

October 12, 2011

Changes to NC 529 Plan Reduce Fees and Enhance Savings

Raleigh, N.C. – Last October *Money* magazine recognized the NC 529 Plan as one of the three top picks for ultralow fees and age-based portfolio options. By October 31, 2011, the NC 529 Plan will have cut fees and expenses for its investment options even lower than the range that earned recognition, going from 0.25% - 0.90% to 0.25% to 0.44%, a 51% decrease.

Two factors made this reduction possible. First, in February, the Plan completed its move away from actively managed funds to less expensive index funds. And, second, the Plan is now replacing the V Fund Age-Based and Individual Investment Options with new Vanguard® Age-Based and Individual Portfolios. Several of the mutual funds making up the new Vanguard Portfolios are in share classes available at a lower cost than those currently used for the V Funds.

The Vanguard Age-Based Portfolios coming October 31 will operate in the same manner as the current V Fund Age-Based options, with account holders choosing an Aggressive, Moderate or Conservative Track, depending on the holder's tolerance for risk and the beneficiary's birth date.

Individual V Funds 1-8 will be replaced by eight new corresponding Vanguard individual options. A ninth individual option will be added, the Vanguard Aggressive Growth Portfolio.

There are no changes to the other two investment options offered by the NC 529 Plan, the Federally-Insured Deposit Account provided by the State Employees' Credit Union and the Dependable Income Fund managed by the State Treasurer of North Carolina. Fees and expenses for these two offerings are already at the lower end of the range of fees and expenses, at 0.25% and less than 0.30%, respectively.

The last change to the NC 529 Plan being made this fall will help the Program "go green" and reduce expenses. Beginning November 1, Account owners who receive paper statements and notices via standard mail will be assessed a monthly Account fee of \$1.50. The fee will be waived if the Account owner elects electronic delivery ("e-delivery") of quarterly statements and other communication.

Legislation passed earlier this summer showed continuing support for the NC 529 Plan. Governor Bev Perdue signed bipartisan legislation making the tax benefit for NC 529 contributions permanent at all income levels instead of letting it expire. The bill was sponsored by Sen. Fletcher Hartsell (R) and co-sponsored by Sen. Bob Atwater (D) and Sen. Bob Rucho (R). Supporting the bill on the House floor were Rep. Jonathan Jordan (R) and Rep. Deborah Ross (D). Now North Carolinians at all income levels who contribute to the NC 529 Plan continue to be eligible for tax advantages on contributions of up to \$2,500 (individual) or \$5,000 (married, filing jointly). NC 529 contributions are the only 529 contributions deductible when determining North Carolina taxable income.

Most recently, Governor Perdue proclaimed September as College Savings Month in North Carolina. At the end of September, the number of NC 529 accounts had increased over the previous year by 15.7%, according to College Foundation Inc., the program administrator. At the same time, there were 94,516 account owners with more than \$766 million invested, a fund value increase of 20.4% over the previous September.

More details on the new Vanguard Portfolios and how they will be exchanged, a full description of the NC 529 Plan and deadlines for year-end contributions are posted at CFNC.org/NC529. For individual questions on the savings program or enrollment, call toll-free 1-800-600-3453 or email savings@CFNC.org.

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For more information about North Carolina's National College Savings Program, please review the complete Program Description and Enrollment Agreement available at CFNC.org/NC529 or contact 800-600-3453 to request an enrollment kit that includes both. Before opening an Account, or contributing funds to an existing Account, you should carefully read and consider the Program Description, which includes information on investment objectives, risks, charges, expenses, and other important information.

North Carolina's National College Savings Program is a program of the State of North Carolina, established and maintained by the State Education Assistance Authority (Authority) as a qualified tuition program under federal tax law, and administered by College Foundation, Inc. (CFI). Current Investment Options are provided by the State Treasurer of North Carolina; State Employees' Credit Union (SECU) and The Vanguard Group, Inc. (Vanguard).

Check with your home state about tax or other benefits associated with investing in its own qualified tuition plan. If you are a North Carolina taxpayer, you will be eligible for a state income tax deduction.

The features of a qualified tuition program are complex and involve significant tax issues. The earnings portion of withdrawals not used for qualified higher education expenses are subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. The availability of tax benefits may be contingent on meeting other requirements.

Accounts themselves are not bank or credit union deposits and are not insured by the FDIC or NCUA. Neither the Contributions nor the earnings thereon invested in or allocated to Program Accounts are backed by the full faith and credit of the State of North Carolina or guaranteed by the Authority, CFI, SECU or Vanguard. Notwithstanding the foregoing, Contributions and interest earned thereon allocated to the Federally-Insured Deposit Account Investment Option are guaranteed by SECU and insured by NCUA, which is backed by the full faith and credit of the United States Government. The value of a Participant's Account will fluctuate depending on market conditions and the performance of the Investment Options selected. You could lose money by investing in the Program. Participants assume all responsibility for federal and state tax consequences.