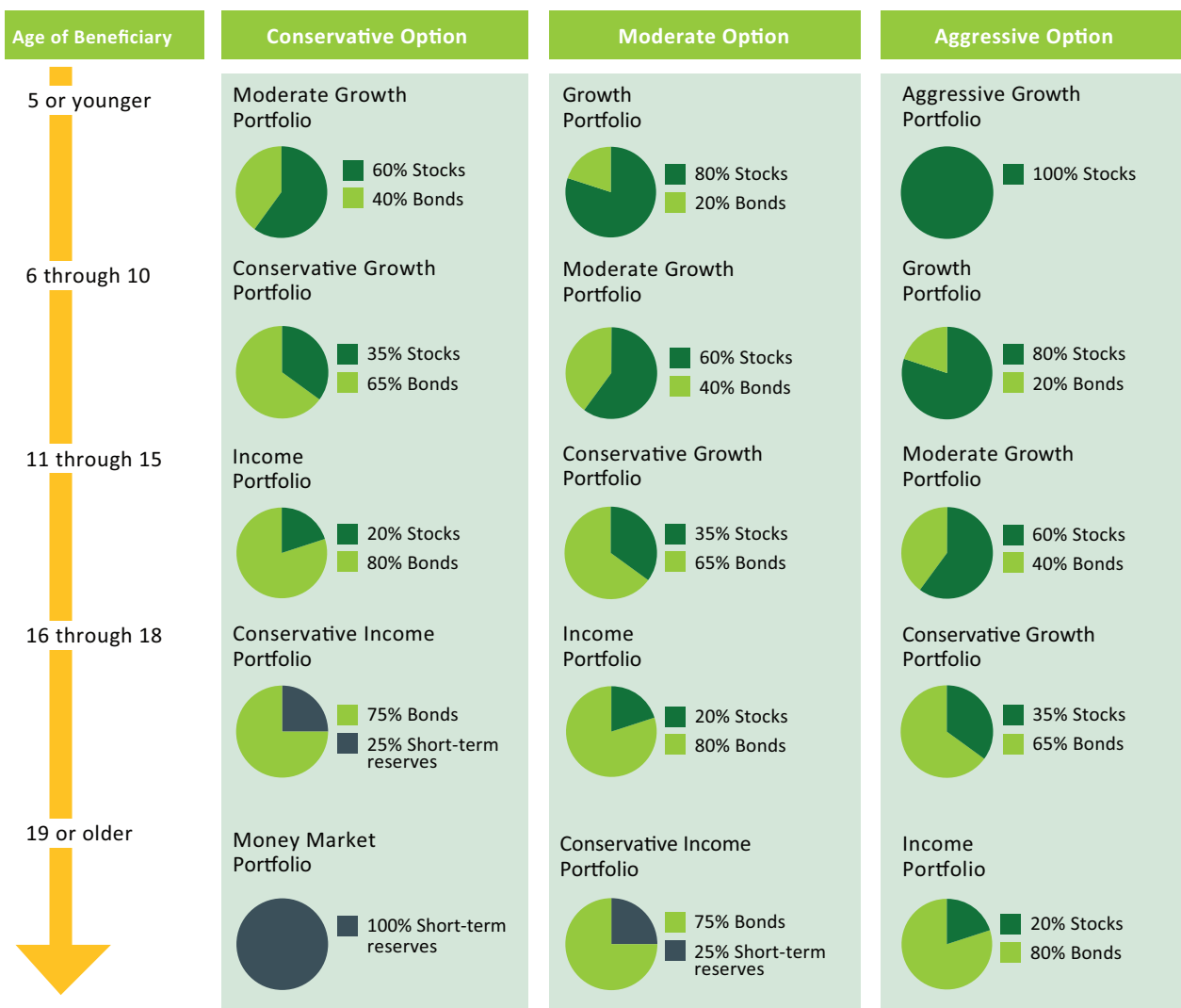
The PA 529 IP offers a comprehensive menu of 13 investment options managed by Vanguard—three age-based options and ten individual portfolios, including a socially responsible equity portfolio. The tables below and on the following page highlight all the options. For more information, read the enclosed Disclosure Statement. You can also find more details at www.PA529.com

MAKE INVESTING EASIER WITH AGE-BASED OPTIONS

You can simplify saving for college by selecting an investment option that automatically rebalances your asset mix. When you invest in any of the three age-based options, your assets will be managed according to the age of your beneficiary and your risk tolerance through a series of investment portfolios that gradually change over time.

For younger beneficiaries, your assets will be placed initially in portfolios that invest in funds with higher concentrations of stocks. As the beneficiary ages, the assets are automatically shifted to more conservative funds that invest in bonds and short-term reserves in an effort to reduce your exposure to risk and market fluctuations before you begin making withdrawals.

AGE-BASED OPTIONS



Portfolios with higher allocations to bonds and short-term investments tend to be less volatile than those with higher stock allocations. Less volatile portfolios generally may not decline in value as much when markets decline, but also may not appreciate in value as much when markets go up. Investments in bonds are subject to interest rate, credit, and inflation risk.

Build YOUR OWN college savings program

Ten individual portfolios allow you to customize and manage your own college savings program. Unlike the age-based options, your allocation to individual portfolios will remain fixed until you make a change. As your beneficiary nears college age, you can move your assets into more conservative investments to help protect your money.

Federal law allows you to transfer assets already in your account between investment options once per calendar year. You can change the investment direction of future contributions at any time. To learn more about the underlying Vanguard mutual funds, visit www.PA529.com. Please keep in mind that, as a PA 529 IP account owner, you own units of your chosen investment portfolio not shares of the plan's underlying investments.

INVESTMENT PORTFOLIOS

Investment Option	Investment Objective	Underlying Investments
Aggressive Growth Portfolio (asset-based fee 0.50%)	Seeks to provide capital appreciation.	70% Vanguard Institutional Total Stock Market Index Fund 30% Vanguard Total International Stock Market Index Fund
Total Stock Market Index Portfolio (asset-based fee 0.48%)	Seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.	100% Vanguard Institutional Total Stock Market Index Fund
Social Index Portfolio (asset-based fee 0.62%)	Seeks to track the performance of a benchmark index that measures the investment return of large- and mid-capitalization stocks that are screened on social and environmental criteria.	100% Vanguard FTSE Social Index Fund
Growth Portfolio (asset-based fee 0.51%)	Seeks to provide capital appreciation and low to moderate current income.	55% Vanguard Institutional Total Stock Market Index Fund 25% Vanguard Total International Stock Market Index Fund 20% Vanguard Total Bond Market II Index Fund
Moderate Growth Portfolio (asset-based fee 0.51%)	Seeks to provide capital appreciation and current income.	45% Vanguard Institutional Total Stock Market Index Fund 15% Vanguard Total International Stock Market Index Fund 40% Vanguard Total Bond Market II Index Fund
Conservative Growth Portfolio (asset-based fee 0.51%)	Seeks to provide current income and low to moderate capital appreciation.	25% Vanguard Institutional Total Stock Market Index Fund 10% Vanguard Total International Stock Market Index Fund 65% Vanguard Total Bond Market II Index Fund
Income Portfolio (asset-based fee 0.52%)	Seeks to provide current income.	20% Vanguard Institutional Total Stock Market Index Fund 80% Vanguard Total Bond Market II Index Fund
Conservative Income Portfolio (asset-based fee 0.54%)	Seeks to provide current income and some inflation protection as well as income consistent with the preservation of principal.	50% Vanguard Total Bond Market II Index Fund 25% Vanguard Inflation-Protected Securities Fund 25% Vanguard Prime Money Market Fund
Inflation-Protected Securities Portfolio (asset-based fee 0.53%)	Seeks to provide inflation protection and income consistent with investment in inflation-indexed securities.	100% Vanguard Inflation-Protected Securities Fund
Money Market Portfolio (asset-based fee 0.55%)	Seeks to provide income consistent with the preservation of principal.	100% Vanguard Prime Money Market Fund

EARN *additional savings for college*

UPROMISE PROVIDES AN EASY WAY

Upromise is a free, online service designed to help families earn extra money for college. Through Upromise, hundreds of America's leading companies help you save by giving you back a percentage of the qualified dollars you spend with them.

When you sign up for Upromise, you can earn 1-25% back on qualified everyday spending by shopping online or in-store, eating out, buying groceries, purchasing travel and more.

You easily can link your Upromise account with your PA 529 IP account and have your Upromise savings automatically transferred.⁷ But what makes Upromise powerful is that you can invite grandparents, aunts, uncles, and family friends to join Upromise and direct their rebates into your Upromise account.⁵

And, for those occasional special events, Upromise provides an easy way - Ugift - to let friends and family give the gift that lasts a lifetime - education.

Ugift is an innovative way to invite family and friends to celebrate a child's milestones with the gift of college savings in lieu of traditional gifts. This easy-to-use service lets the special people in your life make gift contributions to your PA 529 IP account.

Once you become a PA 529 IP account owner, participation in Ugift is just a click away. Log in to your PA 529 IP account and click on the Ugift logo. You will be taken to the Ugift screen, where you will be given step-by-step instructions. Contributions made via Ugift are invested into the beneficiary's PA 529 IP account to be used for college and college-related expenses.

And, contributions can be deducted by the gift giver on Pennsylvania's state income tax returns. Consult your tax advisor for information.

It's easy to enroll in Upromise online.
Visit upromise.com/pa for details.

Earn tuition DISCOUNTS

SAGE SCHOLARS' TUITION REWARDS

Like “frequent flyer miles” for college tuition, the SAGE Scholars’ Tuition Rewards is a free scholarship program available to families who use the PA 529 IP to save for college. Based on the value of your PA 529 IP account, you earn Tuition Rewards Points that can reduce undergraduate-level tuition at over 270 participating private colleges and universities, including almost 50 in Pennsylvania.⁶

HOW TUITION REWARDS WORK:

Each quarter through 2011, you earn Tuition Rewards equal to 2.5% of the value of your PA 529 IP account - adding up to approximately 10% per year. For example, if you have \$10,000 saved, then at the end of the year, assuming no change in asset value, you will have earned approximately 1,000 in Tuition Rewards Points. Each point is worth \$1.00 in scholarships at SAGE member schools. After 2011 the rewards earned will be 1.25% per quarter or approximately 5% per year.⁸

- If your child attends a SAGE member school, your accumulated Tuition Rewards Points tuition discounts can be used at that school.
- Maximum discounts that will be honored vary by school, from \$7,000 to \$39,520 for students starting in fall 2010, and must be spread evenly over four years of attendance.
- By enrolling in the program, you give SAGE member schools permission to recruit your child as a potential student.

Generally, students must be enrolled in the SAGE Tuition Rewards program no later than the start of their junior year of high school, and Tuition Rewards Points stop accumulating prior to the students’ senior year.

Tuition Rewards costs you nothing to join, and Rewards Points can add up quickly - just by making contributions to the PA 529 IP. It’s easy to get started. Just sign up at the time you enroll by checking the SAGE Rewards program box on the Pennsylvania 529 IP enrollment application. To track your SAGE Rewards, or to get more information, visit and register at **www.tuitionrewards.com**. You’ll receive a 500-point bonus for each child enrolled through the PA 529 IP and one 500-point bonus when you register online.

1 The availability of tax or other benefits may be contingent on meeting other requirements. A withdrawal, or a portion of a withdrawal not used for qualified education expenses, may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes.

2 Upon the account owner's death, ownership and control pass as explained in the PA 529 IP Disclosure Statement.

3 In the event the contributor doesn't survive the five-year period, a pro-rated amount will revert to the contributor's taxable estate.

4 Certain limitations apply. Call 1-800-440-4000 or read the PA 529 IP Disclosure Statement for details.

5 Please note that the Upromise program is an optional service offered by Upromise, Inc., and is separate from the PA 529 IP. Specific terms and conditions apply. Participating companies, contribution levels, terms, and conditions are subject to change without notice.

6 Please note that SAGE Scholars' Tuition Rewards is an optional service offered by SAGE Scholars' Tuition Rewards and is separate from the IP. Separate terms and conditions apply. Contact SAGE Scholars' Tuition Rewards at support@SAGEscholars.com for more information.

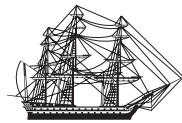
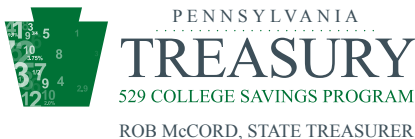
7 Subject to minimum transfer amount of \$25.

8 Expires on December 31, 2011 at which time quarterly rewards earned will be 1.25% of the value of your PA 529 IP Account.

AS OF MARCH 31, 2011,
THE PA 529 INVESTMENT
PLAN HAS PAID OUT OVER
\$153 MILLION TO HELP
MAKE COLLEGE POSSIBLE
FOR 13,207 STUDENTS.

Enroll Today.

Complete the enrollment materials provided or enroll online at PA529.com.
Please read the IP Disclosure Statement carefully for important information about the plan.



Vanguard[®]

Pennsylvania 529 Investment Plan
Service Center
P.O. Box 55378
Boston, MA 02205-5378

1-800-440-4000 | PA529.com

None of the Portfolio's, including the Conservative Income Portfolio's and Money Market Portfolio's investments in Vanguard Prime Money Market Fund are insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of the investment at \$1 per share, it is possible that the Portfolios may lose money by investing in the Fund.

For more information about the Pennsylvania 529 Investment Plan, call 800-440-4000 or visit PA529.com to obtain a Disclosure Statement. Investment objectives, risks, charges, expenses, and other important information are included in the Disclosure Statement; read and consider it carefully before investing.

If you are not a Pennsylvania taxpayer, consider before investing whether your or the designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program.

The Pennsylvania 529 Investment Plan is authorized by the Commonwealth of Pennsylvania and administered by the Pennsylvania Treasury Department. Upromise Investment Advisors, LLC, serves as the Recordkeeping and Servicing Agent. The Vanguard Group, Inc., serves as Investment Manager for the Investment Plan. The Investment Plan's portfolios, although they invest in mutual funds, are not mutual funds.

Investment returns are not guaranteed, and you could lose money by investing in the Investment Plan. Account owners assume all investment risks, including the potential for loss of principal, as well as responsibility for any federal and state tax consequences.

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